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E te rangatira, tēnā koe

Immigration Enquiry [596]

Central Otago District Council thank the Productivity Commission for the opportunity to submit on the Immigration enquiry. Council supports the enquiry and offers the following key points in response:

- Immigration provides a positive contribution in the Central Otago District and community
- The delivery of infrastructure is reliant on continued access to a skilled migrant workforce; paradoxically the absorptive capacity of the district will grow through this migrant workforce
- Local government input is needed when setting absorptive capacity
- We see permanent migration and temporary migration as distinct, with differing needs, opportunities, benefits, challenges, and policy settings
- Both permanent and temporary migration should be targeted to address skills shortages and knowledge gaps

The submission is put together from Council's perspective as an employer; as an economic development agent; as community leaders and participants in the 'Welcoming Communities programme'; and with the lived experiences of Council employees with the current immigration system.

Context

- Central Otago is a district with a small population, appx 23,000 people, dispersed across a large area.
- The district population is growing at approximately twice the national average and is unevenly distributed across the region.
- The majority of this growth is from internal migration; this is likely linked to the flow of international migration.
- The population composition consists of a larger proportion over 65yrs compared with the national average (23% verses 16%) with this gap set to increase further.
- The rate of unemployment has consistently been half the national average between 2004-2020. Wages in Central Otago have been growing at or above the national

average rate of increase however mean annual earnings are below the national average (2012-2020).

Central Otago's economy is relatively diverse; the primary industry is the largest industry followed by construction. There is a significant horticulture and viticulture industry in the region.

Prior to the pandemic, the current immigration system was working to address the skills shortages in Central Otago, with low unemployment and wage growth as our best metrics of success. The rate of population growth was, however, beyond what the current infrastructure workforce capacity could cater for.

In considering this submission, Council have divided migrant labour into two categories: temporary migrant labour and permanent migration. Council sees these as two distinct groups with different needs, benefits, and challenges.

Temporary migrant labour contributes to the workforce required in Central Otago to meet seasonal peak labour demands in horticulture, farming, and hospitality. Access to temporary labour has allowed these industries to scale up, with a resulting increase in productivity. It also provides the surety to both employers and central government on viability of workforce to meet labour demand; and flexibility should demand decrease or supply increase in local labour.

The temporary migrant workforce is accessed under the Regional Seasonal Employee (RSE) scheme, working holidays, and essential skills visas. These employees have a positive fiscal impact on public finances often contributing more through GST and income tax than they receive back through public services, due to the short nature of their stay. Although providing support services to this group is outside the scope of this review, it is worth noting the imbalance of this contribution.

The importance of permanent migration for Central Otago cannot be understated. Migration and continued access to a skilled migrant workforce is central to the growth and continued success of the district. Permanent migration provides skills and knowledge that are unable to be recruited locally, due to the demographic and geographical factors described.

Council supports commentary from Commission Chair Ganesh Nana that, in infrastructure, New Zealand is catching up on what we should have built yesterday, rather than building for tomorrow.

As Central Otago seeks to provide this infrastructure, Council is reliant on the skills and knowledge brought by the migrant workforce. Without access to a skilled permanent migrant workforce, the district would be unable to develop infrastructure at the pace and scale required to meet current needs, let alone plan for future demand.

The provision of this infrastructure is central to the success of Central Otago. The capital works programme is a key example reliant on the skills and knowledge brought by this workforce: the growth and delivery of infrastructure is vital to the success of the district. In

Central Otago, therefore, growing our absorptive capacity is reliant on access to a migrant workforce.

Council accepts and welcomes the Commission's findings that migration makes a positive contribution nationally, with both an economic impact and a boost to levels of human capital. Due to the demographics of the district, it is likely this positive effect is more pronounced in Central Otago.

The district participates in the Welcoming Communities programme in partnership with the Ministry of Business, Innovation, and Employment.

In considering this submission, Council sought input from the lived experiences of employees with the immigration system. The following themes were clear in these discussions. Some of them may be out of scope, however are worth noting:

- Fairness was a key issue. The opacity of the current policy is likely a contributing factor.
 - In one example, an employee spoke of the different time limits for temporary visa settings from different countries with no clear understanding of why and how these came about. In practice, this has led to difficulties in accessing quality employment as employers are naturally inclined to put their time and resources into training those on longer visas.
 - There was also a difference in experiences in the district compared with large metropolitan areas. Costs associated with visa applications, medical appointments for instance, were felt to be considerably higher.
- Employees also discussed the challenges arising from some policy settings that limit the hours or type of work. It is challenging to meet the cost of living on limits of 30 hours a week, for instance, as was an example given when tied to one employer. These settings have a mental health impact on the people affected.
- Unfortunately, many of our employees had previous negative experiences by some businesses and business practises where they felt unable to speak up without risking their visa status. This is consistent with the findings of the Commission [Recommendation 8].

Recommendations

Council is generally supportive of the approach and recommendations from the Commission as outlined in the Immigration – Fit for the Future.

Recommendation 1: the Immigration Act should be amended to require the Crown to take account of the country's absorptive capacity (our ability to successfully accommodate and settle new arrivals) when determining the "national interest."

- Central Otago District Council supports this recommendation
- The primary concern for Council is the ability to manage skills shortages for roles concerned with the provision and delivery of infrastructure within the district, i.e. our absorptive capacity.

- The absorptive capacity settings must be designed to ensure these skills are prioritised, to enable infrastructure delivery that grows our absorptive capacity
- Temporary migration should be viewed differently to permanent migration when setting absorptive capacity.
 - As a district heavily reliant on access to a temporary workforce, Council are concerned that weighting temporary and permanent migration the same in setting absorptive capacity will have an adverse impact.
 - Temporary migration has a different impact on absorptive capacity than permanent migration from our perspective. Employers often provide accommodation, pastoral care, and other services directly to this workforce.
 - Many people holding working holiday visas do not end up working, holding the visas in case they need to top up funding or for other reasons. This can produce a distorted view on the benefits and impacts to temporary migration.

Recommendation 2: The Immigration Act should be amended to require the Minister to regularly develop and publish an immigration Government Policy Statement (GPS).

- Central Otago District Council supports this recommendation, with a desire for the local government sector to work with government in the practical application.
- The government should announce policy objectives with a sufficient notice period, i.e. greater than 12 months to allow for seasonality, and policy objectives should be reviewed every six years. The notice period allows for signalling to both industry and prospective migrants on changes and time for employers to adjust. The regular development of an Immigration GPS would also have the advantage of being able to consider changes in migration policy of other nations.
- Government should work with local government to understand and support the absorptive capacity and long-term policy objectives.
- Council has faced challenges due to the disconnect between immigration settings and other government policy. It is even further disconnected from local government and industry policies and plans. It has led to challenges for our district, particularly the infrastructure deficit and our ability to scale work to meet it.
- District employers have faced unnecessary uncertainty in the absence of a clear government position. This has been exacerbated due to COVID-19, however existed prior. A recent example is the lack of clarity around visa extensions for temporary migrant workers in the country during the pandemic.
- Connecting migration to our absorptive capacity, education and training systems, and available paths to residency would have a positive impact. The first step should be to understand what can be achieved internally to meet workforce demands, with education and training as examples of internal drivers.
- It would be beneficial for potential migrants, employers and the public to have clarity on the government position.

Recommendation 3: Amendments to the Immigration Act should specify that, in preparing an immigration GPS, the Government must describe what it considers New Zealand's absorptive capacity to be and how it intends to manage that capacity, or invest to expand capacity, in order to align it with long-term policy objectives

- Central Otago District Council supports this recommendation
- Government must work with local government to understand and manage absorptive capacity and long-term policy objectives
- Access to a highly-skilled migrant workforce is key to enabling the delivery of the required infrastructure

Recommendation 4: MBIE should develop and publish an evaluation programme for major visa categories, to assess their net benefits.

- Central Otago District Council supports this recommendation

Recommendation 5: The allowable volume of temporary migrant visas with potential residence pathways should be managed to be compatible with the other number of residence visas on offer.

- Central Otago District Council queries whether this is the best way to achieve the outcome of less people applying for permanent visas from temporary visas. Not all people on temporary migrant visas want to gain permanent visas.
- Central Otago District Council would support clearer or stricter criteria for applying for permanent visas from temporary but not an overall reduction in the number of temporary visas to achieve fewer applications for permanent migration.
- Working holiday visas are often taken up by backpackers so they have the option of working if they choose to. A proportion do not end up taking up employment. The recommendation as drafted could cause challenges and limit access to labour far beyond the level intended.
- There is insufficient information to understand the relationship between those who apply for temporary visas and their decision to take up work while in New Zealand. Further work is needed in this space to understand the impact of policy changes.

Recommendation 6: Immigration New Zealand should continue counting points past the minimum thresholds and rank candidates within the Expression of Interest pool. [...]

- Central Otago District Council supports this recommendation.
- Council sees benefits in tying immigration to the needs of the workforce.

Recommendation 7: MBIE should develop more data-informed and dynamic skills shortage lists. Occupations that have shown no labour market reaction (such as wage movements), high turnover rates and a continued reliance on temporary migrants, should be brought up for review, with the burden placed on the industry to provide sufficient evidence to justify their continued placement on the list.

- Central Otago District council would not support the establishment of labour market tests on data alone.
- Central Otago District council supports more data-informed decision making, but not at the exclusion of the current tests. The practicalities around using data present challenges due to the time taken to produce data, its natural tendency to be historic/out of date and backwards looking (not to the future).

- This recommendation also needs to acknowledge that some industries do have and will continue to have a need for temporary seasonal staff.
- Government datasets often do not capture seasonal work due to the short-term nature of it.
- The benefit of the current system is that Ministry of Social Development (MSD) have staff based on the ground who are motivated to see citizens into work. MSD staff can picture the labour market in real time and understand what the needs are.
- The current system could be improved with the establishment of smaller labour market regions to acknowledge the differences in economies within a region and limits of labour mobility.

Recommendation 8: The Government should remove visa conditions that tie temporary migrants to a specific employer. [...]

- Central Otago District Council supports this recommendation for Essential Skills Visas.
- Council is concerned by the impact of current settings on our migrant employees, including limitations on their ability to move between roles within the organisation, and the potential for exploitation.
- Council sees the RSE scheme as distinct, due to the higher level of investment required from employers in recruitment and travel expenses, for instance. There is also a level of expectation on employers for employee wellbeing, with concerns managed through the RSE scheme.
- Council sees benefits in scaling up the Welcoming Communities programme to meet the needs of temporary migrants and ensure New Zealand is a responsible host.

Recommendation 9: The Government should proceed with expanding the Welcoming Communities Programme.

- Central Otago District Council supports this recommendation
- The Welcoming Communities programme can support both temporary and permanent migrants

Questions

We also offer the following commentary on the questions raised in the enquiry:

Question 1: To what extent does access to migrant labour reduce training and upskilling activity by members? Do effects on training and development differ by industry? Are there areas of the economy in which New Zealand should be training people that are currently disproportionately supplied by migrant workers? How could policy best respond?

It is important to acknowledge that the impacts can be different over the short and long term, and different between permanent and season workforce requirements. In an ideal world the solution to workforce demand would be to upskill our population; with migration as a tool to fill areas of need.

Better forecasting of future permanent roles, connected with the education system and clear immigration policy settings, will see a better result in getting New Zealanders into those roles. Training and reskilling does take time, however, and shortages need to be met in the short term.

It is also true that the movement of New Zealanders to fill one set of skill gaps has the potential to create gaps in other areas. Similarly, adding a migrant workforce to fill one skill gap can create further jobs and opportunities. For example, in the horticulture industry bulking up the temporary work force in peak times leads to the creation of further permanent roles.

Question 2: What objectives should be included in an immigration Government Policy Statement? Why?

- Access to a migrant workforce for the delivery of infrastructure is a key consideration for the local government sector. Any immigration GPS should take it into account
- The needs of various groups will change over time, it is vital that the settings in developing the GPS take those perspectives into account

Question 3: How could the Treaty of Waitangi interest in immigration policy be best reflected in new policies and institutions?

- Central Otago District Council support the Commission's 'Finding 12' that the Treaty of Waitangi should be reflected in policy and institutions.
- Council feel iwi are best positioned to answer how that reflection should take place.

Question 4: Should the annual number of residence visas on offer be reduced? If so, to what level and why? And if not, why not?

- In the long term residence visas need to be at a level in line with our absorptive capacity however making rapid reductions should be avoided if this is going to have a negative effect on the economy, employment, and other relevant factors.

Question 5: Should the right to return for permanent residents who re-migrate out of New Zealand be limited? Under what conditions? What would be the costs and benefits?

- Permanent residents who re-migrate out of New Zealand should have a limited right of return. New Zealand could have similar policy conditions such as Australia. This position is established from the point of view that the benefits to New Zealand from migration are less likely to be realised if the person does not reside in the New Zealand for a reasonable proportion of time. A move to this policy would reduce uncertainty of future population volatility. This may impact the investor migrants and their contribution, however investor migrants are less likely to invest in New Zealand if they are not here.

Question 6: Should efforts by migrants to learn te reo be recognised in the residence or permanent resident approval process? If so, how would this best be done?

- Council believes iwi are best placed to respond to this question

Question 7: Do particular groups of migrants need additional or targeted support to settle? If they do, what types of support would work best?

- Particular groups need additional and targeted support to settle. This support often needs to be tailored and could be met by a scaling up of the Welcoming Communities programme, as suggested through the consultation document.
 - As an example, successful settlement can be measured through community connection at a local level. Ensuring new migrants have the phone number of a neighbour on their street is an example of a local initiative to grow that connection that is hard to measure on the national scale.
- Further consideration should be given to understanding the needs of the temporary workforce
- Migrants who switch between visas before becoming residents or citizens often slip through the cracks of targeted support.

We thank you again for the opportunity to submit.

Nāku noa, nā

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Submitted via online submission process: <https://www.productivity.govt.nz/have-your-say/make-a-submission/?inquiry=596>