



# **EXPERT REVIEW OF THE IMMIGRATION INQUIRY AND ITS FINAL REPORT**

**Prepared for The New Zealand Productivity  
Commission | Te Kōmihana Whai Hua o Aotearoa**

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## Disclaimer

Bedford Consulting is an independent research organisation. The analysis and interpretation in this report reflect the views of the author. This report contains an expert review of the New Zealand Productivity Commission's immigration inquiry and its final report. The author was one of many people involved in the early consultation stage of the inquiry but has had no involvement in the engagement meetings, submissions or new research that are the subject of review in this report. While the author has been careful in presentation of data and information, no liability is accepted for any incorrect statement or information in this report.

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## TERMS OF REFERENCE FOR AND CONTENT OF THIS REVIEW

The New Zealand Productivity Commission has commissioned an expert review of the inquiry it conducted into immigration between April 2021 and April 2022, and its final report *Immigration - Fit for the future*.

### Terms of reference

The terms of reference for the review contain the following specifications:

1) Evaluation, based mainly on the final report, of the quality of the immigration inquiry against the following performance measures:

- **Good process management** – the timeliness and quality of the inquiry process
- **Effective engagement** – the quality of the engagement with interested parties
- **Right focus** – the relevance and materiality of the inquiry report in meeting the ToR as well as the length of the ToR and its impact on the design of the inquiry
- **High quality work** – the quality of the analysis, use of evidence, findings and recommendations in the final report
- **Clear delivery of messages** – how well the work was communicated and presented in the final report, in “Immigration by the numbers”, as well as in seminar videos, wider opeds and supplementary papers
- **Overall quality** – the overall quality of the inquiry considering all factors.

2) Consideration of the following impact measures:

- Policies and behaviours change as a result of the immigration inquiry work
- Discussion and debate are generated on the inquiry’s findings and recommendations
- The inquiry helps to lift the standard in New Zealand for high-quality analysis and advice on working-age immigration policy settings facilitating New Zealand’s long-term economic growth and promoting the wellbeing of New Zealanders
- The inquiry report will serve as a resource and reference for the future.

3) Observations on any lessons that can be taken from the review, including recommendations for any future improvements in the Commission’s inquiry process.

### Content of this report

The review is presented in five sections addressing the performance measures listed above in turn. Comments on the four impact measures, and observations on any lessons that can be taken from the review, are integrated into the discussion of the various performance measures. While the evaluation is based mainly on the final report, there is also quite extensive discussion of the Issues paper, the draft report, and the wider supporting research undertaken, especially in the first three sections of the review.

### Acknowledgements

During the course of the review the current Director of the Immigration Inquiry, Julian Wood, provided me with copies of a range of Commission documents relating to the inquiry. These have been very helpful in assisting me to address aspects of internal process management, effective engagement with interested parties, and the focus of the review in the light of the unusually lengthy and prescriptive Terms of Reference for the inquiry. I would also like to acknowledge assistance received from several people who participated in the review at different stages, including the previous Inquiry Directors and the current Commissioners. The observations made in this review are mine unless otherwise stated.

## EXECUTIVE SUMMARY

### Good process management

- The Productivity Commission's immigration inquiry was conducted while New Zealand's borders were effectively closed as a result of the COVID-19 pandemic. Most consultation had to be conducted via telephone, zoom or Teams because of pandemic-related restrictions.
- The inquiry was timely given major increases in temporary migration flows and net migration gains during the five years preceding the COVID-19 pandemic. These net gains have been the subject of major debates about immigration and its impact on New Zealand's labour market, society, infrastructure (especially housing) and environment.
- Public engagement with the inquiry, including submissions on the Issues paper and the draft report, occurred between June and December 2021. The final versions of *Immigration - Fit for the future* and an associated analytical report, *Immigration by the numbers*, were released to the public at the end of April 2022.

### Changes in the Commission and in immigration policy

- The immigration inquiry was initiated at a time of considerable change both within the Commission as well as in immigration policy settings relating to some of the key visa categories that the inquiry would be addressing.
- Within the Commission a new Chair, a revision in the Minister of Finance's expectations for the Commission, and a detailed and quite prescriptive Terms of Reference for the immigration inquiry all contributed to a challenging period of transition for several staff.
- Staff turnover during the inquiry was high and was the subject of an independent review. Despite the departure of many experienced staff between June 2021 and April 2022, the Commission delivered all of the major outputs on schedule.
- Contributing to pressures within the Commission, was implementation of major changes in immigration policy that had been foreshadowed by the Minister of Immigration in 2018.
- Most of these changes related to the policy settings for temporary entry of working-age migrants – the population that was the central focus of the immigration inquiry.
- In its final report, the Commission makes direct reference to the Accredited Employer Work Visa (AEWV) and has an extended discussion of the costs and benefits of 'tying' visa holders to particular employers. The Commission favours an employer-sponsored visa system that allows migrants to change employers as a way of leading to better labour market and productivity outcomes. This is at variance with some features of the AEWV.
- In its recent "Briefing for the Incoming Minister of Immigration", MBIE noted that "the Productivity Commission has a number of findings and recommendations for the immigration system. You will receive advice on a Government response in August". This response had not been received by the Commission at the time of preparing this review in September 2022.
- The inquiry process clearly had its challenges, but it is difficult to be critical of the quality of the management of this process given the successful delivery of all key outputs on schedule.

### Effective engagement

- In his Letter of Expectations (11 May 2021), the Minister of Finance stated that he would like to see the Commission facilitate and inform public debate on issues of productivity and wellbeing for communities that may not have engaged with their inquiries previously.

### Engagement meetings

- Appendix A Public Consultation in the final report lists 74 engagement meetings. This is not an exhaustive list, but it does cover those who were involved in panels and formal meetings between May and October 2021 while the Issues paper and the draft report were written.
- The great majority (80%) of these engagement meetings were with institutional and corporate stakeholders. Only 15 (20%) were with named academics, policy experts and commentators.
- Of the 59 engagement meetings with institutions, organisations and corporate entities, 18 (30%) involved officials in Government Ministries and agencies, 14 (24%) involved members of industry organisations and 8 (14%) with members of education institutions/bodies.
- While a regional economic development perspective was obtained in the meeting with EDNZ, only one local authority, Christchurch City Council, is in the engagement meeting list. This is surprising given that the ToR states that “in carrying out this work the Commission should [amongst many other things] ... articulate the trade-offs involved in different policy choices, and any significant distributional impacts for different groups *or regions* [emphasis added]”.

### Submissions

- Of the 181 submissions received, 80 (44%) were in response to the Issues paper and 101 (56%) in response to the draft report. There was not a lot of difference in the shares of submissions received from each of the two broad categories of submitters (individuals, 46%; others 54%), but the shares of submissions relating to the two documents is different.
- Just over 60% of the submissions on the Issues paper were from individuals compared with 33% of the submissions on the draft report. More than twice as many institutions, organisations and corporate entities (68) made submissions on the draft report than responded to the call for submissions on the Issues paper (30).
- Amongst the submitters who were not individuals, half of the responses to the Issues paper came from industry groups, charities, community organisations and not-for-profits along with 40% of the responses to the draft report. This represents a high level of engagement with the immigration inquiry from non-government organisations.
- Local body councils and regional economic agencies were better represented in the submissions on the draft report than in submissions on the Issues paper or participants in the engagement meetings. Government Ministries and agencies, by contrast, were less heavily represented in the written submissions than in the engagement meetings.

### Research papers

- Between June 2021 and April 2022 the Commission prepared 10 research papers as part of the conduct of the immigration inquiry. Most of these papers were subjected to external peer review and 9 of them are available on the Commission’s website.
- In addition, 6 substantive inquiries into specific issues linked with productivity and wellbeing dimensions of migration were commissioned from external research providers and most are available on the Commission’s website.
- For most of the time during the 11 months between June 2021 and April 2022 no more than 6 staff were working on the immigration inquiry. Release of wide range of research reports, in addition to an Issues paper, a draft report and the final report, is impressive for a small staff.

### Quality of the engagement process

- With regard to the conduct of the engagement meetings, many of the early ones involved groups in virtual round-table discussions with members of the inquiry team. Academic

colleagues and members of Ministries I contacted during the review, who were involved in these meetings, reported that they were very open and constructive discussions.

- There was quite considerable debate within the Commission, as well as with some of those who are listed as participants in engagement meetings and/or authors of submissions, about the scope of the inquiry and the nature of the new research that needed to be done to inform an inquiry about the impact of immigration on productivity and wellbeing.
- There are some divergent views about the quality of engagement, as well as the quality of the research that was being done in house and externally for the inquiry. This divergence of views is not surprising given the nature of many debates within economics and the social sciences.

#### ***A measure of effective engagement***

- One crude indicator of effective engagement is the extent to which submissions on the draft report, and the insights gained from new research that the Commission had conducted internally or had commissioned externally, resulted in substantive changes in the key messages contained in the final report.
- There are 13 findings, 9 recommendations and 7 questions in the draft report. In the final report there are 32 findings and 24 recommendations. Increases in the numbers of findings by 146% and recommendations by 167% represent significant changes in the content of the key messages arising from the immigration inquiry.
- The significant refinement of many of the recommendations that were contained in the draft report, plus the inclusion of 12 new ones in the final report, reflects positively on the effectiveness of the engagement process.
- Following a period of robust debate and deliberation, the Commission responded constructively to ideas, criticisms and new evidence contained in submissions and research reports and met the delivery target for its final report at the end of April 2022.

#### **Right focus**

- Immigration was one of several possible topics for inquiries that the Commission suggested to the Treasury during 2020. In response to interest by the Treasury, the Commission prepared a two page draft ToR addressing a range of productivity dimensions of immigration.
- On receipt of this draft in February 2021, the Treasury followed its usual process of seeking advice from a range of Ministries, including suggestions for additional issues to be addressed in the ToR. The final outcome was a five page ToR that covered a much wider range of topics and issues than had been suggested by the Commission (see Annex 1).

#### ***The Terms of Reference (ToR)***

- The Ministers of Finance and Immigration requested the Productivity Commission “to undertake an inquiry into immigration settings for New Zealand’s long-term prosperity and wellbeing, with a focus on working age immigration policy”.
- Most of the immigration settings relating to residence visas (skilled and business, family, international) and temporary visas that allowed for pathways to employment in New Zealand (including study and working holiday visas) were in scope.
- The focus was to be on “supporting the overall wellbeing of New Zealanders” (citizens and residents), but the wellbeing of temporary migrants (non-residents) was also to be considered. The working-age immigration policy settings that the Commission was requested



to adopt included Working Holiday visas, student visas and migration of partners, dependent children and parents.

- The ToR is quite prescriptive and there are 35 primary bullet points detailing the expectations that the referring Ministers had for the inquiry which was to be completed within 12 months.
- Just over 40% (15) of the 35 bullet points relate specifically to economic dimensions of migration, especially with regard to the labour market (e.g. demand, wages, inclusion, ‘crowding out’), skills and education, business investment and incentives, and a range of adjustments relating to enhanced productivity, infrastructure provision (including housing) and macroeconomic phenomena such as interest and exchange rates and GDP growth.
- But at least half of the bullet points did not have an explicit focus on economic or productivity-related returns from immigration (see Annex 1).
- The Commission needed “to ensure that Māori can provide input into the inquiry at all stages and through a range of channels and organisations.” In addition they “should also consult with Pacific communities, migrant and ethnic communities, relevant government agencies, local authorities, skills organisations including international education organisations, the social partners (the New Zealand Council of Trade Unions Te Kauae Kaimahi and Business New Zealand) and the general public.”

#### **The Issues paper**

- The 40 page Issues paper contains a comprehensive, readable commentary and series of questions relating to issues raised in the ToR. The table of contents lists 22 topics, mostly framed as questions, that introduce the purpose and scope of the inquiry and provide context for 43 specific questions that the Commission was seeking feedback on from the public.
- The Issues paper is successful in organising the broad range of topics and themes that are in the ToR into an inclusive and coherent framework for the public submission process.
- There are two topics in the ToR that the Issues paper does not address directly: the impact of climate change and the impact of the changing nature of work. In explaining these omissions, Commission staff acknowledged that some topics got less specific attention than others.
- The Commission, while very sympathetic to the intent behind the questions in the ToR relating to how the Crown can honour Te Tiriti o Waitangi and the mana of Māori in its development and application of immigration policy, had reservations about whether they were the appropriate agency to address them.
- Following consultation with a range of Māori stakeholders, a general consensus was that addressing Treaty-related issues appropriately required a partnership with Māori to frame both the consultation process as well as subsequent planning and delivery of outcomes. This process was best managed through the Crown’s established engagement processes with Māori on such issues.
- The Commission is to be commended for developing such a well-designed and attractively presented invitation to a wide range of stakeholders, including the general public, to make submissions on aspects of the immigration inquiry between June-December 2021.

#### **High quality work**

- In this section attention is focussed on the quality of the final report, *Immigration - Fit for the future* and *Immigration by the numbers*, the report that contains much of the quantitative evidence that has informed the Commission’s findings and recommendations.

### **Building the evidence base**

- *Immigration by the numbers* is, and will remain, a major resource for anyone interested in international migration in New Zealand. It is rare to find such a comprehensive and very readable report on immigration in New Zealand that brings together analysis of data relating to border crossings (arrivals and departures), visa approvals, census data and information contained in the Integrated Data Infrastructure (IDI).
- The Commission's Economics and Research team are to be commended on the high quality of both the presentation of data in this report, as well as the text covering historical and contemporary trends in immigration, emigration and net migration; demographic characteristics of working-age migrants who have entered and left New Zealand since the late 1990s; the participation and role of working-age migrants in the labour market; and the impact of international migration on the country's national and regional economies.
- The data presented in *Immigration by the numbers* provides support for several of the Commission's headline statements about the inquiry that are on their website, including: "On average, immigration is not driving down wages nor displacing local workers".
- This key finding, along with the headline statement that: "Immigration is not likely to be the solution nor the cause of the productivity challenges facing Aotearoa New Zealand", remain areas of debate amongst economists.
- The Commission acknowledges this debate by including in the final report two lengthy recommendations (1 and 15) which relate specifically to the risk of migration displacing local workers, especially in some of the low-wage sectors of the economy.
- There are two topics where the discussion is less comprehensive than it might have been. The first relates to population growth, and the role that immigration plays in this, bearing in mind that the inquiry is addressing developments over the next 30 years at both national and regional levels.
- The second concerns the absence of any real attention in the sections on "who are the migrants" and "migrants in the labour market [and the economy]" to the people who often accompany the primary working-age migrants - their partners and dependent children if they have these - and the members of their extended families who remain overseas.

### **Population growth**

- Extensive research on New Zealand's demography in the late 20th and early 21st century has demonstrated clearly that even with extensive immigration, population growth in many parts of New Zealand will stabilise or become negative over the next 30 years.
- The relevance of this for an inquiry into immigration that is fit for a future 30 years out, is that in many parts of the country, the absorptive capacity of communities will depend more on strategies for adjusting to falling populations, not growing populations.
- While population growth at a national level in New Zealand may continue for the next 30 years and beyond, at the subnational level the ending of growth and the onset of sustained depopulation is going to pose a range of challenges and opportunities for communities and their ability to sustain some of the institutions and services that are at the heart of the Commission's concept of absorptive capacity.

### **Families**

- In some of the Commission's reports for the immigration inquiry there are passing references to the family contexts within which all migrants are situated. These contexts include single

migrants with parents in New Zealand or overseas, or couples with or without dependent children in New Zealand and parents in or outside New Zealand. But the roles of these families, and the contributions they make to productivity and wellbeing, are not addressed comprehensively in any of the reports.

- Concern about the family sponsorship policy settings was clearly evident in the chat box at the public launch of the Commission’s findings from the immigration inquiry via a webinar on 10 June. The most persistent question in the chat box during that webinar related to these policy settings, especially with regard to the parent category.
- Looking ahead, the pressures facing many migrants who are living transnational lives will intensify as their overseas-resident parents age and the costs (fiscal and in terms of carbon emissions) associated with regular international travel increase. There are productivity and wellbeing considerations that require attention relating to family sponsorship immigration settings and these merited more attention in the Commission’s reports than they received.

### **The final report**

- *Immigration - Fit for the future* is well-written, has a clear and coherent structure, and is well-illustrated. Its content meets the requirements of the Minister of Finance in his letter of expectations in May 2021 where he requests that the Commission “looks beyond traditional measures of economic success such as GDP, and has the wellbeing of current and future generations of New Zealanders front of mind as it generates new knowledge and advice.”
- To ensure that immigration policy is “fit for the future”, the Commission argues that a range of absorptive capacity issues must be addressed, along with how best to reflect Te Tiriti o Waitangi in immigration policy and institutions. To achieve this, the Commission recommends establishing an immigration Government Policy Statement (GPS) to improve the quality and transparency of immigration policy.

### **An immigration GPS**

- There is strong support for a more transparent statement about the objectives of immigration policy, not just with reference to economic objectives, but also with reference to processes of social and environmental change. The Commission has outlined an ambitious framing for the GPS in its Recommendations 3 and 13.
- There are a lot of components that the Commission considers must be included in a GPS that will “allow the government of the day to set a clear strategic direction yet allow the GPS to adapt when significant changes occur and show how immigration policy fits with other objectives”.
- One of the reports that the Commission sought from external research providers contains some advice on how a GPS mechanism might be implemented (Wilson and Fry (2022) *Planning for prosperity: Transparent and public immigration targets*, NZIER).

### **Absorptive capacity**

- The Commission’s proposals with regard to absorptive capacity are ambitious. They argue that by paying attention to absorptive capacity, the Government could more effectively manage migrant inflows to avoid exacerbating pressure on existing capacity, and invest and remove obstacles to provide enough future capacity for desired future immigration volumes.
- Given the widening disparities in regional population growth, and the quite marked regional disparities in the impacts of immigration on housing and other infrastructure and services,

there will need to be careful monitoring of distributional impacts of migration (both internal and international) at a range of sub-national levels when assessing absorptive capacity.

- A major contribution of the Commission's immigration inquiry has been to 'red flag' a number of key issues, such as absorptive capacity, that Ministries need to consider and address, rather than trying to do all the thinking for the Ministries.
- In this sense, *Immigration - Fit for the future* and the other reports and working papers that have been produced during the course of the immigration inquiry have made a particularly valuable contribution that extends well beyond the domain of immigration policy settings.

### **Clear delivery of messages and overall quality**

- Dissemination of findings and recommendations via webinars, the media and meetings began in June 2022 and was on-going at the time this review was undertaken.

### **Post-launch events**

- The Commission provided details of 17 events where research, findings and recommendations would be presented by Commissioners and members of the inquiry team. Two of these were open to the public and as a participant in both I can report that the presenters pitched their material appropriately for a public audience.
- The range of organisations that is hosting events suggests that the Minister of Finance's expectation that the Chair of the Commission's "extensive networks and experience in working with diverse stakeholder groups will enable the Commission to continue to innovate and extend its public engagement and the impact of its work" is being met.

### **Media coverage**

- Extensive media coverage followed the public release of the Commission's findings and recommendations on 31 May 2022. There were over 110 references to these in the print media, on radio and television, and in on-line outlets between 31 May and 1 September.
- This high-level of interest in the findings of the inquiry is hardly surprising given the attention in the media to immigration generally at this time with the progressive opening of the border and the implementation of the Accredited Employer Work Visa system.
- There has not yet been an official response from the Minister of Immigration to the inquiry's findings and recommendations, but it is clear from the media coverage that these have generated considerable discussion and debate about immigration.

### **Overall quality of the inquiry**

- The Productivity Commission's immigration inquiry has scored highly on all of the performance measures that this review has been asked to consider. The Commission did a remarkable job delivering on the very ambitious ToR, especially given the transition that it was undergoing during the year when all phases of the inquiry were completed.
- There are some gaps in the inquiry, and some omissions from the engagement list, that I became aware of during the course of the review. These are inevitable in such a wide-ranging inquiry into a topic around which there is considerable debate.
- My only suggestion for future inquiries that address topics rooted in demography is to make sure that the demographers are consulted. At least one of the most informed demographers about national and regional population growth over the next 30 years was not contacted at any stage during the inquiry.

## 1.0 GOOD PROCESS MANAGEMENT

The Productivity Commission's immigration inquiry was timely given the major increases in temporary migration flows and net migration gains during the five years preceding the COVID-19 pandemic that led to border closures around the world. These net gains have been the subject of major debates about immigration and its impact on New Zealand's labour market, society, infrastructure (especially housing) and environment.<sup>1</sup>

In this context, and in terms of the Productivity Commission's principal purpose of providing advice to Government "that is directed to supporting the overall wellbeing of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society"<sup>2</sup>, it is not surprising that an inquiry into immigration was one of the topics suggested by the Commission to Treasury in 2020 (see section 3).

### 1.1 Navigating transitions

The immigration inquiry was initiated at a time of considerable change both within the Commission as well as in immigration policy settings relating to some of the key visa categories that the inquiry would be addressing. These phases of transition are reviewed, briefly, in turn as they both have relevance for good management of the inquiry process.

#### *Changes within the Commission*

Initial discussion within the Commission and with the Treasury about an inquiry into immigration occurred in 2020 under the Commission's foundation Chair, Murray Sherwin. Mr Sherwin was scheduled to complete a 10 year term of employment with the Commission in December 2020 so any inquiry into immigration by the Commission would be under a new Chair.

The appointment of Dr Ganesh Nana as Chair of the Commission at the end of January 2021, and some changes in the expectations that the Minister of Finance had for the Commission<sup>3</sup>, inevitably caused some internal debate about the inquiry process. According to an independent review of staff satisfaction and retention at the Productivity Commission in December 2021<sup>4</sup>, the transition that was initiated by the arrival of a new Chair, and the communication of some broader expectations that the Minister had of the Commission's inquiry process, was not an easy one for staff to navigate.

Staff turnover in the Commission during 2021 and early 2022 was high and has been the subject of some comment in the media.<sup>5</sup> It is sufficient to say here that the departure of many highly experienced staff at different times during the inquiry did not prevent the Commission from delivering its major reports on schedule.

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<sup>1</sup> Useful reviews of recent demographic trends and some of their implications at national, regional and community levels can be found in Paul Spoonley (2020) *The New Zealand. Facing Demographic Disruption*, Massey University Press; Natalie Jackson (ed.) (2017) 'The ebbing of the human tide. What will it mean?' *Policy Quarterly* 13 (supplementary issue), January 2017; Paul Spoonley (ed.) (2016) *Rebooting the regions: why zero growth needn't mean the end of prosperity*, Massey University Press.

<sup>2</sup> <https://www.productivity.govt.nz/about-us/>

<sup>3</sup> Letter of Expectations, Minister of Finance to Chair of the Productivity Commission, 11 May 2021

<sup>4</sup> Impetus (2021) Strengthening Staff Engagement at the Productivity Commission, December 2021

<sup>5</sup> Kate MacNamara (2022) 'The look of exodus: Departures plague the Productivity Commission', *New Zealand Herald*, 25 June 2022.

The four key milestones in the inquiry have been:

- 1) the Terms of Reference (ToR) for the inquiry which were sent to the Commission by the Minister of Finance on 12 April 2021;<sup>6</sup>
- 2) the Commission's first substantive publication that contained the framework for the inquiry's consultation process and the call for submissions was released in June 2021;<sup>7</sup>
- 3) the draft report containing the Commission's preliminary findings and recommendations was released in November close to the scheduled deadline of October for this report;<sup>8</sup>
- 4) the report containing the Commission's final commentary and recommendations, together with an associated report containing much of the quantitative evidence generated during the inquiry, were released, on schedule, in April 2022.<sup>9</sup>

Staff turnover, notwithstanding, the same staff member, Nik Green, Acting Director of the immigration inquiry while the inquiry's Director Judy Kavanagh was on secondment to another agency, played a major role in the discussions with Treasury on the ToR for the immigration inquiry and oversaw the drafting of both the Issues paper as well as the initial report containing the inquiry's preliminary findings and recommendations.

The initial Director of the inquiry, Judy Kavanagh, returned to the Commission early in 2022 in time to be heavily involved in preparation of the final report before she resigned and took up an appointment with the Infrastructure Commission. There was, thus, continuity in terms of engagement with the process of managing the inquiry by two key staff who had been involved with the immigration inquiry from its initial conception in 2020 through to the delivery of its key outputs in April 2022.

Staffing issues during the course of the inquiry did create some major challenges for the inquiry leaders but the process of managing engagement with key stakeholders and producing the key outputs was not derailed by staff turnover. I think it is fair to say that changes within the Productivity Commission did cause a lot of tension and disruption to staff relationships but they did not have a major detrimental effect on the ability of the inquiry to deliver its primary outputs.

### ***Changes in immigration policy settings***

The discussion within the Commission about an immigration inquiry was occurring just as the country was emerging from the first national lockdown in response to the COVID-19 pandemic. Immigration of non-citizens into New Zealand effectively ceased from 20 March 2020 with the closing of the national border. The country went into lockdown between late March until mid-May 2020.

By June 2020 immigration policy teams in the Ministry of Business, Innovation and Employment (MBIE) were introducing a range of changes to policy settings to address the challenges facing both migrants trapped in New Zealand by border closures as well as local businesses who could not access

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<sup>6</sup> Terms of Reference for an inquiry into immigration settings for New Zealand's long-term prosperity and wellbeing, Letter from the Minister of Finance to the Chair of the Productivity Commission, 12 April 2021 (see Annex 1).

<sup>7</sup> Productivity Commission (2021) *Migration, productivity and wellbeing. Call for submissions*. Issues Paper, June 2021.

<sup>8</sup> Productivity Commission (2021) *Immigration - Fit for the future. Preliminary findings and recommendations*. Draft Report, November 2021.

<sup>9</sup> Productivity Commission (2022) *Immigration - Fit for the future*. Final Report, April 2022 and Productivity Commission (2022) *Immigration by the numbers*, April 2022.

the international travellers and labour that they required. These responses to consequences of pandemic-enforced closed borders were deemed to be out of scope for the immigration inquiry. The inquiry was to focus on the longer-term (10-30 years into the future), not the immediate immigration-related challenges of the pandemic.

There was one major review of policy settings that had commenced before the pandemic began that did have relevance for the inquiry, and that related to temporary work visas for skilled labour and the pathways from these temporary visas to residence.<sup>10</sup> Progress towards introducing a new Accredited Employer Work Visa was well advanced by the time the borders closed. By mid-2021, when the Commission's inquiry was getting underway, the Minister of Immigration was finalising options for rebalancing the immigration portfolio in preparation for the re-opening of the borders in 2022.<sup>11</sup> The relevant Cabinet paper was proactively released on 10 December 2021 soon after the Commission published its preliminary findings and recommendations.

The changes that were being made to visa categories relating to skilled migrants, as well as temporary migrants employed at the lower end of the salary scale in the primary, hospitality and aged care sectors, while the immigration inquiry was being conducted, clearly had the potential to be at variance with some of the recommendations made by the Commission. While changes to visa categories were being finalised in 2021 for operationalisation when the border re-opened, the final decisions were clearly not going to benefit from any input from findings or recommendations made by the Productivity Commission.

Given that changes in visa categories are not achieved quickly, and the process of reviewing several of the temporary migration visas had been in train since 2018, the rebalancing announced by Minister Faafoi in July 2021 was, as the title to his Cabinet Paper states, a "long-term direction for the immigration portfolio". More recently, the Minister of Immigration has proactively released a summary of the key changes associated with the Immigration Rebalance that had been agreed by Cabinet on 20 December 2021, all of which are to be implemented from the end of June 2022.<sup>12</sup>

It is clear from these decisions by successive Ministers of Immigration that a major transition in several temporary visa categories was under consideration in MBIE at least two years before the Productivity Commission proposed immigration as a possible topic for an inquiry during the second half of 2020. Minister Faafoi was close to finalising changes to a number of visa categories that were in scope for

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<sup>10</sup> See, for example, the Cabinet Paper entitled "A New Approach to Employer-Assisted Work Visas and Regional Workforce Planning: Paper One – Employer Gateway System and Related Changes [and] Paper Two – The Job Gateway", DEV-19-MIN 0228 and DEV-19-MIN 0229, proactively released by the Minister of Immigration, the Hon Lees-Galloway, on 9 October 2019, <https://www.mbie.govt.nz/assets/a-new-approach-to-employer-assisted-work-visas-and-regional-workforce-planning-paper-one-employer-gateway-system-and-related-changes.pdf>

<sup>11</sup> "Long-term direction for the immigration portfolio: a rebalance" CAB-21-MIN-0279 12 July 2021, proactively released by the Minister of Immigration, the Hon Kris Faafoi, 10 December 2021, <https://www.mbie.govt.nz/dmsdocument/18255-long-term-direction-for-the-immigration-portfolio-a-rebalance-proactiverelase-pdf>

<sup>12</sup> "Immigration Rebalance – options for employer-assisted workers and partners", CAB-21-MIN 0554, December 2021, proactively released by the Minister of Immigration, the Hon Michael Wood, 12 July 2022, <https://www.mbie.govt.nz/dmsdocument/22704-immigration-rebalance-options-for-employer-assisted-workers-and-partners-cab-minute-of-decision-proactiverelase-pdf>

the immigration inquiry when the Issues paper seeking submissions to the inquiry was released in June 2021. The referring Ministers for the Commission's immigration inquiry were the Ministers of Finance and Immigration. It has to be assumed that the Minister of Immigration at least did not anticipate that there would be major findings or recommendations emerging from the inquiry that would challenge the long-term direction of the immigration portfolio that he had presented to Cabinet in July 2021.

Not surprisingly, there are findings and recommendations in the Commission's final report that relate directly to the employer-assisted worker policies that came into effect from 4 July 2022. In Part 4 of the report, "Better immigration policy tools" (pp. 47-65, *Immigration - Fit for the future*), the Commission makes direct reference to the Accredited Employer Work Visa (p. 50) and has an extended discussion of the costs and benefits of 'tying' visa holders to particular employers (pp. 55-57). On balance, the Commission favours an employer-sponsored visa system that allows migrants to change employers as a way of leading to better labour market and productivity outcomes (p. 56).

The Commission has recommended that: "As part of the design of the Accredited Employer Work Visa (and/or future employer-sponsored visas), the Government should enable migrants to move between any accredited employer with minimal government imposed transaction costs for the migrant or the employer. Information on migrants' movements within the employment system should be collected to monitor for risks of gaming the system and for risks of poor employer behaviour" (Rec. 6, p. 57).

In its "Briefing for the Incoming Minister (BIM) of Immigration" in June 2022, MBIE refers to the Productivity Commission's inquiry on p. 4, noting that "the Productivity Commission has a number of findings and recommendations for the immigration system. You will receive advice on a Government response in August". I understand this response is still being prepared. It will be interesting to see how many of the Commission's recommendations relating to "immigration policy tools", including preparation of an immigration Government Policy Statement (see sections 3 and 4), are adopted by the immigration policy teams within MBIE's Labour, Science and Enterprise Group.<sup>13</sup>

## 1.2 Quality of the inquiry process

There were a number of challenges facing staff in the management of the inquiry process, given the staffing issues that have been the subject of independent review by Impetus. Did these challenges have a major impact on the quality of the inquiry process? This is not a question I can answer definitively, and current and former staff I consulted while preparing this review expressed a range of views about the conduct of the inquiry.

One factor that seems to have had an impact, and was referred to both by Commissioners as well as former staff in my discussions with them, was a change in the way Commissioners engaged with the inquiry process. Commissioners have two roles: 1) governance (they comprise the Board of the Productivity Commission) and 2) engagement with inquiries in their capacities as leaders in their

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<sup>13</sup> There are four teams within MBIE's Labour, Science and Enterprise Group that provide policy advice and analysis for the Minister of Immigration - the Immigration Skills and Residence Policy team, the Immigration Border and Funding Policy team, the Immigration International and Humanitarian Policy team and the International Labour Policy team (within the Workplace Relations and Safety Policy branch). MBIE (2022) Briefing for the Incoming Minister of Immigration, June 2022, p. 24, <https://www.mbie.govt.nz/dmsdocument/23622-briefing-for-the-incoming-minister-of-immigration-june-2022>



respective fields of productivity-related research that delivers outputs/outcomes of relevance to policy. The final reports relating to inquiries undertaken by the Productivity Commission are published under the name of the Commission, not the specific inquiry leaders and the teams that did the basic research behind the drafts.

According to staff who had worked in the Commission under the previous Chair there was a change in the level of engagement by Commissioners in stakeholder consultations. In the immigration inquiry different Commissioners were engaged to varying degrees in the stakeholder engagement phase of the inquiry process. Their key participation came at the stage of reviewing initial research and findings as well as when drafts of reports were being finalised.

This is very much my experience of governance practice on Boards I have been involved in. Board members are rarely engaged directly in the process of collecting the information that informs the drafts but they do have a major role in ensuring that the text of the final draft represents their consensus view about the substantive content, findings and recommendations contained in the report.

As already noted, delivery of the three key reports released under the name of the Productivity Commission (the Issues paper, the draft report and the final report) were all very professionally produced and all came out on schedule. The inquiry process clearly had its challenges, and there were some disgruntled stakeholders (see section 2), but it is difficult to be critical of the quality of the management of this process given the successful delivery of high-quality reports on schedule.

## 2.0 EFFECTIVE ENGAGEMENT

In *Immigration - Fit for the future*, the Commission states that it “has undertaken internal research, commissioned research and reports from others, drawn on submissions to its Issues paper and draft report, and learnt much from its many engagements with stakeholders and other interested parties” (p. 10). In this part of the report I address two questions:

- Who was consulted, who made submissions and who assisted with new research?
- What does a comparison of the key findings and recommendations in the draft and final reports tell us about the impact of the engagement process?

The discussion is in three parts: 1) some characteristics of the engagement meetings, submissions received and the commissioned research; 2) some observations on the quality of the engagement from those involved in the Commission’s engagement process; and 3) a comparison of the key findings and recommendations contained in the draft and final reports.

### 2.1 External inputs into the inquiry

The Commission provides some information in the final report on three key strategies it employed for gaining evidence to inform the inquiry:

- 74 engagement meetings (p. 111),
- 181 submissions received (pp. 108-110),
- 10 internal and 6 commissioned research reports (pp. 10-11).

Each of these strategies is reviewed briefly in turn.

### Engagement meetings

In his “Letter of Expectations” (11 May 2021), the Minister of Finance stated that he wanted “the Commission to inform and interact with a wider range of New Zealanders in the course of its work. .... I would like to see the Commission facilitate and inform public debate on issues of productivity and wellbeing for communities that may not have engaged previously.”

In preparing for the inquiry’s consultation phase the Commission developed a number of lists of major groups of stakeholders. One of these lists, which has been extracted from a presentation on engagement planning provided by the Commission, is reproduced below to give an indication of the range of stakeholders they were planning to contact:

- **Officials:** MBIE, Immigration NZ, MFAT, Treasury, Te Arawhiti, TPK, MPP, Ministry for Ethnic Communities, MSD, MoE, TEC, NZQA, Education NZ, HUD, MoT, Infrastructure Commission, LGNZ, EDNZ, Auckland Unlimited
- **Migrant representatives & ethnic communities:** NZAMI (immigration advisers association), NZAIP (NZ Association of Immigration Professionals), Reps of the ethnic communities of interest: Pacific, Chinese, Indians
- **Business & industry groups:** BusinessNZ (esp. the Major companies group), EMA, FoMA, Iwi, NZTech, TIN, Icehouse, NZ Private Capital Association, Federated Farmers, Horticulture NZ, Turners & Growers Global, NZ Apples and Pears, Hospitality NZ, Tourism Industry Association, Civil Contractors NZ, NZ Aged Care Association, Royal NZ College of GPs, Nursing Council of NZ, Universities NZ, Zespri, Naylor Love, Fletcher Construction
- **Worker representatives:** NZCTU, E tū (food workers), First Union, Migrant Workers Association, IT Professionals, NZ Nurses organisation
- **Academics & policy experts:** Girol Karacaoglu, Arthur Grimes, Paul Dalziel, Carwyn Jones, Dave Maré, Steve Stillman, Paul Spoonley, Andrew Coleman, Sholeh Maani, Jacques Poot, Peter Wilson, Julie Fry, John Gibson, Dean Hyslop, Murat Genc, Michael Reddell, Eric Crampton
- **Commentators:** Bernard Hickey, Brian Fallow, Dileepa Foneska, Patrick Smellie, Melanie Carroll, Sandeep Singh (Indian weekender), Venkat Raman (Indian Newslink), Chinese and other ethnic media

This list is not exhaustive. In a related document on “External engagement: priorities and Commissioner involvement” the names of some specific Māori organisations (Federation of Māori Authorities, National Iwi Chairs Forum, NZ Māori Council, Māori Women’s Welfare League, Māori Economic Development Advisory Board) are also listed. With regard to engaging with Māori over Te Tiriti o Waitangi and Te Ao Māori issues raised in the ToR, it was noted that the team “is seeking advice from Anaru Mills and Te Arawhiti” over the best approach. The team had also had “preliminary discussions with the Ministry of Pacific Peoples and the Office for Ethnic Communities about the best way to engage with specific migrant communities”.

Consultation with several of the academics, policy experts and commentators who are named above occurred outside of the 74 engagement meetings listed in the final report – their names are not included in the list in “Appendix A Public Consultation”. In addition, there was consultation with people not in the list above or Appendix A. I can attest to that because I was one of the academics approached “to get the ‘lay of the land’ and to inform the Issues paper” and my name appears in none

of the Commission’s lists. I make reference to this simply because it should not be assumed that the list above, or the names contained in Appendix A in the final report, represent the full range of external stakeholders who were consulted at some stage during the inquiry.

The 74 engagement meetings that are listed in Appendix A are summarised in terms of their distribution across individuals and a range of categories of institutional and corporate stakeholders in Table 1. This summary is useful because it reveals that the great majority (80%) of the engagement meetings were with institutional and corporate stakeholders. Only 15 (20%) of the 74 engagement meetings were with individuals – academics, policy experts and commentators (Table 1).

**Table 1. Engagement meetings: a summary**

<b>Engagement meeting category</b>	<b>Number</b>	<b>%</b>
<i>Summary</i>		
Academics, policy experts, commentators	15	20.3
Institutions, organisations, corporate entities	59	79.7
<b>Total</b>	<b>74</b>	<b>100.0</b>
<i>Institutions, organisations, corporate entities</i>		
Government Ministries/agencies	18	30.5
Industry organisations	14	23.7
Education institutions/bodies	8	13.6
Investment/entrepreneur groups	5	8.5
Private companies	4	6.8
Unions	4	6.8
Professional bodies/assocs.	4	6.8
Charities/NFP	1	1.7
Local Government Councils/agencies	1	1.7
<b>Total</b>	<b>59</b>	<b>100.0</b>

Source of data: Appendix A *Immigration - Fit for the future* p. 111.

Of the 59 engagement meetings with institutions, organisations and corporate entities, just over 30% involved officials in Government Ministries and agencies and a further 24% involved members of industry organisations. A further 14% of the engagement meetings involved consultation with members of education institutions/bodies. The remaining six categories listed in Table 1 all had between 1 and 5 named entities involved in engagement meetings.

Economic Development NZ (EDNZ) is included in list of the engagement meetings, but only one local authority, Christchurch City Council, was part of the initial consultation phase. This is surprising given that the ToR did state that “in carrying out this work the Commission should [amongst many other things] ... articulate the trade-offs involved in different policy choices, and any significant distributional impacts for different groups *or regions* [emphasis added]” (p. 4).

Most of the engagement meetings were held between May and October 2021 with a view to informing the framing of the Issues paper and the content of draft report. Many of those involved in these meetings subsequently made submissions either on the Issues paper after June or on the draft report early in 2022. A small number (9) made separate submissions on both of these documents.

### **Submissions**

Most of the 181 submissions that were received are available on the Commission's website and can be accessed using reference numbers contained in Appendix 1 of the final report.<sup>14</sup> Very conveniently, the reference numbers differentiate between submissions relating to the Issues paper and submissions relating to the draft report. Where a particular individual or institution/organisation/corporate entity made submissions on both documents the relevant reference numbers for each submission are listed.

All of the submissions received are summarised in Table 2 with reference to the same categories used in Table 1. Of the 181 submissions received, 80 (44%) were in response to the Issues paper and 101 (56%) in response to the draft report (Table 2). Although I do not have comparable statistics on submissions to previous Productivity Commission inquiries, the numbers received in response to the Issues paper in particular are impressive. This was the document which sought feedback on a wide range of questions that would inform the inquiry. These questions, and the associated comprehensive commentary relating to them, were the Commission's initial attempt to address the wide-ranging ToR for the inquiry (see section 3).

There was not a lot of difference in the shares of submissions received from each of the two broad categories of submitters (individuals, 46%; others 54%), but the shares of submissions relating to the two documents is different (Table 2). Just over 60% of the submissions on the Issues paper were from individuals compared with 33% of the submissions on the draft report. More than twice as many institutions, organisations and corporate entities (68) made submissions on the draft report than responded to the call for submissions on the Issues paper (30) (Table 2). This is not surprising given that this group of submitters was very well represented in the phase of engagement meetings during 2021 (Table 1).

Amongst the submitters who were not individuals, half of the responses to the Issues paper came from industry groups, charities, community organisations and not-for-profits along with 40% of the responses to the draft report (Table 2). This represents a high level of engagement with the immigration inquiry from non-government organisations.

Local body councils and regional economic agencies were much better represented in the submissions on the draft report than in submissions on the Issues paper or participants in the engagement meetings (Tables 1 and 2). Government Ministries and agencies, by contrast, were less heavily represented in the written submissions than in the engagement meetings. Again, this is not surprising given their presence in Wellington and the ability to engage directly with the inquiry team notwithstanding the constraints imposed by the red and orange COVID-19 settings.

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<sup>14</sup> <https://www.productivity.govt.nz/inquiries/immigration-settings/>.

**Table 2. Submissions to the immigration inquiry: a summary**

Submitter category	Issues paper 2020		Draft report 2021		Total 2020-21	
	No.	%	No.	%	No.	%
<i>Summary</i>						
Academics, policy experts, commentators	50	62.5	33	32.7	83	45.9
Institutions, organisations, corporate entities	30	37.5	68	67.3	98	54.1
<b>Total</b>	<b>80</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>
<i>Institutions, organisations, corporate entities</i>						
Industry organisations	6	20.0	15	22.1	21	21.4
Charities/community orgs/NFP	9	30.0	9	13.2	18	18.4
Education institutions/bodies	1	3.3	12	17.6	13	13.3
Local govt/regional agencies	5	16.7	6	8.8	11	11.2
Professional bodies/assocs.	3	10.0	6	8.8	9	9.2
Government Ministries/agencies	1	3.3	7	10.3	8	8.2
Private companies	3	10.0	4	5.9	7	7.1
Investment/entrepreneur groups	1	3.3	4	5.9	5	5.1
Immigration consultancy companies	1	3.3	2	2.9	3	3.1
Unions	0	0.0	3	4.4	3	3.1
<b>Total</b>	<b>30</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>

Source of data: Appendix A *Immigration - Fit for the future*, pp. 108-110.

### **Research papers**

Between June 2021 and April 2022 the Commission prepared 10 research papers as part of the conduct of the immigration inquiry. Most of these papers were subjected to external peer review and 9 of them are available on the Commission's website. I have read several of them and they make significant contributions in their own right to the literature on international migration in New Zealand.

The 10 papers are listed below. The first 6 were discussion papers that were designed to assist those wishing to become better informed about a wide range of issues relating to immigration in New Zealand. These discussion papers were all released before the draft report was published in November 2021.

1. NZ Productivity Commission (2021) Primer to New Zealand's immigration system
2. NZ Productivity Commission (2021) International migration to New Zealand: Historical themes and trends
3. NZ Productivity Commission (2021) Impacts of immigration on the labour market and productivity (including a case study into the use of migration in the on farm dairy sector)
4. NZ Productivity Commission (2021) The wider wellbeing effects of immigration
5. NZ Productivity Commission (2021) Immigration policy: International perspectives

6. NZ Productivity Commission (2021) International migration to New Zealand: Future opportunities and challenges

7. Fabling et al. (2022) Migration and productivity. (The Commission's original research, examining the contribution migrant workers make to New Zealand firms).

8. NZ Productivity Commission (2022) Immigration by the numbers. (An impressive collection of graphs and commentary, noting the major trends in New Zealand immigration story, the characteristics of migrants, and the impacts of immigration on a range of economic measures. It includes a summary of some of the Commission's analytical original work for the inquiry).

9. Devine (forthcoming) Migrant selection and outcomes. (The Commission's original research, examining migrant outcomes and whether the increased selection of residents from temporary visas has earnings or employment advantages in the short or longer term).

10. Unpublished case study by an NZPC staff intern into the education sector.

In addition to these in-house research papers, 6 substantive inquiries into specific issues linked with productivity and wellbeing dimensions of migration were commissioned from external research providers. Most of these papers, listed below, are also available on the Commission's website.

1. Whāia Legal (2021) Advice on immigration policy and Te Tiriti o Waitangi. (Legal advice on how Te Tiriti relates to immigration policy).

2. Knopf (2022) Case study: Aged residential care. (Migrants in the aged residential care sector).

3. Schiff (2022) Case study: Construction industry. (Migrants in the construction sector).

4. Taylor Fry (2022) Data-led approach to identifying skills shortages. (A feasibility study of a data-based model of skill and occupational shortages in New Zealand).

5. Fry and Wilson (2022) Planning for prosperity: Transparent and public immigration targets. (Supplementary research on how a government might implement a Government Policy Statement mechanism).

6. Maré et al. (forthcoming) Missing migrants: Border closures as a labour supply shock. (An examination of the impact of the Covid-19 border closure on businesses that employ Recognised Seasonal Employer (RSE) workforces).

Preparation of the in-house reports, as well as commissioning the external research work, is an important component of the wider engagement process pursued by the Commission in this inquiry. Making available to the interested public such a wide range of reports between June 2021 and April 2022 relating to aspects of international migration, in addition to an Issues paper, a draft report and the final report, is a very impressive research record for a small staff. I have been advised that for most of the time no more than 6 staff were working on the immigration inquiry during the 11 months between the release of the Issues paper and the release of the final report.

## **2.2 Quality of the engagement process**

It will be evident from my comments above that I am impressed by the extent and range of public consultation that the Commission undertook following receipt of the ToR for the immigration inquiry in April 2021. During the course of preparing this review, I was able to talk to some of the people who were involved in the engagement meetings, the submission process and the commissioned research papers about the quality of their engagement with the immigration inquiry. It was also possible to talk

with some interested parties who were contacted by the Commission but whose names are not included in the lists in Appendix 1 Public Consultation in the final report.

With regard to the conduct of the engagement meetings, many of the early ones involved groups in round-table discussions with members of the inquiry team. The discussions were designed to inform the framing of the Issues paper. Those academic colleagues and members of Ministries I contacted reported that these meetings were very open and constructive discussions. Genuine interest in getting ideas and feedback relating to the questions in the Issues paper was apparent to participants in the panel discussions.

There was quite considerable debate within the Commission, as well as with some of those who are listed as participants in the engagement meetings and as authors of submissions, about the scope of the inquiry and the nature of the new research that needed to be done to inform an inquiry about the impact of immigration on productivity and wellbeing. These are contested areas of inquiry and some of those who engaged with the Commission were less than impressed with both the scope of the inquiry and the responses they received to their suggestions.<sup>15</sup>

This is not the place for substantive comment on these debates which remain unresolved; my concern here is simply to indicate that there are some divergent views about the quality of engagement, as well as the quality of the research that was being done in house and externally for the inquiry. This divergence of views is not surprising given the nature of many quite intense academic debates within economics and the social sciences more generally.

On a more positive note, I can report that two of the senior academics who were involved in engagement meetings, and who reviewed specific research papers prepared by the Commission for the inquiry, were sufficiently impressed with the scope, timeliness and quality of the research to recommend the Commission's website to postgraduate students as being, currently, the best source for recent contributions to the immigration debate in New Zealand.

### **2.3 An indicator of effective engagement?**

This section contains a comparison of the findings and recommendations in the draft and final reports. This comparison provide one crude indication of the extent to which submissions on the draft report, and the insights gained from new research that the Commission had conducted internally or had commissioned externally, resulted in substantive changes in the key messages contained in the final report.

There are 13 findings, 9 recommendations and 7 questions in draft report (pp. 55-60). In the final report there are 32 findings and 24 recommendations (pp. 94-107). Increases in the numbers of findings by 146% and recommendations by 167% represent significant changes in the content of the the key messages arising from the immigration inquiry.

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<sup>15</sup> See, for example, Michael Reddell's very critical comments on the Productivity Commission and the immigration inquiry on 25 June 2022 at <https://croakingcassandra.com/2022/06/25/productivity-commission-the-immigration-inquiry-etc/>

## Findings

Of the draft report's 13 findings, 11 are reproduced in one form or another in the final report. Only 2 of the 11 findings in the draft report had virtually the same wording in the final report; the content of other 9 was either expanded, re-organised, re-worded or covered in part (Table 3).

**Table 3. Draft report findings in the final report**

Nature of change in draft report finding	Finding number	
	Draft	Final
Essentially reproduced in the final report	4	26
	13	29
Expanded text in the final report	2	2
	3	4
	5	12
Re-organised content in the final report	8+11	6+7
Re-worded content in the final report	9	8
Covered in part in the final report	7	4+5
<b>Not included in the final report</b>	<b>1+6</b>	<b>*</b>

The two findings in the draft report that were not included in the final report are:

### Finding 1

Immigration's main contributions to productivity and wellbeing come through:

- raising the long-term levels and diversity of human capabilities in New Zealand; and
- supporting the achievement of other social and economic policy objectives; expanding public services, strengthening innovation ecosystems and extending international relations.

### Finding 6

Increases in New Zealand's population from net migration have exacerbated rapid house price increases, reflecting several factors including underlying and persistent constraints on the supply of housing.

The final report contains several findings relating to the contributions immigration makes to productivity and wellbeing rather than the single very general one that is in the draft report. There is also no specific finding relating to house price increases and constraints on the supply of housing per se in the final report. The housing issue is subsumed within findings relating to infrastructure provision generally, and to the "absorptive capacity" of particular communities or regions.<sup>16</sup>

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<sup>16</sup> The impact of immigration on housing prices is discussed in *Immigration by the numbers* (pp. 89-91). It is also noted in this report that there are: "Two reasons to believe that migrants are not the primary cause of



There are 20 additional findings in the final report and these are grouped together below in terms of their content:

*Findings 1-3:* on the recent history of immigration in New Zealand

*Finding 5:* on immigration and job displacement

*Finding 9:* on skill selection

*Findings 11 and 13:* on the current migration system

*Findings 14-17:* on specific exemptions from current rules (e.g. for particular industries, sectors, occupations), tying migrants to single employers, and the benefits of job-job mobility

*Findings 18-20:* on the impact of access to low wage migrant labour and the use of wage thresholds as a tool to manage “low skilled” migration

*Findings 20 and 23:* on selection of skilled migrants for residence and failure of current residence policy to prioritise migrants who could make the greatest contribution to NZ

*Findings 24 and 25:* on ad hoc use of visa categories to fill gaps and meet specific local demand in the labour market; the need for greater resourcing of the Labour Inspectorate and enforcement system to reduce exploitation of labour

*Finding 31:* on definition of permanent residence in the Electoral Act (1993) and the Immigration Act (2009)

*Finding 32:* on investing in institutions at both ends of the migration journey

The diverse range of topics covered by these additional findings suggests that engagement meetings early in 2021, the 101 submissions on the draft report (Table 2), and the findings from the research done in-house by Commission staff, as well as the contracted research by other agencies, provided rich material and insights on New Zealand’s immigration system. This is clearly a sign of an effective engagement process.

### **Recommendations**

All but 1 of the 9 recommendations that are in the draft report were included in expanded or modified forms in the final report (Table 4).

The one recommendation that was not included in the final report concerned temporary migrant visas with pathways to residence:

#### **Recommendation 5**

The allowable volume of temporary migrant visas with potential residence pathways should be managed to be compatible with the number of residence visas on offer.

There are four recommendations (9-12) in the final report that do address aspects of the residence selection process, but none of these specifically links the allowable volume of temporary visas with a residence pathway to an upper limit on the number of residence visas on offer. This is something that that might be considered in an immigration Government Policy Statement (GPS) when establishing

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house price inflation are: – First, the price of housing was increasing long before net migration rose in the late 2000s. – Second, when net migration plummeted during Covid-19, and went negative, house prices actually accelerated." (p. 66)

“the criteria for managing access to temporary work visas and projections of migrant flows based on these criteria, over the period covered by the GPS” (Recommendation 13, Final Report, p. 103).

**Table 4. Draft report recommendations in the final report**

Nature of change in draft report recommendation	Recommendation number	
	Draft	Final
Essentially reproduced in the final report	1	2
Expanded text in the final report	2	13
Re-worded content in the final report	3	3
	7	5
	8	6
	4	8+14
Variation on a theme	6	9+11
	7	18+19
	9	22
<b>Not included in the final report</b>	<b>5</b>	<b>*</b>

There were 12 recommendations in the final report that had not been included in the draft report. These relate to the following issues:

*Recommendations 1 and 15:* two quite lengthy statements relating to the risk of migration displacing local workers. These recommendations appear to have been included as a considered response to divergent views on the impact of immigration on local workers depending on whether one focuses on the overall net impact or on individuals or communities facing disruption and change. Engagement meetings presented a wide range of views around the impact of migration on wages and employment (outlined in Box 3.2). These highlighted both the negative impacts that can occur for some, alongside the opportunities that others might experience because of migration. Recommendation 1 concludes with the statement: “The risk of displacement (alongside absorptive capacity, productivity impacts, and the working conditions of migrants) should continue to be a consideration in the description of future immigration policy” (p. 97).

*Recommendation 4:* the Government should encourage wages to reflect scarcity, rather than exempting industries, firms and occupations from general labour market rules.

*Recommendation 7:* encouraged the Government to use the full range of tools to manage the composition of flows of low-skilled temporary migrants, and not just rely on arbitrary wage thresholds in selection.

*Recommendations 10 and 12:* relate to having easier pathways to residence for highly productive, highly paid workers, especially those who can help develop world class innovation ecosystems in areas of economic activity where New Zealand has, or is seeking, superior productivity performance.

*Recommendations 16 and 17:* seek increased Government support for the Labour Inspectorate and Workforce Development Councils, respectively, to deliver on their functions in the areas of compliance to

labour market regulation (Inspectorate) and education and training to respond to skill gaps identified through labour-market modelling (Councils).

*Recommendation 20:* a specific request for Stats NZ to collaborate with the Department of Internal Affairs in getting data on citizenship into the Integrated Data Infrastructure (IDI).

*Recommendations 21 and 23:* Government working with Māori on how to reflect Te Tiriti o Waitangi in immigration policy and institutions (21), as well as in settlement policy (23).

*Recommendation 24:* a proposal to discontinue the issuing of Permanent Residence visas, replacing these with a residence visa that has to be renewed every 6 years.

The significant refinement of many of the recommendations that were contained in the draft report, plus the inclusion of 12 new ones in the final report, reflects positively on the effectiveness of the engagement process. Following a period of robust debate and deliberation, the Commission was able to respond constructively to a wide range of ideas, criticisms and new evidence contained in the submissions and research reports and to meet the delivery target for its final report on schedule at the end of April 2022. Some observations on the content of the final version of *Immigration - Fit for the future* and the associated data report, *Immigration by the numbers* follow the next section which reviews the Terms of Reference for the immigration inquiry.

### **3.0 RIGHT FOCUS**

The ToR for the immigration inquiry (Annex 1) reached the desk of the Chair of the Productivity Commission, Dr Ganesh Nana, on 12 April 2021. Dr Nana had taken up this role at the end of January 2021 and had had little direct input into the design of the ToR. The process that led to this inquiry had been initiated in 2020 by Judy Kavanagh, an experienced Inquiry Director in the Commission and Nik Green a Principal Adviser in several of the Commission's inquiries.

Recalling the engagement with Treasury that led to the development of the ToR, Ms Kavanagh and Mr Green said that immigration was one of several possible topics for inquiries that the Commission had suggested to the Treasury during 2020. The Treasury expressed interest in an inquiry focussing on immigration and the Commission prepared a two page draft ToR addressing a range of productivity dimensions of immigration that was sent to the Treasury in February 2021. The Treasury followed its usual process of seeking advice from a range of Ministries, including suggestions for additional issues to be addressed in the ToR. The final outcome from this process was a five page ToR that covered a much wider range of topics and issues than had been suggested by the Commission (Annex 1).

#### **3.1 The Terms of Reference (ToR)**

The Ministers of Finance and Immigration requested the Productivity Commission “to undertake an inquiry into immigration settings for New Zealand’s long-term prosperity and wellbeing, with a focus on working age immigration policy” (p. 1). The immigration settings for refugees and asylum seekers were excluded from the inquiry (p. 5), as were the policy settings relating to movements of Cook Islanders, Niueans, Tokelauans and Australians to and from New Zealand. All other immigration policy settings relating to residence visas (skilled and business, family, international) and temporary visas that allowed for pathways to employment in New Zealand (including study and working holiday visas) were in scope.

Quoting the Productivity Commission Act 2010<sup>17</sup>, the ToR stated that the Commission's focus should be on immigration policy as a means of "improving productivity in a way that is directed to supporting the overall wellbeing of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society" (p. 2). The inquiry was to take "a system-wide view, including the impact of immigration on the labour market, housing and associated infrastructure, and the natural environment" (covering letter).

It was noted in the Minister of Finance's covering letter that the inquiry would be taking place at the same time as some significant changes in immigration settings were being made in response to the COVID-19 pandemic, including a substantial review by MBIE of the Skilled Migrant Category that had commenced in 2018, and what was to become known generally as an "immigration rebalance" in settings for temporary migration especially. These changes have been reviewed in section 3.

### **Focus**

While the focus was to be on "supporting the overall wellbeing of New Zealanders" (citizens and residents), the wellbeing of temporary migrants (non-residents) was also to be considered. This is clearly evident in the broad definition of working-age immigration policy settings that the Commission was requested to adopt (p. 3). These settings included:

- visas with a labour market test as well as those with open work rights (including for Working Holiday visa holders and student visa holders);
- temporary visas as well as residence visas; and
- migration that is a direct consequence of working-age migration (including partners, dependent children and parents).

International migration of New Zealand citizens, as well as the freedom of movement (in normal times) of Cook Islanders, Niueans, Tokelauans and Australians to and from New Zealand, while out of scope, were considered to be "important context of this inquiry". This is because the volume and composition of their movement "significantly influences the net impact of immigration settings". That said, the primary focus of the inquiry was to be "the economic and other impacts of New Zealand's working-age immigration settings" that relate to people who are not citizens or residents.

### **Content**

The ToR is quite prescriptive with regard to specific issues, questions and items that are to be considered in the inquiry. There are 35 primary bullet points detailing the expectations that the referring Ministers had for the inquiry which was to be completed within 12 months.

In addressing the wide range of topics covered in the ToR, the Commission needed "to ensure that Māori can provide input into the inquiry at all stages and through a range of channels and organisations." In addition they "should also consult with Pacific communities, migrant and ethnic communities, relevant government agencies, local authorities, skills organisations including international education organisations, the social partners (the New Zealand Council of Trade Unions Te Kauae Kaimahi and Business New Zealand) and the general public" (p. 5).

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<sup>17</sup> Section 7 of the Productivity Commission Act 2010 refers. Retrieved 03 March 2021 from [www.legislation.govt.nz/act/public/2010/0136/latest/DLM3104328.html](http://www.legislation.govt.nz/act/public/2010/0136/latest/DLM3104328.html).

Not surprisingly, a large number (15) of the 35 bullet points in the ToR relate specifically to economic dimensions of migration, especially with regard to the labour market (e.g. demand, wages, inclusion, ‘crowding out’), skills and education, business investment and incentives, and a range of adjustments relating to enhanced productivity, infrastructure provision (including housing) and macroeconomic phenomena such as interest and exchange rates and GDP growth.

But at least half of the bullet points did not have an explicit focus on economic or productivity-related returns from immigration. For example, the inquiry was asked to consider, inter alia:

- how concepts within Te Ao Māori, or the inclusion of Māori perspectives and cultural values can assist New Zealand in thinking about immigration policy;
- how the Crown can honour Te Tiriti o Waitangi and the mana of Māori in its development and application of immigration policy, to ensure it reflects the interests and aspirations of tāngata whenua as whānau, hapū and iwi;
- how and when migration volumes, and migration mix or composition, matter to policy design, and the Government’s levers and trade-offs in seeking to influence both;
- the trade-offs involved in different policy choices, and any significant distributional impacts for different population groups or regions;
- long-term transitions including the impact of climate change and the changing nature of work;
- the role of non-government agents and infrastructure, including social and community infrastructure, in contributing to positive outcomes from immigration.

Included amongst the list of areas where Ministers were seeking recommendations on how immigration policy, institutional arrangements and other settings could be enhanced were:

- achieving optimal interaction between temporary and permanent migration, noting that some temporary migration is an established pathway to residence;
- supporting successful settlement of migrants in New Zealand;
- protecting the wellbeing of temporary migrants while in New Zealand;
- contributing positively to the wellbeing of current and future New Zealanders.

The ToR contains a pretty eclectic mix of requirements. Designing an inquiry to deliver on all of the points listed was clearly going to be challenging. The Commissioners advised me that they were not unduly worried about the scope of the ToR, but there was some concern about how some of the items listed were going to be quantified robustly in the limited time for the review. One of the bullet points relating to the conduct of the inquiry was that the Commission should “seek to quantify its assessments and proposals, drawing on existing and new empirical research from New Zealand and overseas, while also considering how COVID may affect historic trends”.

While the budget for the inquiry, and the 12-month frame for the review, limited options for substantive new empirical inquiry, the Commission’s Economics and Research team did undertake a major data synthesis and analysis project that is reported in one of the inquiry’s final reports: *Immigration by the numbers* (April 2022). The content of this very comprehensive report, and its associated databases which can be accessed for further research and policy analysis, is discussed further in section 4.

### **3.2 The Issues paper**

Within six weeks of receiving the ToR for the immigration inquiry, the Commission released its call for submissions via a paper entitled *Immigration, productivity and wellbeing: Issues paper* (June 2021).

This paper represents the Commission’s response to the very wide-ranging ToR and provides an indication of their initial prioritisation of issues to be addressed by the inquiry.

### *Developing the Issues paper*

The Issues paper was the product of extensive initial consultation via a series of virtual roundtable discussions with a wide range of stakeholders in government and non-government agencies, the private sector and tertiary institutions. I was one of the academics contacted by Nik Green, who was responsible for drafting the Issues paper, and I recall a very open and engaged conversation about the inquiry.

All of the small group (20) of government agencies and academics I approached for feedback about their engagement with the Commission on the inquiry mentioned the open and constructive nature of these initial interactions over the key issues that needed to be addressed in the inquiry. These initial consultations played an important role in assisting the Commission to clarify a number of key areas of focus and to bring some discipline into the very extensive list of requirements specified in the ToR.

### *Content of the Issues paper*

The 40 page Issues paper contains a comprehensive, readable commentary and series of questions relating to most of the issues raised in the ToR. The table of contents lists 22 topics, mostly framed as questions, that introduce the purpose and scope of the inquiry and provide context for 43 specific questions that the Commission was seeking feedback on from the public. There are four substantive sections in the Issues paper and the topics addressed in each are summarised briefly below.

#### *Part 1: Is New Zealand’s immigration system fit for the future? (pp. 2-3)*

This short section summarises what the Commission has been asked to do, explains why the inquiry matters at a time when the Government is already changing immigration policy, and invites submissions by 24 December 2021 on 43 questions that address the various topics and issues raised in the ToR. The Commission also signalled that their draft report with proposed recommendations would be released in October 2021 and submissions on its content were also due by 24 December.

The Commission makes it very clear in this short introduction that the inquiry is into “New Zealand’s ‘working-age’ immigration system” and that the following visa categories are all in scope: “temporary work visas, residence visas, student visas, investor and entrepreneur visas and immigration that is the result of other working-age immigration (e.g. partners, parents and dependent children).” (p. 2). When acknowledging the work being done in MBIE at the same time on the skilled migrant category and several temporary work visas, the Commission points out that its 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.” (p. 3).

A summary of all of the questions that are introduced briefly in Parts 2-4 of the Issues paper is presented at the end of Part 1 (pp. 4-7). The 43 questions are grouped under the following headings:

- Treaty of Waitangi and Te Ao Māori (2 questions)
- Immigration, productivity and wellbeing (7 questions)
- Immigration policy design (2 questions)
- Migrants and settlement (2 questions)

- Obligations on employers (3 questions)
- Skill shortages (3 questions)
- Investors and entrepreneurs (4 questions)
- Students (4 questions)
- Working holidays (2 questions)
- Partners, parents and families of migrants (3 questions)
- Other ways for New Zealand to source skills and talent (4 questions)
- Population growth and migration volumes (6 questions)

### Part 2: Immigration, productivity and wellbeing (pp. 8-15)

The discussion in this section is in 6 parts each of which is headed by a question:

- How might the Treaty of Waitangi be reflected in immigration policy?
- How can the immigration system's contribution be assessed?
- How does migration contribute to New Zealand's productivity?
- How can immigration policy support and promote wellbeing?
- How can Te Ao Māori perspectives be applied when designing immigration policy?
- What is the experience of migrants in New Zealand's immigration system?

### Part 3: Assessing the performance of the immigration system (pp. 16-31)

This is the longest section in the Issues paper with the commentary organised into 8 parts headed by the following questions:

- Are the objectives of New Zealand's immigration policies clear?
- How is the system currently arranged?
- How does New Zealand immigration policy help to achieve labour market goals?
- How does immigration policy strengthen international business connections?
- How does New Zealand's immigration policy help to achieve international education goals?
- What benefits do working holiday schemes provide?
- How should policy settings consider migrants' families?
- Who else might New Zealand need? How else might we get the skills and talent we are after?

### Part 4: Preparing for a future New Zealand (pp. 32-37)

This short section addresses briefly issues relating to the contribution that international migration makes to population growth, and a range of challenges linked with recent and projected population change. The commentary is presented in two parts relating to the following questions:

- How should immigration policy consider population changes?
- How should volumes be managed?

### *How well does the Issues paper capture the essence of the ToR?*

The Issues paper is very successful, in my view, in organising the broad range of topics and themes that are raised by the referring Ministers in the ToR into a comprehensive, inclusive and coherent framework for the public submission process. The Commission is to be commended for developing such a well-designed and attractively presented invitation to a wide range of stakeholders, including the general public, to make submissions on aspects of the immigration inquiry over a six month period (June-December 2021).

There are two topics in the ToR that the Issues paper does not address directly: the impact of climate change and the impact of the changing nature of work. In explaining these omissions, Commission staff acknowledged that some topics got less specific attention than others. This was largely because of a need to prioritise key issues that needed to be addressed to deliver on the referring Ministers

request that the Commission “undertake an inquiry to explore what working-age immigration policy settings would best facilitate New Zealand’s long-term economic growth and promote the wellbeing of New Zealanders” (ToR, p. 2).

The Commission was very sympathetic to the intent behind the two questions in the ToR relating to how Te Ao Māori perspectives can assist New Zealand in thinking about immigration policy, and how the Crown can honour Te Tiriti o Waitangi and the mana of Māori in its development and application of immigration policy. But they had reservations about whether the Productivity Commission was the appropriate agency to address them, especially with regard to how the Crown can honour Te Tiriti o Waitangi in its development and application of immigration policy. This seemed to be something the Crown should be addressing with Māori directly as part of its Treaty relationship, not one of many issues to be canvassed by an independent Crown-funded agency in a wide-ranging inquiry into immigration policy settings.

The Commission featured the two questions prominently in the Issues paper (see p. 8 relating to Te Tiriti o Waitangi and p. 15 relating to Te Ao Māori perspectives). Advice was sought and received from Whāia Legal on how to engage with Māori meaningfully on the two questions relating specifically to Māori perspectives and the Crown’s Te Tiriti o Waitangi obligations.<sup>18</sup> The Commission actively sought feedback from a range of Māori stakeholders, including the Federation of Māori Authorities and First Union’s Runanga, during the consultation phase.

A general consensus arising from this consultation was that an inquiry into immigration was not the best context within which to address the strong Treaty-based interest in immigration. Addressing this issue appropriately required a partnership with Māori to frame both the consultation process as well as subsequent planning and delivery of outcomes. This process was best managed through the Crown’s established engagement processes with Māori on Treaty-related issues.

In the Commission’s final report there are specific recommendations relating to engagement with Māori on Te Tiriti-informed immigration policy. Part 6 of *Immigration - Fit for the future* specifically addresses Te Tiriti o Waitangi in immigration policy and contains the following Finding and Recommendation (p. 80):

- *Finding 27.* Te Tiriti o Waitangi (Te Tiriti) is fundamentally connected with immigration. Immigration policy and institutions should reflect Te Tiriti. The Commission has neither the mana nor the expertise to make definitive recommendations on how to address this but the Commission is making some recommendations as a starting point.
- *Recommendation 21.* The Government should work with Māori on how to reflect Te Tiriti o Waitangi in immigration policy and institutions. This engagement should be in good faith and allow Māori to define their own interests. As a starting point, engagement with Māori should be a fundamental part of the proposed Government Policy Statement process.

The proposed Government Policy Statement is introduced in Part 5 of *Immigration - Fit for the future* (pp. 66-70) and its scope is defined in Recommendation 13 (p. 69). This recommendation seeks an

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<sup>18</sup> Letter from Tai Ahu, Consultant, Whāia Legal, “Legal advice on immigration policy and Te Tiriti o Waitangi”, 26 August 2021. This letter can be accessed on the Commission’s website at [https://www.productivity.govt.nz/assets/Documents/Advice-on-immigration-policy-and-Te-Tiriti-o-Waitangi\\_Whaia-Legal.pdf](https://www.productivity.govt.nz/assets/Documents/Advice-on-immigration-policy-and-Te-Tiriti-o-Waitangi_Whaia-Legal.pdf)



amendment to the Immigration Act 2009 to require the Minister of Immigration, in consultation with the public, to regularly develop and publish an immigration Policy Statement (GPS) which must include, amongst other things “how, in partnership with Māori, immigration policy will reflect Te Tiriti o Waitangi” (p. 69). The GPS and some of the other key recommendations by the Commission are reviewed in the next section.

## 4.0 HIGH QUALITY WORK

It will be apparent from observations I have made in earlier sections that I am impressed with the quality of the process that was adopted to meet the terms of reference for the immigration inquiry. I am also impressed with the inquiry’s four major outputs: the Issues paper, the draft report, the final report and the report (*Immigration by the numbers*) that contains much of the quantitative evidence that has informed the Commission’s findings and recommendations.

In this section attention is focussed on the quality of the latter two reports. Comments on the development of the Issues paper and draft report, and their quality, can be found in sections 3 and 4.

### 4.1 Building the evidence base

The modelling and data analysis skills of the Commission’s Economics and Research team were drawn on extensively during the immigration inquiry. The report entitled *Immigration by the numbers*, that was released simultaneously with the final report, contains a synthesis of much of the data compilation and analysis that the Economics and Research team did for the inquiry.

The 80+ diagrams and tables contained in this report, along with the clearly written, well-integrated interpretive text, are a major resource for anyone interested in international migration in New Zealand. *Immigration by the numbers* is, and will remain, an important reference for researchers seeking insights into the four key topics it covers:

- Migration trends in New Zealand and the world (pp. 7-32)
- Who are the migrants? (pp. 33-52)
- Migrants in the labour market (pp. 53-64)
- Migrants and the economy (pp. 65-92)

It is rare to find such a comprehensive and very readable report on immigration in New Zealand that brings together analysis of data relating to border crossings (arrivals and departures), visa approvals, census data and information contained in the Integrated Data Infrastructure (IDI).

The Economics and Research team are to be commended on the high quality of both the presentation of data in this report, as well as the text covering historical and contemporary trends in immigration, emigration and net migration; demographic characteristics of working-age migrants who have entered and left New Zealand since the late 1990s; the participation and role of working-age migrants in the labour market; and the impact of international migration on the country’s national and regional economies. These are the data that have informed much of the discussion and associated findings and recommendations in the final version of *Immigration - Fit for the future*.

Reference has already been made to the on-going debate amongst economists around the impact of immigration of working-age migrants on the participation and earnings of domestic workers in the labour market. The data presented in *Immigration by the numbers* provides support for some of the Commission’s headline statements about the inquiry that are on their website at

<https://www.productivity.govt.nz/inquiries/immigration-settings/>, especially the statement that: “On average, immigration is not driving down wages nor displacing local workers”.

This key finding, along with the headline statement that: “Immigration is not likely to be the solution nor the cause of the productivity challenges facing Aotearoa New Zealand”, remain areas of debate amongst economists. As already mentioned in section 3, this debate has been acknowledged by the Commission in its final report by including two lengthy recommendations (1 and 15) that were not in the draft report, and which relate specifically to the risk of migration displacing local workers, especially in some of the low-wage sectors of the economy.

There are two topics where the discussion and associated data on immigration and the migrants are less comprehensive than they might have been. The first relates to population growth and the role that immigration plays. In this, bearing in mind that the Commission’s inquiry is addressing developments over the next 30 years at both national and regional levels (see discussion in section 4 about the ToR for the inquiry). The second concerns the absence of any real attention in the sections on “who are the migrants” and “migrants in the labour market [and the economy]” to the people who often accompany the primary working-age migrants (their partners and dependent children if they have these), and the members of their extended family who remain overseas.

Both of these topics have relevance for recommendations in the final report that the Commission makes about an immigration Government Policy Statement (GPS) and the concept of ‘absorptive capacity’, which is one of several dimensions that will need to be taken into consideration when developing an immigration GPS. They are also topics that Local Government Councils are required to take into consideration under the National Policy Statement on Urban Development (2020) when developing their long-term housing strategies for their communities. Available housing stock is a key component of sub-national absorptive capacities.

### **Population growth**

The short discussion of migration’s contributions to population change in New Zealand in *Immigration by the numbers* (pp. 20-21) makes the point that annualised population growth rates between 1990 and 2020 in most of the higher-income countries have been lower than New Zealand’s rate. High rates of immigration and higher average fertility in New Zealand have kept the population growing at a faster rate than many of its comparator high-income countries. But the reality of slower growth in the future, especially because of declining natural increase, is clearly evident in the historical experience of demographic transition in most countries, since the mid-20th century.

Extensive research on New Zealand’s demography in the late 20th and early 21st centuries has demonstrated that even with extensive immigration, population growth in many parts of New Zealand will stabilise or become negative over the next 30 years.<sup>19</sup> The relevance of this for the Commission’s inquiry into immigration that is fit for a future 30 years out, is that one of their key concepts for

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<sup>19</sup> See footnote 1, section 1 for some recent research featuring contemporary and future demographic trends at national and subnational levels. In addition, there is an excellent interactive set of maps illustrating future population change at the subnational level at <https://socialatlas.waikato.ac.nz/about.html>. The web-based *New Zealand Atlas of Population Change (2020/21)* was produced by Natalie Jackson, Lars Braybn and Glen Stichbury as part of the Capturing the Diversity Dividend of New Zealand (CaDDANZ) project which is the subject of a special issue of the *New Zealand Population Review* (vol. 45, 2019).

informing the development of an immigration Government Policy Statement (GPS) – the capacity of places and communities to absorb changing populations (absorptive capacity) – will relate to strategies to adjust to falling populations, not growing populations, in many parts of the country.

Recent research by demographers and others on the transition from population growth to decline at subnational levels is not mentioned in either *Immigration by the numbers* or *Immigration - Fit for the future*. Yet, as Jackson and her colleagues point out, while population growth at a national level in New Zealand may continue for the next 30 years and beyond, at the subnational level the ending of growth and the onset of sustained depopulation is going to pose a range of challenges and opportunities for communities as they seek to sustain some of the institutions and services that are at the heart of the Commission’s concept of absorptive capacity.

### **Families**

There are passing references in some of the Commission’s reports to the family contexts within which all migrants are situated. These contexts include single migrants with parents in New Zealand or overseas, or couples with or without dependent children in New Zealand and parents in or outside New Zealand. But the roles of these families, and the contributions they make to productivity and wellbeing, are not addressed comprehensively in any of the reports. This is perhaps not surprising given the focus of their inquiry was to be on the working-age population. That said, the ToR (p. 3) also stated that definition of working-age immigration policy settings included “migration that is a direct consequence of working-age migration (including partners, dependent children and parents)”

This is not the place for an extended discussion of the relevance of the family for the wellbeing of migrants and the host society, and the contributions that migrant families make to New Zealand’s economy, especially those who become permanent residents or citizens. The increasing restrictions that have been placed on entry of parents since 2007, culminating in the closing of the parent category completely in 2016, has been a source of continuous criticism of policy settings relating to international migration in New Zealand.<sup>20</sup>

Concern about these policy settings was clearly evident in the chat box at the public launch of the Commission’s findings from the immigration inquiry via a webinar on 10 June. The most persistent question in the chat box during that webinar related to family sponsorship policy settings, especially the parent category.

The fiscal justification for strict management of the entry of parents of migrants is well-known and is summarised in MBIE’s Briefing for the Incoming Minister of Immigration as follows:

As supporting migration of people who are unlikely to work in New Zealand can impose demand on health and other services funded by taxpayers, the category is capped at 1000 people per annum. Sponsors must also meet an income threshold to demonstrate they have the means to look after their parents’ wellbeing (currently the minimum to bring one parent

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<sup>20</sup> A brief history of the parent category in New Zealand immigration policy can be found in Richard Bedford and Liangni Liu (2013), ‘Parents in New Zealand’s family sponsorship policy: a preliminary assessment of the impact of the 2012 policy changes’, *New Zealand Population Review* 39, 25-49. An extensive analysis of the impact that current immigration policy settings have had on Chinese immigrants and their families can be found in Liangni Liu and Guanyu Ran (2022) *New Chinese Immigrants in New Zealand: Floating Families?* London: Routledge Series on Asian Migration.

is approximately \$115,400 – two times the median wage – and this increases by the median wage for each additional parent being sponsored) (BIM, pp. 42-43).

Pressure to review these settings, and to open the category again, did lead to a commitment in the 2020 Labour Party Manifesto to review the barriers to the Parent Category Residence Visa. This is becoming increasingly urgent given that the BIM (p.43) notes that “there are 8,800 EOIs in the queue and the 2021 Resident Visa may produce another surge in demand in two or three years’ time”.<sup>21</sup>

Looking ahead, the pressures facing many migrants who are living transnational lives will intensify as their overseas-resident parents age and the costs (fiscal and in terms of carbon emissions) associated with regular international travel increase. There are productivity and wellbeing considerations that require attention relating to family sponsorship immigration settings and these merited more attention in the Productivity Commission’s reports than they received. They also have direct relevance for Ganesh Nana’s reference to “the importance of connections and relationships between generations, community and the ecosystem within which we reside” (p. 2) that is in his thought-provoking Foreword to the final report which is the subject of the next section.

## **4.2 The final report**

The Foreword to *Immigration - Fit for the future* is well-worth reading. It contains some powerful insights into how the Chair of the Productivity Commission, as a child of immigrant parents, views the current immigration landscape in New Zealand. Drawing on an evocative whakatauki from Te Rūnanga Nui o Te Aupōuri tipuna, Mere Ngāroto, he uses the metaphor of a ‘nest’ to frame the Commission’s core recommendation which is for the Government “to more effectively manage absorptive capacity together with migrant inflows to ensure consistency with expected population growth” (p. 3).

For Dr Nana, immigration policy should be “laser-focused on making a nest that will attract and welcome migrants who will not only improve our productivity and wellbeing, but will also further decorate, enhance and adorn the nest for our mokopuna” (p. 3). He notes that “our nest has become strained, with stresses emerging long before the immigration surge experienced over the immediate pre-Covid period. Our absorptive capacity requires both remedial and ongoing attention” (p. 3).

To ensure that immigration policy is “fit for the future”, the Commission argues that a range of absorptive capacity issues must be addressed, along with how best to reflect Te Tiriti o Waitangi in immigration policy and institutions. To achieve this, the Commission recommends establishing an immigration Government Policy Statement (GPS) to improve the quality and transparency of immigration policy. The framing of this GPS is summarised on p. 7 and linked with the challenge to reflect Te Tiriti o Waitangi in immigration policy and institutions on p. 8.

*Immigration - Fit for the future* contains eight substantive sections:

- This inquiry (pp. 9-11)
- How did we get here? (pp. 12-24)
- The recent past: between the GFC and Covid-19 (pp. 25-46)
- Better immigration policy tools (pp. 47-65)
- Better institutions for longer-term productivity and wellbeing (pp. 66-78)
- Te Tiriti o Waitangi, settlement and future risks and opportunities (pp. 79-89)

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<sup>21</sup> MBIE (2022) Briefing for the Incoming Minister of Immigration, <https://www.mbie.govt.nz/dmsdocument/23622-briefing-for-the-incoming-minister-of-immigration-june-2022>

- Concluding thoughts (pp. 90-93)
- All findings and recommendations (94-107)

Appendices containing the lists of engagement meetings and submissions are on pp. 108-115.

The report is well-written, has a clear and coherent structure, and is well-illustrated. Key findings and recommendations relating to specific issues and topics are included in the text as well as in the consolidated list at the end of the report. I have already made reference to the findings and the recommendations in the report in section 3 when reviewing the ToR. I do not intend reviewing these further in terms of their substantive content. They do address most of the issues raised by the referring Ministers in the ToR. They also do this in a way that meets the requirements of the Minister of Finance in his letter of expectations in May 2021 where he requests that the Commission “looks beyond traditional measures of economic success such as GDP, and has the wellbeing of current and future generations of New Zealanders front of mind as it generates new knowledge and advice” (p. 1).

Rather than making further observations of my own on the findings and recommendations, I briefly summarise some of the feedback I received from researchers and organisations I contacted who had been part of the engagement and submission processes on the proposed immigration Government Policy Statement (GPS) and the requirement for the GPS to be developed with specific reference to absorptive capacity.

### **An Immigration GPS**

Almost everyone I spoke to welcomed the proposal to have an immigration Government Policy Statement. There was strong support for a more transparent statement about the objectives of immigration policy, not just with reference to economic objectives, but also with reference to processes of social and environmental change. There was a sense in some responses that the Commission had had its hands tied a bit when it came to delivering on a comprehensive inquiry into international migration in the contexts of productivity and wellbeing by the requested focus on the working-age population, and having parts of the migration system ruled out of scope.

Inevitably this led to a tendency to view migrants as units of productive labour rather than as people with social as well as economic needs, aspirations and contributions in New Zealand. In this sense, *Immigration - Fit for the future* was not able to deliver as effectively as it might have done to the contributions immigration makes to productivity and wellbeing, especially with reference to “the connections and relationships between generations, community and ecosystem within which we reside” that Dr Nana refers to in the Foreword (p. 2).

The Commission has outlined an ambitious framing for the GPS in Part 5 of *Immigration - Fit for the future* (pp. 66-70) and in Recommendations 3 and 13:

#### **Recommendation 3**

The Government, in an Immigration Government Policy Statement, should describe:

- what the Government considers New Zealand’s absorptive capacity to be (based on a range of indicators);
- where and how short-term immigration flows are likely to put additional pressure on that capacity (if at all); and
- how the Government intends to invest to expand capacity (if needed) to align it with expected population growth over the medium to long term.

### **Recommendation 13**

The Immigration Act 2009 should be amended to require the Minister, in consultation with the public, to regularly develop and publish an immigration Government Policy Statement (GPS). These amendments should specify that a GPS must include:

- short-term and long-term objectives, and relative priorities;
- performance measures or indicators;
- how, in partnership with Māori, immigration policy will reflect Te Tiriti o Waitangi;
- how demand for temporary and residence visas will be managed taking account of significant pressures (if any) on New Zealand’s absorptive capacity over the period of the GPS, including specification of a planning range for the intake of new residents over the period covered by the GPS; and
- the criteria for managing access to temporary work visas and projections of migrant flows based on these criteria, over the period covered by the GPS;
- a description of how the residence planning range and the criteria for selecting migrants for temporary and residence visas will contribute to the objectives of the GPS as well as other government policy objectives, including but not limited to links with education and training.

There are a lot of components that the Commission considers must be included in a GPS that will “allow the government of the day to set a clear strategic direction yet allow the GPS to adapt when significant changes occur and show how immigration policy fits with other objectives” (p. 90).<sup>22</sup> The immigration policy advisers I spoke to in MBIE were disappointed that the Commission had not provided more advice on how immigration policy might reflect Te Tiriti o Waitangi.<sup>23</sup>

### **Absorptive capacity**

The Commission’s proposals with regard to absorptive capacity are ambitious. Their second recommendation reads: (p. 97)

### **Recommendation 2**

The Government should introduce the concept of the country’s absorptive capacity when setting its objectives for immigration policy.

This recommendation arises from the following findings: (pp. 95-96)

### **Finding 6**

Strong inward migration of non-citizens can combine with return migration and low rates of emigration by citizens and permanent residents to create high rates of population growth that put pressure on the country’s ability to successfully accommodate and settle new arrivals and that harm the wellbeing of both migrants and locals.

### **Finding 7**

There is a disconnect between immigration policy and the investment to expand capacity in the infrastructure needed to support population growth.

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<sup>22</sup> One of the reports that the Commission sought from external research providers contains some advice on how a GPS mechanism might be implemented. See Peter Wilson and Julie Fry (2022) Planning for prosperity: Transparent and public immigration targets, NZIER report to the Productivity Commission, March 2022. Available at: [https://www.productivity.govt.nz/assets/Documents/Planning-for-prosperity\\_Transparent-and-public-immigration-targets.pdf](https://www.productivity.govt.nz/assets/Documents/Planning-for-prosperity_Transparent-and-public-immigration-targets.pdf)

<sup>23</sup> See section 3 of this report for further discussion of this issue.

### **Finding 8**

By paying attention to absorptive capacity, the Government could more effectively manage migrant inflows to avoid exacerbating pressure on existing capacity, and invest and remove obstacles to provide enough future capacity for desired future immigration volumes.

The Ministry of Housing and Urban Development is particularly interested in the proposal to take the concept of absorptive capacity into consideration when framing immigration policy but is cautious about the concept just relating to absorptive capacity at a national level. Given the widening disparities in regional population growth, and the quite marked regional disparities in the impacts of immigration on housing and other infrastructure and services, there will need to be careful monitoring of distributional impacts of migration (both internal and international) at a range of sub-national levels when assessing absorptive capacity.

A lot of work still has to be done to define how absorptive capacity is measured and what the effective indicators of this capacity are. In the words of one of the people I interviewed while preparing this review, a major contribution of the Commission's immigration inquiry has been to 'red flag' a number of key issues that Ministries need to consider and address, rather than trying to do all the thinking for the Ministries. In this sense, *Immigration - Fit for the future*, and the other reports and working papers that have been produced during the course of the immigration inquiry, have made a particularly valuable contribution that extends well beyond the domain of immigration policy settings per se.

## **5.0 CLEAR DELIVERY OF MESSAGES AND OVERALL QUALITY**

Dissemination of findings and recommendations via webinars, the media and meetings with key stakeholders began in June 2022 and was on-going at the time this review was undertaken. The webinar to launch *Immigration - Fit for the future* and *Immigration by the numbers* was held on 10 June and attended by 140 of the 220 registrants. As an attendee, I was surprised by the number of questions and comments in appeared in the chat box - the Commission's headline findings and recommendations certainly generated considerable interest.

In this section I comment briefly on three issues: the key events that the Commission has organised since the beginning of May 2022, the extent of media coverage of the Commission's key findings and recommendations, and the overall quality of the immigration inquiry.

### **5.1 Post-launch events**

The Commission provided details of 17 events where research, findings and recommendations from the immigration inquiry would be presented by Commissioners and members of the inquiry team. Ten of these events were held in June, including two that were open to the public – the launch event on 10 June and a seminar organised in association with Motu Economic and Public Policy Research on 16 June. I participated in both of these events and can report that the presenters pitched their material appropriately for a public audience.

The organisations that have hosted, or are scheduled to host, meetings to discuss the inquiry's final reports are diverse and include NZCTU, FOMA Chairs, Workforce Development Councils, the Employers and Manufacturers Association Members Forum, NZ Aged Care Association, Education New Zealand (the International Education Chief Executives Group), MBIE's Policy Forum, the Treasury's Economic Strategy Team (as well as a guest lecture at the Treasury), the Stats NZ DataLab User Forum, and the New Zealand Association of Economists Conference in later June.

While it is still early days in the dissemination of findings from the immigration inquiry, the range of organisations that is hosting events suggests that the Minister of Finance’s expectation that the Chair of the Commission’s “extensive networks and experience in working with diverse stakeholder groups will enable the Commission to continue to innovate and extend its public engagement and the impact of its work” is being met.<sup>24</sup> Once the current round of local body elections is completed the Commission would be well-advised to extend its dissemination events to regions where immigration is playing a major role in contemporary population change, especially those regions where local authorities and community organisations have concerns about appropriate strategies for absorbing future growth.

## **5.2 Media coverage**

There was extensive media coverage of *Immigration – Fit for the future* on 31 May 2022 when it was released to the public. On that day alone there were over 30 references to the report in newspapers, on the radio, on TV programmes and in on-line outlets.<sup>25</sup> Over the next month a further 30 items appeared almost on a daily basis, and there were another 40 items that surfaced in the Fusepower search during July and August.

The large number of references to the Commission’s findings and recommendations between 31 May-30 August 2022 is hardly surprising given the media attention to immigration generally with the opening of the border to non-citizens and residents and the implementation of the Accredited Employer Work Visa system during these three months. In the very tight labour market that has prevailed for the past two years immigration has consistently been a hot topic in the media.

The Commission’s media releases on their headline findings and recommendations generally attracted positive comment across the political spectrum. While there were differences in the findings and recommendations that were highlighted by different commentators, there were some common threads in the coverage. The Commission’s reference in the final report to immigration policy being decided in a “black box” (p. 51) attracted a lot of attention in the initial media coverage, and there was considerable support for the proposed immigration Government Policy Statement. Differences between the Commission’s findings and recommendations and the conditions of the AEWV relating to the ‘tying’ of temporary labour to employers were also picked up quickly in the media coverage.

An official response from the Minister of Immigration to the immigration inquiry had not been received by the Commission by mid-September 2022 so it is not possible to say what the reaction to the proposal for an immigration Government Policy Statement will be. It is also too soon to make any assessment of the extent to which policies and behaviours change as a result of the immigration inquiry’s work. What is clear, though, is that considerable discussion and debate about immigration policy, processes and contexts has been generated by the Commission’s findings and recommendations.

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<sup>24</sup> Letter of Expectation, Minister of Finance to the Chair of the Productivity Commission, 11 May 2021, p. 2.

<sup>25</sup> The data relating to media coverage come from a search of over 40 outlets, powered by Fuseworks, that the Commission conducted on 19 September 2022. The search required identified items to contain reference to both immigration and the Productivity Commission.



### 5.3 Overall quality of the inquiry

The Productivity Commission's immigration inquiry has scored highly on all of the performance measures that this review has been asked to consider: the inquiry process, engagement strategies, focus of the inquiry, quality of the research and reports, and delivery of key messages. I have not reviewed other inquiries undertaken by the Commission so I cannot make any comments about how this inquiry compares with others on the basis of these performance criteria. But as someone who has organised multi-year research programmes on immigration and population change in New Zealand, I have been impressed by the scale, scope and productivity of the Commission's immigration inquiry.

The ToR that was sent to the Commission by the Minister of Finance on 12 April was very ambitious in terms of its scope – more ambitious than most multi-year research programmes addressing immigration that have been supported by MBIE's Endeavour Fund, for example, in recent years. The Commission did a remarkable job delivering on this ToR, especially given the transition that it was undergoing during the year when all phases of the inquiry were completed.

On balance, I rate the overall quality of the inquiry as being very high. There will be on-going debate, amongst economists especially, about some of its findings. That is not a negative sign, especially in the social sciences. There will be debate about several of the recommendations. That is a positive sign that the Commission's findings are challenging the status quo and triggering discussion about issues people consider to be important. There are some gaps in the inquiry, and some omissions from the engagement list, that I became aware of during the course of the review. These are inevitable in such a wide-ranging inquiry into a topic around which there is considerable debate.

My only suggestion for future inquiries that address topics rooted in demography is to make sure that the demographers are consulted. I was surprised to find that one of New Zealand's most experienced demographers, Dr Natalie Jackson, who has probably done more work on the contemporary demography of New Zealand at national as well as regional levels, was not consulted at any stage during the inquiry. Economists, sociologists and geographers who work with population data are not, by definition, demographers.

Dr Jackson's insights into New Zealand's contemporary demography, which I have referenced in places in this review, merit serious consideration by the immigration inquiry team as they progress their work on what Dr Nana states in his Foreword to *Immigration – Fit for the future* is the Commission's core recommendation which is "for the Government to more effectively manage absorptive capacity together with migrant inflows to ensure consistency with expected population growth".<sup>26</sup>

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<sup>26</sup> Foreword, *Immigration – Fit for the future*, p. 3.

## **ANNEX 1. TERMS OF REFERENCE FOR THE IMMIGRATION INQUIRY**

# Hon Grant Robertson

MP for Wellington Central

Deputy Prime Minister

Minister of Finance

Minister for Infrastructure

Minister for Sport and Recreation

Minister for Racing



Dr Ganesh Nana  
Chair  
Productivity Commission  
PO Box 8036  
The Terrace  
Wellington 6143

12 April 2021

Dear Ganesh

## **TERMS OF REFERENCE FOR AN INQUIRY INTO IMMIGRATION SETTINGS FOR NEW ZEALAND'S LONG-TERM PROSPERITY AND WELLBEING**

On behalf of myself and the Minister of Immigration, I am pleased to refer to you the terms of reference for an inquiry into Immigration Settings for New Zealand's Long-Term Prosperity and Wellbeing.

The disruption caused by COVID-19 has provided us a rare and unique opportunity to focus an inquiry on an area that makes a significant contribution to New Zealand's labour market, culture and society – immigration settings. This inquiry will enable New Zealand to strategically optimise its immigration settings by taking a system-wide view, including the impact of immigration on the labour market, housing and associated infrastructure, and the natural environment.

As you will be aware the government is needing to make decisions in real time on some immigration matters in the wake of COVID-19. This inquiry will complement this work being led by the Minister of Immigration, including a review of the Skilled Migrant Category visa. It will be important for the Commission to engage with the relevant agencies throughout the inquiry so that your findings and recommendations take account of, and can influence the ongoing policy work.

I wish you all the best as you commence this inquiry and look forward to your findings.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Grant Robertson'.

Hon Grant Robertson  
**Minister of Finance**

# **Terms of Reference – New Zealand Productivity Commission Inquiry into Immigration Settings for New Zealand’s Long-Term Prosperity and Wellbeing**

Issued by the Minister of Finance and the Minister of Immigration (the “referring Ministers”).

Pursuant to sections 9 and 11 of the New Zealand Productivity Commission Act 2010, we hereby request that the New Zealand Productivity Commission (the “Commission”) undertake an inquiry into immigration settings for New Zealand’s long-term prosperity and wellbeing, with a focus on working-age immigration policy.

## **Context**

Immigration is a topic that introduces both significant opportunities and challenges to the economic development of New Zealand. On one hand it makes a significant contribution to New Zealand’s labour market, culture and society. As the Commission’s earlier work has identified, before the COVID pandemic more people were entering New Zealand’s labour market through permanent and long-term migration than from the school system.<sup>1</sup> Some New Zealand firms, industries and regions also rely heavily on migration to meet their skill and labour needs.

Many migrants settle smoothly and prosper, as New Zealand permanent residents, citizens, or valuable temporary workers whose time here is of mutual benefit to them and New Zealand. Migrants can bring to New Zealand a highly valuable diversity of skills, talents, knowledge, experience, international connections and financial, social and cultural capital. International students also make an important contribution through the fees they pay and, for PhD students in particular, the knowledge they produce during their time in New Zealand.

However, questions have from time to time been posed about the economic and other impacts of New Zealand’s working-age immigration settings. These questions cover matters such as:

- the impact of large increases in net migration (and hence rapid population growth) on housing markets and associated infrastructure, on social cohesion and on the natural environment;
- the impact these increases in aggregate demand are having on macroeconomic phenomena such as interest and exchange rates and GDP growth, and on New Zealand’s international competitiveness;
- how New Zealand should think about meeting future skill or labour shortages;
- whether the skills of migrants are being well-matched with the jobs available in New Zealand, and how these skills are assessed and recognised (tertiary qualifications, wages offered etc);

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<sup>1</sup> See Figure 4.6 (p.100) of NZPC (2017), *New Models of Tertiary Education: Final report*. Retrieved 03 March 2021 from [www.productivity.govt.nz/inquiries/new-models-of-tertiary-education](http://www.productivity.govt.nz/inquiries/new-models-of-tertiary-education)

- how to attract and benefit from investor migrants and entrepreneurial migrants whose skills, experience, capital and international connections can support New Zealand’s economic and social progress, including via creating new businesses and improving New Zealand’s reach into higher-value industries;
- whether the value that New Zealand derives from migration is constrained by the complexity of our immigration system;
- the treatment of migrant workers by some employers, and concerns about the wellbeing of those workers;
- the effect of access to migrant labour on firms’ incentives to:
  - make productivity-enhancing adjustments (e.g., adopting technological solutions or other forms of capital investment);
  - develop the skills of existing and future domestic workers in their own firm or industry; and
  - make efforts to attract new domestic hires;
- perceptions that any “crowding out” of domestic workers by migrant workers will disproportionately affect New Zealanders who lack work experience and qualifications – a group in which Māori and Pacific peoples are over-represented;
- the impact of migration on labour demand and wages in particular areas or sectors;
- the length of time migrant workers remain in New Zealand; and
- the use of the student visa as a pathway to residency, and the labour market impact of international students’ in-study and post-study work rights.

The temporary closure of the border in response to the COVID pandemic provides an opportunity to consider the value to New Zealand of working-age immigration policy, and look for ways to increase that value, including over the long term (5–10+ years).

While immigration policy settings do not dictate the movement of New Zealand citizens, their migration – both volume and composition – significantly influences the net impact of immigration settings. This movement is therefore important context for this inquiry, as is the freedom of movement (in normal times) of Cook Islanders, Niueans, and Tokelauans and Australians to and from New Zealand.

### **Purpose and scope**

Having regard to the context outlined above, the referring Ministers request the Commission to undertake an inquiry to explore what working-age immigration policy settings would best facilitate New Zealand’s long-term economic growth and promote the wellbeing of New Zealanders.

In keeping with its legislative purpose, the Commission’s focus should be on immigration policy as a means of “improving productivity in a way that is directed to supporting the overall well-being of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society”.<sup>2</sup>

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<sup>2</sup> Section 7 of the Productivity Commission Act 2010 refers. Retrieved 03 March 2021 from [www.legislation.govt.nz/act/public/2010/0136/latest/DLM3104328.html](http://www.legislation.govt.nz/act/public/2010/0136/latest/DLM3104328.html).

The Commission should define working-age immigration policy settings broadly, to include settings relating to:

- visas with a labour market test as well as those with open work rights (including for Working Holiday visa holders and student visa holders);
- temporary visas as well as residence visas; and
- migration that is a direct consequence of working-age migration (including partners, dependent children and parents).

The Commission should aim to provide concrete advice on how immigration affects labour market outcomes and the overall wellbeing of New Zealanders, including through productivity growth, the development of skills, levels of capital investment and labour market opportunities among different groups. It should assess evidence on the impact of low-skilled migration on wages, working conditions and business models in relevant sectors, and consider the impact on those sectors of reduced access to migrant labour, including any lessons learned from border closures due to COVID-19.

The Commission should provide recommendations on how immigration policy, institutional arrangements and other settings could be enhanced including by:

- assisting smoother macroeconomic, housing and infrastructure adjustment to net migration and population growth;
- encouraging better matching of jobs and migrant skills, commenting where possible on how skills and labour market gaps should be identified and assessed;
- promoting higher productivity in New Zealand firms, including through:
  - making productivity-enhancing adjustments (e.g., adopting technological solutions or other forms of capital investment);
  - attracting entrepreneurial and investor migrants who will create and invest in high-growth firms;
  - promoting utilisation in the labour market of migrants' diverse talents, skills, experience and international networks; and
  - supporting the performance of New Zealand's science and innovation systems;
- encouraging strengthened development of skills and education among New Zealand citizens and permanent residents;
- supporting an inclusive labour market, recognising that migration to New Zealand might affect wages and workforce participation differently for different groups;
- achieving optimal interaction between temporary and permanent migration, noting that some temporary migration is an established pathway to residence;
- supporting successful settlement of migrants in New Zealand;
- protecting the wellbeing of temporary migrants while in New Zealand; and
- contributing positively to the wellbeing of current and future New Zealanders.

In describing how to achieve these goals the Commission should provide recommendations, where possible, about potential adjustment mechanisms or transition pathways for key sectors.

In carrying out this work, the Commission should:

- be explicit about any assumptions and judgements it makes for the purpose of this inquiry about the nature and goals of immigration policy and their relative weighting or importance;
- take into account reform work already underway in the immigration and vocational education systems;
- seek to quantify its assessments and proposals, drawing on existing and new empirical research from New Zealand and overseas, while also considering how COVID may affect historic trends;
- be clear about how and when migration volumes, and migration mix or composition, matter to policy design, and the Government's levers and trade-offs in seeking to influence both;
- take an economy-wide perspective, considering where changes to regulation and policy outside the immigration system would remove impediments to New Zealand realising potential productivity gains from migration;
- take into account long-term transitions including the impact of climate change and the changing nature of work;
- consider the role of non-government agents and infrastructure, including social and community infrastructure, in contributing to positive outcomes from immigration;
- articulate the trade-offs involved in different policy choices, and any significant distributional impacts for different population groups or regions; and
- acknowledge that immigration and movement of persons has an important role in underpinning New Zealand's international connections and relations with other countries. In many cases New Zealand has special immigration obligations due to international agreements and other international political commitments, for example, with Australia, the Pacific and other countries.<sup>3</sup> In the Pacific context, immigration also supports development objectives in the region. The Commission may recommend changes to these settings (except where specifically out of scope) but before doing so should take into account the potential reputational and foreign and development policy impacts of change. The Ministry of Foreign Affairs and Trade is available to discuss these issues with the Commission.

We encourage the Commission to include case studies, at its discretion, on industry sectors that are facing change (including rapid growth) due to decarbonisation, technological or demographic drivers.

The Commission should also consider:

- how concepts within Te Ao Māori, or the inclusion of Māori perspectives and cultural values, can assist New Zealand in thinking about immigration policy; and
- how the Crown can honour Te Tiriti o Waitangi and the mana of Māori in its development and application of immigration policy, to ensure it reflects the interests and aspirations of tāngata whenua as whānau, hapū and iwi.

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<sup>3</sup> For example, New Zealand has 45 reciprocal Working Holiday schemes with other countries that often form part of the wider architecture that supports our bilateral relationships and trade agreements.

## **Exclusions**

The following matters are out of scope:

- immigration policy settings for refugees and asylum seekers;
- immigration policy decisions undertaken specifically in response to the COVID pandemic;
- institutional funding arrangements for Government immigration agencies;
- day-to-day operational decision-making by Government agencies; and
- the freedom of movement (in normal times) of Cook Islanders, Niueans, and Tokelauans and Australians to and from New Zealand. This freedom of movement is, however, important context for the Commission to consider when analysing the likely impact of potential immigration policy changes on the size and composition of New Zealand's population.

## **Inquiry format, consultation and timeframes**

In undertaking this inquiry the Commission should endeavour to select modes of consultation and publication formats that will support a wide range of New Zealanders to share their perspectives.

The Commission should ensure that Māori can provide input into the inquiry at all stages and through a range of channels and organisations. It should also consult widely with Pacific communities, migrant and ethnic communities, relevant government agencies, local authorities, skills organisations including international education organisations, the social partners (the New Zealand Council of Trade Unions Te Kauae Kaimahi and Business New Zealand) and the general public.

The Commission should produce outputs during the course of the inquiry that facilitate engagement with the broadest range of groups and communities. It must also publish a draft report and/or discussion document, for public comment, followed by a final report that must be presented to referring Ministers by 30 April 2022.