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Submission to the Productivity Commission's inquiry into New Zealand's 'working age' immigration system.

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Population

Question 38. Which costs and benefits of population growth are important, and why?

The Commission has asked this question after noting immigration is a significant factor in population growth. I would ask the Commission to respond to this itself in its first consultation document by presenting us with useful long-run (at least from post-WWII) graphs or tables showing rates of natural growth and immigration etc. In 1960, the number of births per woman in NZ was 4; by 1980 it was 2 and it has remained around this level ever since. This basic fertility change has occurred similarly if at slightly different levels and time in almost all OECD countries. It must be a key driver of immigration we see into many other countries like NZ (Australia, Canada, US, UK) as their social and educational *mores* leave many 'structural' labour sub-markets (agriculture, hospitality, aged care, food production and distribution for example) apparently short of domestic labour.

I ask the Commission to depict this briefly, setting NZ's situation in a global context. Most higher income countries have industries imploring their governments to let in more (mostly low-paid) workers for them. Many harbour great numbers of illegal low-paid workers subsidizing industry output ((eg illegal immigrants in Wisconsin dairying (estimated 90% of total) or picking tomatoes in Italy)). The Commission has been asked to report on *working age* immigration. To do that convincingly, it has to look broadly at the last fifty years' behaviour in employment markets in first world countries as these societies' production systems, fertility and social behaviours have changed. By social behaviours, I include the huge change in numbers of workers in higher education bred for 'desk jobs' and socialized in NZ to dismiss a trade occupation as an option, for example.

The Commission knows that for decades conferences have been held here and papers written about what might make NZ wealthier, with the (small) size of the country held to be a factor holding it back (cited by the Commission using an OECD paper). It could just as easily have cited research papers concluding it is not size, but *location and the kind of natural resources NZ has that matter*. Growing from 4 to 5 million, NZ has not grown faster per capita than it did from 3 to 4 million: the OECD's argument doesn't apply to NZ. Arguments for (larger) size mattering are marginal and contested. What seems to be more important, in front of our noses, are the environmental and infrastructure arguments for 5 million being 'enough for now' and more importantly, *the social and deleterious labour market impacts of the high **rate** of population growth driven by immigration to NZ for long periods over the last 30 years.*

Question 39. What policy changes could help increase the benefits and reduce the costs of population growth?

The main policy change that might affect costs and benefits of population growth that is open to NZ policy-makers is control of the rate and composition of working age immigration. The Commission notes that NZ citizens and permanent residents are free to come and go when they please, illustrating the impact of this in Figure 13. Other policies, like attempting to avoid 'boom and bust' in construction cycles (which have led to large outflows of skilled workers to Australia in the past), are important but difficult to achieve and secondary. A long-term graph illustrating the relationship with Australia since 1973 when the Trans-tasman (TT) travel (free labour market) arrangement came into force would be helpful (gross and net, flows and stock).

In what follows, I try to 'carve out' the influence on NZ population of net emigration to Australia over the past five decades. This, to compare its amount to the volume of immigration we have had since 1973 (in the minds of many, 'replacement' immigration). Figure 18 showing the diaspora for various countries represents NZ's as very large. Once the anomalous populations of Luxembourg (660k) and Iceland (360k) are removed for clarity and analytical sense, this graph needs a commentary about free labour markets. The US apart, all of the Fig. 18 countries with a large diaspora are either in the TT, EU or Schengen agreement, with free movement of labour.

The Australian Census records 518k New Zealand-born Australian residents (my estimate now is 555k). The NZ diaspora is larger than is suggested in the Issues paper. There are 60k NZ-born in the latest UK Census, 20k in the US, 15k in Canada and several other countries with 4k. A reasonable total estimate on known numbers outside Australia might be 130k, to give a total diaspora of 650k - 700k. By this number is meant 'NZ-born usually living abroad', not the 'float' of those on working holidays of up to two years in the UK, for example.

I focus on Fig. 18 to make two points. The first is that *ex-Australia*, the NZ diaspora is less than 3% of the population – similar to the US and Australia. This percentage is relatively immaterial to any argument that NZ immigration's function in large part is to replace aggregate 'worker losses'. The Australian diaspora figure of less than 3%, similar to 'NZ-ex Australia' reinforces the normalcy of this adjusted NZ diaspora figure. The NZ 'stock' of global diaspora *ex-Australia* experiences a flow to it and back to NZ which can be expected to remain fairly stable, growing only slightly year to year.

Second, flows to Australia have been quite different to those elsewhere. The numbers of New Zealanders usually resident in Australia recorded by its census have grown in the last 25 years from 291k in 1996, to an estimated 555k at this year's August census. I've used the 2011 to 2016 Census growth rate to project this year's result. I am confident this is an over-estimate – Figure 13 shows a dramatic fall in the rate of net NZ emigration from 2014, most of which will relate to fewer departures for Australia.

On this census basis, while in practice the loss of New Zealanders to Australia has been from volatile flows, the net loss over the past 25 years has been about 265k – let's say an average of 10k a year (it was almost double that from 2006 to 2011). Since 2011 the loss has been

much slower, 7k or so a year. The number of New Zealanders gaining permanent residency in Australia in recent years has fluctuated around 5k-6k. This suggests the net total of New Zealanders living in Australia using the Special Category Visa (SCV) which allows them to stay and work, almost ceased growing in the last five years.

Over the past 25 years, NZ has gained a net average of about 40k residents a year – against a loss of 10k a year to Australia. Clearly it is not a loss of citizens to Australia that has driven the recent 40k to 50k a year levels of immigration. But the net rate of loss of NZ citizens to Australia is to NZ's disadvantage. Travelling there after finishing one's education for life and work experiences is undeniably advantageous for those who go (and for Australia, receiving workers it has not paid to educate). Many returnees (a 2012 MBIE study said 6 in 10 do) bring newly-acquired skills and work experience from Australia, a plus for NZ.

Without jeopardising these benefits, I propose a policy change to affect the costs and benefits of NZ's population growth. I suggest that we seek an agreement with Australia for the current SCV arrangement to have a 5-year working limit *from the time of first employment in Australia using it* (ie, not triggered by holiday visits). Australian authorities should be required to provide a reminder 12 months prior to the limit being reached (breaks in work in Australia would not count towards the limit).

This 5-year limit would operate as a 'nudge' to New Zealanders working there to consider very seriously where they wish to live and work. They would then be on the same footing as all other nationalities seeking permanent residence in Australia. It would be possible to stay, but only in a global competition. The main alternative would be to live and work in NZ. This would leave other countries' immigration rules as the sole regulator of any net NZer emigration. If you have a willing employer abroad who can obtain permanent residency for you by virtue of your skills, you can emigrate to work. NZ (like other countries) would continue to lose some of its people to Australia, but not so many, and not in a volatile way.

The 2012 joint Report of the Australian and NZ Productivity Commissions raised other issues unfavourable to NZ, some consequent on the early 2001 changes to the Trans-Tasman travel agreement which meant SCV holders from then on had lesser 'rights', and more social risks, than those who arrived earlier. The 5-year limit would prevent 'unprotected' SCV holders from bearing these risks/costs for more than five working years. The joint report also highlighted fiscal risks to NZ from allowing Australians to retire here and avoid the means test for their age pension, while receiving the NZ one under the agreement. Little has happened since the 2012 recommendations in this area. I urge the Commission to reiterate the key concerns it expressed then about the unbalanced operation of the existing agreement with Australia.

I also ask the Commission to illustrate the numbers of immigrants who have obtained a skilled person (SMC) residence visa, talent, or business/entrepreneurial visa, and the associated numbers of accompanying partners and children. Often, a residency applicant's partner of course enters the workforce. MBIE figures (very regrettably available on the web only in pdf form that is time consuming to use, and without metadata) for the ten years to June 2020 show 190k SMC resident visas issued, and 86k partnership visas linked to someone else's residency visa (presumably not all related to SMC people – the metadata are

missing. But 'expatriate' partners aren't included, numbering about 1k a year). My point is simply that 'immigration' is so often thought of as 'workers with skills', yet for the last decade only about half of the people arriving as approved residents have qualified because of their skills. I am not making a comment about that – simply asking for the presentation of figures relevant to the way we might think about immigration and productivity.

Figure 14 is of the proportion of foreign-born population among selected OECD countries. This high-level representation is misleading in the context of current immigration policy. For the Commission's purposes, as opposed to a census-derived total 'as at' 2018, we need a depiction that 'ages' the *growth* of the stock of our foreign-born population by *source country*. A comparison with other countries may not be possible. A recent UK Census illustrates my point, reporting 380k residents born in Ireland. But there had been 600k 10 years earlier, and now, 42% of them were over 65 and drawing a pension.

For NZ, a very significant proportion of the 'born in UK' resident population, for example (and the Netherlands as well?), is now retired. Please provide a 'top ten countries' chart (with accessible data) showing foreign-born residents in NZ from 1981 onwards at Census intervals. It will cover those here now, likely still to be in the workforce, including of course the initial immigrant children and now-retired parents admitted under relevant policy. That will show the working age and 'diversity' impact on population that our immigration policy has made over the past 40 years.

The striking time series in Figure 13 of natural increase (births minus deaths), NZers' net departures, and non-NZers' net arrivals, calls for careful interpretation led by the Commission. We need to understand both long-run immigration impacts on housing and its price, and its likely short-run role in our 2020/2021 house price inflation. While most population growth in the last decade has been from permanent and temporary arrivals, its contribution to recent house price rises will have been of a second order. March year house price inflation reached a decade high peak at 13%pa in 2016, fell to 3%pa in the year to March 2019, then rose 8% in the year to March 2020, when non-NZer arrivals essentially ceased (RBNZ series). Various long-run supply side failures explain why NZ's stock of dwellings has not responded adequately to population growth. I ask the Commission to provide a range of information on house price impacts from immigration.

For the five years to March 2019, the underlying data for Figure 13 show an increase of 275k people from net migration, compared to only 15k in the period 2009 to 2014 (when 'net', over 140k NZers left). The March 2019 quinquennium saw net non-NZ arrivals (not just new residents, but all visa categories) increase by 300k (vs 155k in the previous one), offset by the net loss of 25k NZers. The steady natural increase added another 140k for an 'all up' population gain of 415k. The average annual rate of population growth over this period was almost 1.8%. This was faster by some margin than for any quinquennium since 1974, when it exceeded 1.9% (and real house prices rose over 60%).

The major swing in net departures of NZers, most obviously to and from Australia, between the five-year net outflow to March 2014 and vastly reduced net outflow to March 2019, illustrates one major reason I have suggested we initiate a change to the SVC terms with Australia. But while that has been uncontrollable, the net arrivals figure in theory is, but

clearly hasn't been controlled. As I will point out in comments on our resident and temporary visa system, the interplay between the allocation of 'immediate' type residence visas and the triggering of 'rights', implicit or otherwise, under 'work/study to residence' visas, has been miscalculated and mismanaged, to the distress of thousands of would-be permanent residents left in limbo for years past their reasonable expectations.

I have deliberately avoided including the March 2020 year data in the quinquennium calculations, to ensure February and March 2020 NZer return here due to Covid-19 could not affect the analysis of figures over these two contrasting five year periods. The present 'Covid effect' has nothing to do with our government's lamentable past behaviour towards would-be permanent residents.

With less volatile net NZer departure behaviour, and properly controlled immigration systems and management, for rolling five-year periods a reasonable net rate of population growth for this country might be around 1 to 1.2% (where our natural increase currently is about 0.5%). But that could be too high at times and too low at others. Better, published, government discussion papers and data series would help develop consensus on relevant net immigration targets over time. I do not agree with either of the arguments for 'benefits' from a larger population posited on page 34, drawn from slim pickings from research.

Question 40. I most emphatically state that the government should not use immigration policy to 'ease pressures in some regions'. All countries have 'sub-labour' markets in practice, yes, but the demand for labour must be allowed to be signalled through pay rates, which over a period of a few years will adjust the number of workers coming forward in sub-markets (say, dairy workers) where the price needs to rise, and will fall in, say, hospitality.

Question 41. The number of people given permanent residence should be regulated. If employers in NZ, as they have been, can continue to obtain workers on a resident or temporary visa at pay rates they convince the Government is all they can offer, then we introduce major distortions into the labour market that damage our efforts to achieve productivity. An example is dairying, which in the South Island, from 1990 to 2019 increased its number of hectares by over 500,000, mostly converting sheep and beef farms. Data for recent years from the LEED project show sheep and beef farms require 0.0065 labour units per hectare, while dairy farms need .0200 labour units per hectare.

Over 29 years, approximately 7,000 additional farm workers – for dairying – have therefore been required. This is good for communities, but why could they not add about 250 more workers a year from among more than 2 million workers in NZ? South Island dairy farms, mostly 'corporate' in operation, have been major seekers of temporary and permanent resident workers. I've perused the major website used for advertisements for dairy workers. I am not surprised they are struggling to get young and older people to work split shifts over 12-hour spans at remote locations on rotating 6 and 5 day 'weeks' at the low pay offered. I suggest inadequate pay is a key reason for their hiring difficulty.

The productivity point is that dairying in the South Island built its expansion on a low labour cost model, paying 'thank-you very much' high land prices to persuade sheep farmers to sell up and so leaving themselves nowhere to go but the government for help with more cheap

workers when many of them realized they couldn't raise wages to attract enough of the kind of people they needed. Many of these farms would not have been financed to start with if a 'tight' labour market was in operation (using pay rates as a signal to allocate workers among industries).

But misconceptions about the need to allow pay rates to drive allocation of workers are endemic in NZ – after all, the banks financed these farmers and they should know what they are doing, shouldn't they? Productivity gains are stymied in dairy farming. Moreover, this 'let in more if they ask' approach to workers has obviously altered land use, not just to the detriment of the environment, but in a way that leaves market solutions in Government hands. In effect, the government has said dairy farms are a better bet for NZ for the future than sheep farms, while subsidizing their labour costs greatly and thinking it was 'letting the market operate'.

I use dairying as an obvious example, but much of NZ industry has behaved in the same way, especially hospitality where productivity is already very low. One result is that we don't invest enough in machines or devise new processes for a task, we often hire another worker. In Europe, you rarely come across road works with a worker at each end with a paddle saying stop and go on alternate sides. You encounter an automatic light run off a battery and smart enough to allocate directional volumes by time needed. That's rare here.

But worse than this, we have two people operating stop/go signs from whom we demand skills so far under their capability. One of the huge reasons why we should limit immigration carefully is to enable/prompt existing residents to 'upskill', especially through pressure on employers to do, and actively promote, a lot of this. I don't believe our school system is currently enabling learning to happen well enough for 'life' but the real pressure point needs in my view to be at the employer level. They will then communicate their needs better with schools, offer ways to motivate and help and in time more young people will be able to reach a higher potential. This process as the Commission knows is one key way productivity increases.

Low income and lower socio-economic parts of the community are most let down by the kind of 'low skill' resident and temporary worker decisions that have been taken over the past two decades (at least). Alwyn Poole has data on every secondary school's leaving ages and Level 1 to three attainment for the last three years. It makes depressing reading to see how many young students leave with no, or minimal, NCEA achievements, mostly from lower decile schools. In the South Island, there have been thousands and thousands of them, but it would seem very few have been drawn to dairy farm work. Has that industry really been trying? I am sure it would say yes, but it does it to a meagre budget, and gets meagre results. Many of these youngsters need motivation for learning – and a job with good pay not too far (ie, not in Auckland) from mum and dad likely will help.

A final reason I advance for carefully limiting additional numbers of residents each year is that we have a culture of incomprehension about what our current immigration system is actually doing. I've instanced bankers lending to dairy farms which pay wages none of them would let their children contemplate, without recognising the illogic of the farmers' financial plans. It gets worse. Of course, the South Island and North Island dairy labour markets are

connected – if Mainland farmers had to pay 50% more for labour, some of the North Island dairy workers would relocate, or threaten to, and so Waikato etc dairy region wages would jump. But issuing residence permits for immigrants caps dairy workers' wages quite effectively. Without the cap, at least Waikato workers would get some benefit from dairying's productivity, whereas their profitable employers can keep it for themselves.

If smart bankers are that trapped in 'the system', then we have a deep-seated problem that will require a report from the Commission that says some pretty brutal things to the public and the politicians who asked for it, so that journalists can learn a thing or two and maybe this country can start to have conversations about what really is too much domestic mediocrity – to put it bluntly. It needn't be this way, the human potential is there, but we don't seem able to come together to nurture it.

I've offered a few reasons why we should carefully control the numbers of immigrants and now offer some thoughts on how. These incorporate my answers to questions 42 and 43. I have seen that Norway has no temporary workers – if you are admitted, you are there as a resident. This seems to be one end of a spectrum of possibilities, with Dubai at the other end and NZ somewhere in the middle but much too close to Dubai for my liking.

I think the RSE scheme is excellent for seasonal workers. If a country like NZ builds a large horticulture sector with seasonal needs, it is clearly not possible to find genuinely temporary workers for a quarter or third of a year. So this scheme under the newer stricter controls with safeguards for workers should persist and presumably expand as needed. Second, we have an arrangement with over 30 countries for a one-year working visa 'under 30 (years old)', and I note that INZ has statistics showing that of the huge number who cycle through, over 8k of them in the past ten years have one way or another ended up with residency. Most of this will have been via an employment engagement that suited both parties. The program is manageable I assume, with little 'overstaying' and of benefit to NZ, both here and by virtue of the reciprocity in many of the country deals. Many pick fruit, most work in hospitality. This does not take 'career' jobs from residents who are keen on them, but suits hospitality businesses. I have no comment on which countries should qualify.

I would like to think we could distinguish between two distinct classes of 'excess' labour demand, where we haven't to this point. There is a multitude of reasons why many different skill sets are temporarily needed in NZ, from specialist tunnel borers to all sorts of jobs I have no knowledge of. For all of these jobs, where there is an employer making an application for a person now overseas, (or a consultant) and where the job duration must be known because it is temporary, such a temporary application would succeed provided the employer paid a substantial levy to the government over and above the wage/fee. I also suggest that any such worker be accepted as a resident (ie, promised permanent residency in two years whereby, subject to their satisfaction (like being here for 18 months out of the 24 month qualifying period), each person is recorded as a residency approval. If a person proved to be here temporarily, they won't satisfy the permanent residency conditions. If they are still here in two years and have done so, they are permanent residents, but under no obligation to stay.

The second ‘class’ can be characterized by care workers, as one example among a few where circumstances have delivered excess demand – in this case ‘boomers’ and the fact on average they seem to have had 2 children per woman but their parents 4, leaving a logical gap in the ‘caring’ job market. Another example for me would be a major contract of long term, like the Chorus job, which led to a sudden demand for workers with skills we had no time to train. Here, these jobs have almost all been classed as ‘temporary’, but those taking them have anticipated ‘work or study to residence’. I argue we should do as Norway has done – accept we have a shortage and accord such new workers residence rights from the start. I see no reason for delay in granting residence as we do. Our experience shows these people will make good citizens. The levy system would be applied and the same residency terms which lead to permanent residency. The points system would need re-working for this ‘Norwegian’ approach and might be skewed more heavily towards youth.

This class of excess labour demand would therefore not require a salary bar, but the levy would be very high – say, 25% at the minimum wage and falling somewhat as pay was higher. This class is usually called ‘temporary’ today, but has proved not to be so in practice. The two classes, along with EOI permanent residency visa applicants would be components of a five-year rolling ‘percentage of total population (less natural growth)’ which would be described as a permanent residency target. This is roughly what we have now, but with a large ‘work/study to residence’ group whose flow and stock relationship has been badly misjudged. This has led to failures of NZ to honour its commitments to them, and to unwarranted expectations from other temporary workers not offered these terms initially, but living here knowing forerunners had nonetheless obtained a sponsoring employer enough ‘points’ and so, residency.

I comment on other current categories, or ‘paths to residency’ under consideration of visa categories, including ‘study to work’, business and entrepreneur.

Question 43. I place the rate of population growth as the key reason for controlling the rate of growth of immigration. An implicit part of this view is that social adjustments for all ‘communities’ in NZ need time to occur, and there are so many examples of social friction because of ghettoization and overwhelming influxes of ‘others’ in the past decades in other countries. I am also acutely aware that it is lower income groups that bear these costs – crowding, inadequate numbers of schools, not enough ‘native speakers’ in them to help newcomers etc. The ‘elites’ of countries that have made these crowding mistakes from too fast a rate of immigration have not borne their direct costs, and some would say have benefitted with cheaper ethnic restaurants and childcare, for example. I am keen that this not happen here, but we have already seen the beginnings of it.

Another reason for managing the rate of population growth within limits of the kind I have suggested, is not just for the normal connotations of the word ‘infrastructure’ but key items of it, like schools and medical clinics and the social services demanded with population growth rates of a fairly steep rate. Over 1% is fast – cf Issues paper Figure 12. NZ has averaged 1.2% for the last thirty years, boosted by the last five years’ average of 1.8%). It is clearly struggling to keep up with the supply of dwellings for this increased population as well as other types of ‘social capital’.

A final reason of concern to me in moderating the rate of growth of population is that if driven strongly by immigration, it has a tendency to solve business and other production labour shortages for enterprises and economic sectors. Businesses and sectors have less pressure to adapt to changing times. There has not been strong pressure for training, for example. Also, because the immigration 'spot market' solves a labour shortage, alternative solutions to it are not sought. Desirable change, notably increasing use of capital and IT (and, by way of illustration, accepting fewer cheap ethnic restaurants) does not happen.

It is not appreciated that in our economy a lot of such restaurant and 'self-employed' activities are a 'first world' form of what development economics calls 'disguised unemployment'. The word 'chef' has been devalued – we have imported thousands of low paid cooks for a very low productivity industry (which includes tourism as we have done it), and one which has very poor pay and employment conditions, which are sustained by immigrants offered the promise of residency. There is evidence some have been working for nothing out of fear of losing this promise. Our immigration policy is a key reason why the hospitality industry is low paid and has little attraction to young NZers. We might just have to pay more for our meals out, as we have had to increase pay for carers by over 30% since the Government's deal on this industry five years ago. There's no difference at all in principle.

The Visa system – residence and temporary

In what follows I am critical of several design and operational features of our current immigration system. I recognise how complex and administratively demanding it is, and also the huge numbers of visa applicants it deals with. I think INZ bureaucrats should take some blame for the system's design, which delivers many of its problems and costs, including the exploitation that has been evident for a decade at least. But I don't believe INZ staff are responsible for tolerating the abuses that emerged, as I am sure they wanted to deal with them before they were recognised as endemic. Previous Government Ministers would not give them adequate funding. We NZers are also responsible, as the many articles about the abuses, mostly from Stuff, did not get pressure from us on our MPs, as they would have if our grannies had been subject to a tenth of any kind of abuse in a rest home.

I am quite sure that INZ senior management have had their prudent advice to their Minister, in the time of the previous Government from 2008 to 2017 especially, ignored time and again. This would not only have been about exploitation, but the excessive cumulation of residence obligations. I would also like to think they had my distaste for a work visa system required to keep renewing visas for people as they aged in their fifties, where it was clear they would never qualify for residence under the rules, but I am not so sure. I think casuistry about 'the rules' has been employed by INZ to deny any responsibility for the plight of these people. It is clear to me that in a practical and moral sense most are being exploited.

There is a clear inter-relation between residence visas, and temporary ones. In an MBIE document cited in the Issues paper it was reported that over half the temporary workers on an Essential Skills visa obtained NZ residence immediately after the end of their work visa (but see below for the falsity of that story now). Figure 9 showing the status of former

students 5 years after they finished study shows over 30% of them were now Skilled Migrant Category (SMC) residence applicants – 20% primary and 11% already resident, partnership or secondary SMC applicants, while 4% had work visas. The rest had left NZ.

A direct resident visa application from outside the country is submitted via an Expression of Interest (EOI) and can be in several categories: skilled migrant; business; entrepreneur and a few others. These people can wait until their residence is approved before coming here.

I have two motivations in making this submission. The primary one is because I am ashamed of NZ's callous treatment of so many temporary visa applicants. I refer to those who either i) have explicit residency visa terms (eg, work to residence, but with slowed processing for years now) or ii) aspire to residency having seen others achieve it (see below) via a series of work visas/study to work options that may obtain them an employer-assisted visa to lead to residency. Both groups, mostly 'essential skills' workers, have been here in the expectation of residency much, much longer than they dreamed it would take. I say dream, because our temporary visa system feeds this dream, which INZ knows will be unrealised for most. I emphasise that this has nothing to do with the arrival of Covid-19 early in 2020.

INZ runs a system juggling annual 'residency via work or study' promises made in the past as a cumulating flow, with competing EOI applications made from outside and inside NZ, within an annual target. This has been around 45k residence approvals a year. There were 229k from July 2015 to 30 September 2020 according to the 2021 Briefing to the incoming MBIE Minister. The Briefing says that work to residence visas approved were about 2k in 2016/17, rising to 3.5k in 2018/19, and refers to a spike, expected to be temporary, in this category. It does not tell the Minister what the cumulated not yet approved total is in this category. Especially in its provision of data, the Briefing is deliberately evasive.

On page 8 of the Briefing, we learn that in the two years to June 2020, the number of 'on hand' applications increased from 9,000 to 25,000 (of which 26% partnership). "This results from a spike in demand for both SMC and residence from work visas, with **no corresponding increase in the NZ Residence Program planning range"** (my emphasis)**.** This is a clear admission that even where commitments to residency have been made (via adherence to EOI requirements), the system being administered is uncontrollable.

But it's a much worse failing than that. As the Issues paper shows in Figure 19, there were about 60k people in NZ with essential skills visas by mid-2020. A few of these workers may have plans to leave – but the fact none have over the past year (according to the Minister's Briefing) suggests they all have aspirations to residency. The Minister's Briefing reports that as at September 2020, there were 81k employer-assisted work visa people here and excluding a few thousand on working holidays, about 60k people on 'other work' visas.

The 60k essential skills workers are three-quarters of the Briefing's 'employer-assisted' group of 81k. The vast majority of them (over 90% surely) will be here waiting somehow to qualify for residency. I have talked to many over the years. The two Indian Chorus workers in my street this week told me they came here 7-8 years ago, did a one year IT course and set out expecting to work to residency. They have both had their essential skills visa rolled over several times.

MBIE's 2018 paper 'Migration trends 2016/17' uses data from essential skills visa holders from 2006/7 to 2011/12 cohorts combined, from which the Commission has highlighted that over half of temporary workers on such a visa obtained NZ residence immediately after the end of their work visa. I hope the Commission will withdraw this dated observation. Much higher levels of subsequent essential skill visa issuance (up over 30%) together with higher SMC, family and work to residence visas crowding the annual approval quota, have made it irrelevant. Figure 19 on stocks of such visas demonstrates this. It does at least show what huge volumes of people on essential skills visas are 'waiting in the queue', feeding off the stories of ten years earlier, when they had 50/50 odds of residence.

The Chorus workers told me their $25 an hour pay did not qualify them as 'skilled' under the new rules, and so able to submit an EOI for an SMC visa. This raises a matter I ask the Commission to pursue with INZ. We are raising the skill requirements, via pay, in a way that now disqualifies from residence eligibility, essential skills and 'other work' visa holders who once qualified on pay grounds. On the data from the Briefing, that has happened to tens of thousands of people. In my view this is a great moral failure on our part. If we raise the bar, we must 'grandfather' the positions of those who find the target moving up on them.

I am obliged to deliver anecdotes partly to illustrate some ugly facts omitted in INZ's public data. In August 2019, a decision was taken to remove 55 cabins in Queenstown's Lakeview camping ground. Among immigrant cabin dwellers were a 51 year old Brazilian breakfast cook earning $21 an hour, who said she had been here 11 years on an 'open' visa and was hoping to apply for residency soon. A compatriot 56 years old was a minimum wage hotel cleaner on a work visa. There was an elderly couple from the Philippines who were hotel workers. A 34-year old Sri Lankan who arrived in 2011, did a hospitality course and had a 'three year working visa' said 'my dream was to get residency and bring my wife here'.

None of these and many others reported in similar articles in Stuff that year and earlier had incomes adequate to meet skill levels for residency qualification, but they all dream of it. And INZ, on the application of their employers, has rolled over their visas time and again as they age, with no chance of staying here permanently. People like these must be among the 60k 'other work visa' immigrants itemised in the Minister's Briefing. I ask the Commission to obtain from INZ information enabling it to publish tables showing a breakdown of essential skills and 'other work' people by age, time here and occupation/ANZSCO skill level.

All New Zealanders (those who don't read Stuff) need to know how badly we have been treating these people. We've been, or INZ has been, trading on their unfounded dreams of residency where they have no hope of it. They haven't just driven across a border or taken a short train ride to find a job. They've spent what was likely all they had for a one-way ticket to a minimum to medium wage job, and probably have no savings to get home. This is why I call our current temporary visa system callous. It is also extraordinarily short-sighted, instanced by the fact it is stringing along low-paid people in their fifties – at what age will we 'kick them out' and who will do it?

The briefing to the Minister indicates that INZ is aware it has multiple problems with its current system of allocating residency and temporary visas and has four priority areas to

focus on over the next 3 years. One of these is called 'Progressing work to reduce migrant exploitation'. INZ is well aware of it and writes four paragraphs of careful bureaucratic language about exploitation of migrants, saying that their research has told them this is a 'significant problem' in NZ, something Stuff's articles had been telling them for years.

New legislation is apparently required. It is noted, not in these words, that reducing exploitation will not be easy. They must know that exploitation will continue no matter what is done, especially if work visas are linked to specific employers, rather than an industry for example. We have all read about forms of exploitation over many years. Steve Kilgallon and Dileepa Fonseka of Stuff on 21 December 2018 published a long article titled 'The Big Scam' in which they document the illegal activities of citizens here taking advantage of eager residency seekers. Marriage for sale offers occur, fake job titles and fake pay levels are submitted. That was 2018. INZ offered the Minister a three year timetable in its September 2020 Briefing, just to get what amounts to no more than the completion of paperwork. This should be unacceptable to the Minister.

INZ has its four priority 'workstreams' but they will not reduce exploitation much, or reform the temporary work visa system (including regional allocations to my economist's horror) as long as new temporary workers are not immediately given residency, subject to the usual two-year delay before it is deemed permanent. We run a two-tier residency system, in which 'traditional' high skill occupations – doctor, engineer, ICT manager etc (there is a long list) are treated well - and a second tier that is exploited by us all, through INZ as our agent.

We must find a way to apply our own version of the model used by Norway to deal with would-be immigrants with respect. Using a lottery system for some categories, like the US 'green card' one (we already ballot a Samoan and Pacific quota), would be preferable to what we have been doing. I think we should use the intervention of Covid-19 to deliver residency to most of the temporary workers who are here now, and then to close the door to this system and start afresh.

People here on temporary visas but now not eligible because of a raised salary threshold are simply no different from their forerunners of five years ago – just unlucky to have been caught in a badly conceived and managed immigration system. They are in the country now and employed. For the conscience of us all as fair-minded New Zealanders, we should make this decision.

I have a slight hope that the current Government may be contemplating a move like this, seizing the opportunity Covid-19 presents to do something radical. The conservative German government of Angela Merkel did this in 2015, eventually adding 1.7 million people to its population, triggered by the turmoil of the war in Syria. We are not deciding to add more people – they are here already. We can do this.

However, recognising the odds do not favour a bold move, I comment on the key residence visa categories and key temporary visa categories.

Key residence visa categories

The briefing to the Minister reported that in 2019/20, there were 27,400 people (principal applicants plus partners) approved in the skilled business stream, 15,800 people approved in the family stream and 4,400 people in the humanitarian stream – a total of 47,600. I note that in an immigration system commonly thought to be finding skilled workers, half of the total increase in population achieved via these approvals is not skilled workers. I have used a 25% share of skilled/business category above as 'partners' (the briefing uses 26%) and assumed half the humanitarian category is Samoan or Pacific Island immigrants selected by ballot after they have already found a job in NZ.

If we recognise we are running an immigration system that adds approximately one 'non-skilled' worker for every skilled one, we might better focus very closely on the key skills we really need. Skilled people will naturally come with partners and family, as one would expect. I think some of the skills/business stream categories should be cut, and agree with some of the ideas put forward by the Commission regarding the parent category.

I argued earlier that the rate of population growth must govern the volume of immigration. I suggested a range of 0.8% to 1.2% growth pa. At today's 5 million population, the roughly 25k net natural increase is 0.5%, so the remainder can only be a maximum of 0.7% (35k/36k people). If approvals for skill (including the Samoan and selected Pacific quota) effectively double the number of residence visa approvals, then about 18k skill/business/temporary work etc visa approvals a year are implied here.

This is not much less than the cited 2019/2020 result, where about 24k of the 48k residency approvals were for 'workers' chosen for their skills. But this 18k number is predicated on no NZer net emigration. For every 10k pa net departure of NZers, another 5k skill residency visas could be offered within the 1.2% population cap. If we did not have 'work to residency' or other 'pending' immigrant workers in the country, the net immigrant flow could be adjusted in a more timely fashion. We now have a good SNZ '12/16' measure of NZer and non-NZer net flows (derived from actual passport data) delivered without too much lag for this purpose.

Furthermore, I believe the skills category should be by far and away the main reason for approval of residency (outside the humanitarian stream ex-Pacific). These numbers could be increased significantly more than my calculation above by making changes to the skills/business stream and the family stream. We could meet the 1%pa mid-range of my suggested population target **and** obtain the current net growth or better of skilled worker acquisition by adopting some form of my following proposals.

I cannot see the point of the Entrepreneur category. It clearly is subject to significant uncertainty for the applicant, dependent on a bureaucratic decision about what constitutes 'a significant benefit to NZ'. One criterion is to create at least one sustained new full time NZ job. Really?? Over twenty years, data on approvals for entrepreneurs show that two thirds of them were for people from the PRC and Korea. It was in effect a jack-up to get them here.

This category may have made sense in the 1990s when NZ wanted Mandarin speakers and Korean businesspeople to settle here and link our business future better to their home countries. We have many thousands of such people in the country now. There is no longer any need. Peter Beck and Rob Drury are the kind of entrepreneur we need: we seem to be able to grow them at home. A notable point here is the disproportionate numbers of family applicants linked to this category. We don't need it, the total approvals a year are now under 100, and we could eliminate a senseless monitoring task from INZ's 'to do' list.

The business category is simply passport sale by another name, under the conditions by which it is offered. The Commission has highlighted the top 2016 sectors invested in by 650 investor residents (the cumulated total of them?) showing that two thirds of their investment value (not clear) was in fixed interest securities. It is senseless to invite so-called investment/business category people to become residents (with their families) ahead of skilled workers when NZ can borrow all the money it needs on international markets. What might make sense is to require business category migrants to invest half of their $10million in NZ venture capital funds (there are convenient lists) for all of the time they remain here, and the rest of their funds in a private business – via a broker, accounting firm, if indeed they don't buy or establish their own business here for over $10 million. We need more risk capital and this would be one way to obtain some. Clearly the target market would have to be worth a lot more than $10 million to feel comfortable here, but this amount of money is trivial, just ask Larry Page.

There is currently a requirement for a NZ employer to do his/her best to find a NZ employee. For some SMC resident visas, and for all temporary visas, we should require an annual levy for each worker, as a simple way to determine real demand for extra workers without distorting pay relativities. For an essential skill worker on $27 per hour ($56k a year), a 20% annual levy would be required from the employer for every year the worker was employed, until he/she transitioned to residency. The size of the suggested levy, which might vary from skill to skill, needs to be substantial. The economy would find out quite quickly and relatively accurately how many extra workers it needed. The levy might be directed to training schemes. There would no longer be a need for 'justification' and if numbers rose faster or more slowly than the population constraint allowed, the levy percentage could be adjusted.

Immigration related to education has been a sector where exploitation has been a problem. Low quality and largely irrelevant courses are offered by too many private training establishments (PTEs) and are commonly known to have been conduits to residency. Residency itself is understandably prized by visa applicants from countries with substantially lower incomes per capita than NZ. It has an implicit price. How high this is for many applicants is witnessed by the degree of exploitation they tolerate, and their willingness to find the money to pay for expensive PTE courses no residents undertake. I think it is a mistake for the government to licence PTEs, notwithstanding supposed NZQA ratings, thus allowing them to profit from the implicit value of the residency lure attached to their courses.

The Briefing to the Minister in 2020 reported that for that year 19% of approved visa applications to study were for PTEs. These businesses should be given a five-year horizon

under which the number of qualifying visas would be reduced to zero. Polytechnics and universities, as well as schools are the other categories, with universities at around 40% and polytechnics about 20%. The issues paper has underscored the degree to which the 'study to work to residence' system is low grade by pointing out for tertiary students who left study in 2011, accommodation and trade, and the retail sector, were the top two of all in which the sample were employed. This illustrates again the implicit value of NZ residency, with high tertiary study costs paid to work in these low-paid sectors. This is just a component of the problem we have had in granting residency visas for low skill employment.

In the past, a modest component of the family category has been parents. I am astonished at this, wondering why NZ would accept parents in the manner it has. I cannot see how the UK or any other 'parent model' could relieve NZ of the likely significant financial burden for a long-lived aging person. If the State is not paying, living in a small bedsit in a retirement home is very expensive. How would the government deal with a family (assuming they had been required initially to guarantee support as in other countries) who could no longer look after mum and dad at home, but not pay for residential care? The bulk of the more than 14k parents we have accepted since 2010 will have no pension.

MBIE data show once parents were accepted, within a year or so, 5000 obtained residence in 2013/14. The category peaked then and has clearly been under constraint since the 2018/19 year, with fewer than 500 people. Most are under a 'parent' category, while there is a 'parent – retirement' category – with around 500 in total here over 11 years. We have been giving over 90% of such visas to parents who are not even of retirement age it would seem. To me, this makes no sense, unless the parent is alone, needing care and no child lives in the same country. From data on visa category and source country, it appears half the residency visas for parents have been from China. I hope the Commission can review the current restraining policy for parents, ask for its terms and make recommendations.

Finally, the Commission asks if there are matters prospective immigrants should be informed about. One of importance to me is our unique and excellent pension system. For at least a decade now I have observed occasional articles in the press reporting complaints of immigrants about how, if they want the NZ pension, they have to give theirs up. Lately, a determined German woman has told Rob Stock of Stuff about this and he has written several articles. The woman thinks that being here for 20 years contributing, after the same amount of time doing so in Germany, should result in her receiving both pensions. She and others have been upset at our terms: either take the one from your country or the NZ one, but if you want ours, that will limit the amount you may have.

Such people have paid a lot (up to 10% of net pay in some countries) into a State-required contributory pension fund, whose payments are related to the hours one has worked. In Europe, if you had a 40 year career in three countries, you would have made three sets of contributions in relation to your work time and pay and would then receive three pensions, covering your 40 years of work. Such people have clearly not been told by INZ about NZ's pension scheme and how we operate it. I have searched on the INZ site and cannot find any reference. Given the genuine shock and perplexity of some Europeans, who seem not to

understand our system or rules, I ask the Commission to raise this in its report and try to get some fair warning on the INZ website. Rob Stock can then write about something else.

Conclusion

1. I recommend that population rate of growth, within a range, be strictly enforced as a governor of the rate of immigration. I have suggested various ways this could be made easier than it is now, one of them being no. 3 below.
2. Covid-19 has given all NZers a chance to assess many things, one of them being the 'need' for labour. It is clear there is more that can be shaken out of the economy if a shortage appears, as has been the case. I think this gives the Government a chance to redress the injustices inherent in our existing temporary visa system, accepting all here for residency, bar presumably some small classes INZ can morally justify.
3. We should then reset our residency visa policy, by not having a 'temporary' category at all, but adopting the Norwegian solution: if we want you, we owe you permanent residency. The word 'temporary' has been proven a sham simply by experience using the existing system, with people here over 10 years 'temporarily' but with no path to residency.
4. Failing adoption of 2 and 3, I am particularly concerned that there be a redesign of the temporary visa system so that incentives for exploitation are reduced. A key way to do this is not to tie such visas to particular employers, but to industries.
5. MBIE supplies few, and badly specified (no metadata), statistics on immigration, mostly in pdfs that make using them difficult. This is unacceptable from a Government Department. I request the Commission strongly to urge the Government to fund a fit for purpose statistical capability at MBIE (it will serve more than INZ, the rest of MBIE's statistics are equally poor). Given its centrality to the interests of all NZers and prospective migrants, comprehensive stock and flow data, in Excel format mostly, on all elements of statistical tracking of immigration that INZ does should be available freely on its website.