

21 June 2021

Dear Productivity Commission,

RE: Immigration, Productivity & Wellbeing Issues Paper

Please find below my submission.

The Treaty of Waitangi and Te Ao Māori

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

No comments.

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

No comments.

Immigration, productivity and wellbeing

2. Is the Commission's proposed framework a useful way of thinking about the immigration system for this inquiry? What changes would you make?

See response to Q43 for preferred framework. Net national income per capita (economic wellbeing) is necessary but insufficient. It cannot be just consistent with the other capitals listed.

3. What should the overall objectives for the immigration system be?

See response to Q43. It should be to assist NZ Inc's marginal growth in wellbeing per capita (economic + social + environmental). An overall population strategy is required which seeks to maximise marginal growth in wellbeing per capita, of which immigration is part of that strategy.

4. How should the Commission consider trade-offs between the different factors that contribute to wellbeing? Should there be some bottom-lines that cannot be traded off at all?

There should be no trade off. Marginal growth in wellbeing per capita should be measured in economic + social + environmental terms. Also it is the overall population strategy which needs to achieve this, not immigration alone.

5. Through which channels has immigration contributed to New Zealand's productivity growth? What evidence is there of this impact?

No comments.

6. Are there other channels for immigration to impact productivity growth that the Commission should consider?

No comments.

7. Are there barriers to migrants fully contributing to New Zealand's productivity growth?

No comments.

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

Marginal growth in wellbeing per capita should be measured in economic + social + environmental terms. There should be no trade offs. These components will need to be monetised to allow an estimate of marginal wellbeing per capita growth provided by a population growth rate (NZ fertility rate + immigration)

Immigration policy design

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

Yes, it should be a public strategy. See Q43 response for how the population strategy should be handled by government.

12. How should New Zealand's special relationship with Pacific Island nations be reflected in immigration policy?

No comments.

Migrants and settlement

10. What does the "successful settlement" of migrants mean to you, and what are the barriers to achieving it?

No comments.

11. Do you think prospective migrants are given enough information to make long-term decisions and settle successfully? What other information could help, and how could their access to this information be improved?

No comments.

Obligations on employers

14. Currently, most employers have an obligation to prioritise the New Zealand labour force before recruiting temporary migrants. Do you agree with this obligation? Why or why not?

See response to 15.

15. If not, are there alternative obligations employers should have if they wish to recruit temporary migrant workers?

The proposed overall immigrated quota approach is set out in the response to Q43. For that part of the quota that is set aside for employers, there should be a central clearinghouse based on price. Employers should have to bid for the employment quota spots with the highest bid taking each individual quota place.

This allows a clear and transparent price mechanism for employers to decide to bid for overseas talent, to pay higher wages to NZ based talent, or to train up NZ based residents.

The also means that the NZ Immigration Department does not have to second guess which skills are required.

16. What evidence, if any, should employers have to provide to prove they have made sufficient efforts to recruit New Zealanders?

See response to 15.

Skills shortages

17. Previously, ANZSCO has been used to define “high” and “low”-skilled jobs. Should immigration policy differentiate between “high” and “low”-skilled jobs? Is there a better way of defining skill levels?

See response to 15.

18. What is the best way to identify workforce or skills shortages?

See response to 15.

19. Prior to the pandemic, was the current system working effectively to address skills shortages while prioritising the employment of New Zealanders and ensuring the wages and conditions of New Zealand workers were not undermined? What evidence can you provide

No comments.

Investors and entrepreneurs

20. How successful have the Investor or Entrepreneur category visas been to date in generating value for New Zealand? How could this value be increased?

The same approach should be applied as the employers quota. I.e. Investors and entrepreneurs should bid for the investor quota places.

21. How should immigration policy acknowledge the fact that investment and entrepreneurship are inherently risky and that some efforts will not succeed?

It shouldn't. By placing a bid price on the investor quota, the investor can weigh up whether the price of the quota place is acceptable given their investment proposal.

22. What criteria (if any) do you think should apply to investor visas in terms of: level of investment, type of investment, duration of investment and obligations to New Zealand?

None. By limiting the number of investment visas and requiring them to be bid for, the market will provide the clearing price.

The issue for NZ is to determine each month or year what is the minimum bid that is acceptable to NZ Inc given a range of bids submitted. It is probably most appropriate that investor quotas are allocated last after all other categories. This will keep them scarce and valuable, mainly attractive to true investors and avoids the issue of a large number of people "buying residency".

This leave the main criteria vetting investors down to ensuring that they are genuine, and are not involved in criminal activities and attempting to launder money.

23. What criteria (if any) should apply to migrants wanting to establish or buy a business in New Zealand? How often should the business be reviewed against these criteria.

None. See response to 22.

Students

24. Are the current criteria for obtaining post-study work rights satisfactory? What criteria should be added or removed (and on what basis)?

No comments.

25. To what extent should international students have rights to work in New Zealand?

They should have the right to work, otherwise they will just work under the counter. Better to have it above board, transparent and taxable.

26. Should visa applicants who have gained a New Zealand qualification receive a special preference for residence?

No comments.

27. Should there be any restrictions on the kinds of sectors or occupations students can work in during or after study? Why, or why not?

If they are studying, then no. If they have finished studying then their visa should expire. They then they should either have to apply for residence through a residence visa channel, or a proposed employer bid for an employment visa for them (or be on a working holiday visa).

28. 28 Should the level or nature of qualifications that students are studying affect work rights during or after study? Why, or why not

See response to 27.

Working holidays

29. What should the objectives of working holidays schemes be (e.g., fill temporary labour shortages, enhance international connections, encourage reciprocal overseas work opportunities for New Zealanders, attract longer-term migrants)? How well are the current schemes delivering on these objectives?

These should only exist for:

- After study students 6 or 12 month reciprocal working holiday visas when travelling from another country.
- Any other reciprocal working holiday visa arrangements NZ has with other countries, if any.

30. 30 Do you think the number and set of countries New Zealand has agreed working holiday schemes with is set at the right level

No comments.

Partners, parents and families of migrant

31. What are the barriers that partners of migrants face in finding work?

No comments.

32. 32 Should the immigration system give more weight to the skills and employability of partners? Are there other factors that should be given more weight?

No comments.

33. Do immigration settings for family visas (eg, parents, dependent children) have a material impact on a migrant's decisions to come to and stay in New Zealand

No comments.

Other ways for New Zealand to source skills and talent

34. What more can immigration policy do to attract specialist "high-impact" people? What other complementary policy changes might be needed?

The market (employer & investor quota) are best left to determine which specialist high-impact people are required. See other responses as well.

35. What effect has access to migrant labour had on training, job conditions and technology adoption by firms? What other factors explain firm practices? How can the Government support firms to change their practices?

By setting a market price for employers to bid for overseas expertise, they can best decide whether to buy that expertise, or train up New Zealand residents. See other responses as well.

36. How responsive to skills gaps is the education and training system? Are there policy changes that could improve its responsiveness?

The market is very opaque between education and jobs. There is no transparent central clearinghouse where employers clearly specify what skills they are seeking in terms of education/training and the wage/salary they are willing to offer. This may also include part payment of training or university fees by employers and whether there is any bonding.

The perspective employee (student/trainee) is left searching multiple jobs sites all with different information and levels of information.

The government could assist by sponsoring the development of an aggregation site aimed at providing a clear and transparent market between employers, graduated students, and education facilities that better allows skills gaps to be identified. It might have some of the following:

- Jobs by type
 - Current jobs by type
 - Total number of those jobs in NZ (as well defined as StatsNZ can provide) now and historically)
- Job demand
 - Current jobs available by type
 - Historic timeseries of jobs coming to market by job type
- Supply
 - Number of students receiving the education for a specific job type currently
 - Historic time series of students with that education
- Excess Supply
 - Number of students leaving NZ this year by education / potential job types
 - Historic trend of students leaving
 - Number of unemployed students by education
 - Historic trend
- Clearing Price
 - The current wages being offered
 - The historic timeseries of wages offered for jobs by type (nominal and real wages)
 - From the immigration quotas – where employers have sought students from overseas with specific skills rather than take on NZ students
- Education requirements
 - To apply for a specific job (what the employer exactly wants)
- Education provided

- The education the students are provided (by the education facilities)
- Gap Analysis
 - Some automated analysis of seeking to identify any mismatch, i.e. where the education needs to be modified to meet market demands
- Forecast demand for jobs by type
 - Where possible employers could provide expected uptake of students, say 1 year ahead, & the skills they want those student to have (e.g. some employers may have annual intakes). I.e. help reflect where market is heading – this will reflect technological change
- Overall Job market – where NZ lacks the skills
 - By job type where employers are purchasing employee job quotas to bring in overseas trained staff rather than train NZ staff
 - What skills are being bought in & how many years of training/experience
 - Historic trends of these
 - What education skills NZ students would need to be trained in if they were in the future to get jobs in those areas

37. How can New Zealand best leverage the diaspora to enhance productivity growth

By closing the standard of living gap (inclusive of wellbeing, not just disposable income per capita)) so that they don't go overseas in the first place. This means NZ needs to be serious about improving marginal welfare per capita.

Population growth and migration volumes

38. Which costs and benefits of population growth are most important? Why?

See response to Q43. They are all important – economic, social and environmental. They are all components of NZ Inc's wellbeing.

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

See response to Q43.

40. Could or should the Government use immigration policy (eg, visa conditions to settle in specific places) to ease pressures in some regions? If so, what would be the best way?

No. People go where the jobs are. If government wants people to settle in regions then it should decentralise government services to the regions. These then provide a stable employment base for the region to grow around. There are also good arguments, in terms of marginal transport improvement costs and housing costs to justify decentralisation. I.e. the net cost to NZ Inc of Auckland growing to be about 33% of NZ is significant in terms of housing and transport costs. The same is true of Wellington given its many government departments and very limited new housing areas.

41. Should the Government regulate the numbers of people given permanent residence? How and why?

Yes. See response to Q43. It is part of an overall population strategy.

42. Should the Government regulate the total number of people with temporary work rights? How and why?

No comments.

43. If the Government does regulate volumes of permanent residents or temporary migrants, what should it be trying to achieve (eg, stabilising population, managing pressures on housing and infrastructure demand)? How feasibly can the Government achieve these goals through immigration policy.

What Should Government Be Trying To Achieve

Broadly, but perhaps not measurably, intergenerational total wellbeing of NZ Inc = sum(economic wellbeing + social wellbeing + environmental wellbeing).

Assuming that the overarching objective of Government is to improve the wellbeing of all New Zealanders, then a measure of this is the marginal changes in wellbeing per capita and the distribution of that wellbeing, taking into account the affordability or cost per capita of providing that wellbeing improvement.

One might measure this as the marginal wellbeing % return (or internal rate of return), i.e. the discount rate to set the net present value to zero.

If one is taking an intergenerational approach then the timeframe for such analysis could be quite long, for example the London Underground continues to provide societal benefits even though it was begun to be built around 1863, and will continue to provide benefits until climate change related sea level rise halts its operation.

The net population growth rate in New Zealand of which immigration is part of, should then be set to assist maximising the marginal growth in wellbeing per capita as determined through social cost benefit assessment & other modelling as needed. This won't be easy, may take some heroic assumptions, but should be attempted and can be refined over time.

One suspects that the point of maximum marginal growth in wellbeing will lie with a small net population growth to assist positive marginal economic growth and thus sufficient taxation to also provide marginal social and environmental wellbeing improvements.

In this respect the climate change targets of net zero absolute emissions also provide a significant disincentive to high population growth which would make the targets harder or more expensive via the Emissions Trading Scheme for NZ Inc to achieve.

How feasibly can the Government achieve these goals through immigration policy.

The spot immigration rate will not be controllable, but the rolling 12 or 24 month rate should be.

The required total population growth rate and thus immigration rate (quota) could then be past to the RBNZ (or other independent body) to forecast and manage the required rates. This would require the extension of the remit of the RBNZ to include seeking marginal wellbeing per capita improvements through the net population and immigration rates but would the give it another complementary strategic tool in the toolbox to help stabilise and steer NZ Inc. One would expect RBNZ (or other independent body) to set population targets right to the horizon of the wellbeing/capita assessment period, as well as over the next year or two in terms of macro-stability of NZ Inc.

The NZ Government would still set the details of the immigration policy and would also still set the levels of welfare transfers that influence NZ's fertility rate.

It is important, everything else being equal, that the net population growth rate (that optimises marginal wellbeing growth) be kept broadly stable (there will be crises where this is clearly not possible). Significant fluctuations in growth rates affect all parts of society, and make a mockery of forecasts and social cost benefit assessments.

There may be times when the natural immigration rate without controls would be negative, i.e. an outflow. In these cases the requirements to enter NZ as an immigrant would fall providing an automatic correction, and when demand is too high the requirements would conversely rise.

Regards

David Robinson