

Immigration – Fit for the future

Preliminary findings and recommendations

Summary



The Government has asked the Productivity Commission to investigate and recommend immigration settings that are fit for the future. This summary presents the Commission's preliminary findings and recommendations.

Preliminary findings

Immigrants make a positive contribution to New Zealand's workforce

New permanent and long-term working-age migrant arrivals have exceeded the number of New Zealand residents turning 15 over the 5 years before the Covid-19 pandemic. The arrival of migrants to New Zealand has compensated for the Kiwi diaspora over many years – largely New Zealanders going to Australia, where incomes have been higher.

Immigration has helped raise the overall skill level of the working population

Immigration policy over the last 30 years has focused on people with professional and advanced skills for residence. Several temporary work visa categories are also designed to fill gaps and meet specific demands for skills. The contribution of permanent migrants to national skill levels does not stop at one generation. New Zealand students whose parents were born overseas are more likely to achieve higher qualifications than their parents when compared to New Zealand students whose parents were born here.

Younger and highly skilled migrants are net contributors to the public purse

Everyone who lives in a country will affect public finances through their tax contributions and their use of public services, such as education and healthcare, and receipt of cash benefits such as New Zealand Superannuation. A positive fiscal impact means that a person contributes more than they use. Migrants in New Zealand make larger contributions to the government accounts than the New Zealand-born population.

Immigration can affect the demand for skills, training and technology

Overall, immigration has not come at the cost of locals' wages and employment opportunities

Studies find very minor and mostly positive impacts on the average earnings and employment of local workers. The immigration system endeavours to manage the risk of New Zealanders being displaced by migrant workers, especially those who work (or could potentially work) in lower-skilled occupations. However, there are known deficiencies with the Labour Market Test and skills shortage lists.

There is a disconnect between the immigration system and the education and training system

There are no consistent feedback mechanisms to link skills shortages evident in the immigration system to potential responses in the education and training system. This limits the ability of the education system to meet employer needs and may weaken accountabilities on employers to train and develop local workers. The evidence of the effect of migrant labour on employers' incentives to train local workers is mixed.

The use of immigrant labour reflects specific industry and labour market conditions

Temporary migrants make up a large and growing share of the workforce in several industries. This may reflect specific industry conditions where the skills of migrants complement those of local workers. However, difficulties attracting and retaining New Zealanders to regional locations, low wages and poor work conditions, seasonal work patterns that are less attractive to locals, and open work rights for some temporary visa categories, are also factors.

Workforces with a large share of foreign-born staff are not specific to the private sector. New Zealand's health sector, for example, has some of the highest rates of foreign-trained nurses and doctors in the OECD.

In some industries, there have been troubling patterns of exploitation, particularly of temporary migrants. Visa conditions applied to some temporary migrants increase the risk of abuse.

Immigrant labour in some circumstances may reduce incentives to adopt new technology

The relative cost of hiring low-skilled migrants compared with the cost of investing in new technologies may reduce incentives for employers to innovate or adopt new technology. But in the absence of technological alternatives to labour, firms may be forced to reduce or suspend some activity or even shut down entirely if migrant labour is not available.

Recent arrivals may have been less highly skilled than earlier cohorts

While immigration has helped lift overall skill levels over the past 30 years, temporary migration in the years before Covid-19 was increasingly being used to fill vacancies in lower-skilled jobs.

New Zealand has experienced an immigration "shock" that tests its resilience

Immigration research underway for the Commission will provide further evidence into New Zealand's resilience and its reliance on migrants. This research will use the sudden closure of the New Zealand border in 2020 as an unanticipated "shock" to seasonal migration from the Pacific and will compare the outcomes of firms that experienced different changes to their Recognised Seasonal Employer workforces.

New Zealand has struggled to absorb more people well

High numbers of residents, largely uncapped temporary migration programmes and reductions in departures by New Zealanders have contributed to New Zealand's comparatively rapid population growth over the past decade. Population growth has contributed to pressures on the supply of housing and deficits for public infrastructure (eg, roads, hospitals, schools, three waters services), and a need for people to provide these services.

Pressure on housing and infrastructure has been exacerbated by underlying constraints

These negative effects – pressure on housing supply and house prices and rents, and a shortfall of public infrastructure – are exacerbated by underlying constraints within the New Zealand economy. These constraints include restrictive land use regulation and infrastructure funding that limit the ability to meet housing demand. In essence, these constraints limit how many people the economy can absorb at any point in time.

Immigration is disconnected from policy areas that determine how well New Zealand can accommodate more people

The disconnection of immigration from other policy areas (eg, housing, infrastructure) has meant that the rapid growth in net migration and population in the years preceding the Covid-19 pandemic exceeded New Zealand's ability to successfully accommodate new arrivals.

The immigration system can't deal with large volumes of applications for residence

Large queues of applicants for residence visas have increased uncertainty and reduced the likelihood of achieving a pathway to residence. This has left many migrants in a state of uncertainty and unable to settle. Several inquiry participants and commentators described the mismatch between migrant expectations and the reality of residence, and the lack of any action to counter or prevent this gap, as cruel and falling well short of manaakitanga.

These problems stem from the lack of a long-term strategy

Immigration policy needs transparency, a clear direction and better connections

The absence of a long-term strategy means that the system is open to pressure from interests that benefit from high levels of immigration, struggles to make trade-offs, has a short-term focus, and takes incremental decisions that fail to take account of cumulative or wider impacts or other policy objectives.

The disconnect from other policy areas has put pressure on New Zealand communities

The disconnection of immigration policy from other policy areas has meant that migration and population numbers have grown ahead of the stock and flow of public infrastructure, contributing to burdens for the wider community, most notably in house and rental prices and growing inequalities.

Immigration policy is silent on the role of the Treaty

There has been a growing debate and interest in the role of the Treaty of Waitangi in immigration, with some scholars and leaders describing the Treaty as New Zealand's "first immigration policy document". Yet current immigration law and policy do not explicitly reference or reflect the Treaty of Waitangi.

Preliminary recommendations

Immigration policy in the future needs to be better connected to our ability to supply housing and infrastructure, if it is to make the largest contribution to productivity and wellbeing. Greater transparency would also help businesses and people make better plans for the future. To make these links and better support predictability, the Commission makes the following recommendations:

- **Require governments to issue regular policy statements on immigration.** These Government Policy Statements (GPS) would spell out the Government's short-term and long-term priorities, set measures for assessing performance, and explain how the Government intends to accommodate new arrivals (eg, through increased infrastructure investment or moderation in visa numbers).
- **Change the law to require the Government to give explicit consideration to how well New Zealand can successfully accommodate and settle new arrivals.** Current law gives the Crown complete discretion in determining the "national interest" in immigration. The ability to absorb new people is an overriding factor and should be included in Government decisions about the volume and make-up of migrant intakes.
- **Explicitly acknowledge the Treaty of Waitangi interest in immigration policy.** The Treaty was developed and signed in response to immigration, and directly refers to immigration in its text. The Crown also has a duty to actively protect Māori interests. The Commission considers that the Treaty interest should be reflected in immigration policy and institutions.

The following actions can help to improve the treatment of migrants in New Zealand and encourage their successful settlement:

- **Link the number of temporary migrant visas with potential residence pathways to the number of residence visas on offer.** Large increases in the number of temporary migrant visas have contributed to uncertainty and mismatched expectations of an actual path to residence.
- **Remove visa conditions that tie migrant workers to a specific employer.** Allowing migrants to move reduces the risk of exploitation and permits them to find jobs that better match their skills and experience.

The Commission is seeking feedback on actions that could help improve the treatment of migrants in New Zealand and encourage their retention of migrants in New Zealand and successful settlement. These actions include:

- Formally recognising efforts to learn te reo in decisions about residence or permanent residence.
- Limiting rights to return for permanent residents who leave.

The Commission is also exploring options for managing volume pressures, and making the immigration system run better. We welcome your feedback to refine our findings and recommendations before submitting our final advice to Government in April 2022.



Read the full report: www.productivity.govt.nz/immigration-dr



Have your say!

We welcome your views at:

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