

## Immigration, productivity and wellbeing

### Submission by The Icehouse – 8 October 2021

In response to the request for feedback on the Productivity Commission's issue paper *Immigration, productivity and wellbeing* dated June 2021, The Icehouse provides the following feedback for your consideration.

### Background

1. Twenty years ago The Icehouse was established. Since then The Icehouse, and the supporting business ecosystem, has helped build leadership capability and transformed over 3,600 Kiwi businesses and contributed to building New Zealand's innovation ecosystem. In addition, our subsidiary, Icehouse Ventures<sup>1</sup>, has directly invested more than \$160m in over 240 startups.
2. From this vantagepoint The Icehouse group welcomes the opportunity to contribute to the inquiry into immigration and how it impacts productivity and wellbeing.

### Te Ao Māori

3. The understanding of Te Ao Māori, the rise in te reo, and a more inclusive appreciation of Aotearoa's history and the implications of New Zealand's colonial past, are valued and recognised as long overdue moves in a right direction. A blended universe that was the intent of Te Tiriti at the beginning and should also be reflected in New Zealand's immigration policy.
4. Connecting with Te Ao Māori is right thing to do from an immigration perspective, but it also makes business sense. Demographic data shows an increasingly diverse ethnic mix of business owners and stakeholders.
5. A priority for The Icehouse is to provide a bridge for all entrepreneurial New Zealanders be they Māori, Asian or Pākehā, as well as other communities, entrepreneurs and innovators, so that each can learn from the best the other has to offer; to discover new ways of doing business in an innovative, socially aware and environmentally sustainable way by understanding the worldviews of others. The Māori community has always taken an intergenerational, longitudinal view of what success means. That worldview has much to offer with its holistic vision, its attention to wellbeing, and its sense of guardianship.

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<sup>1</sup> Icehouse Ventures is a venture capital company and subsidiary of The Icehouse Ltd. It backs Kiwi startup founders launching global companies from New Zealand. <https://www.icehouseventures.co.nz>

### **Migration contributing to New Zealand's productivity**

6. Encouraging and facilitating migration of people with critical skills, international linkages and capital are effective 'channels' affecting productivity for New Zealand firms. In the high-tech sectors, operating in global markets, these capabilities are in short supply and can be effectively supplemented by progressive immigration policies and processes.
7. There are much needed improvements needed to STEM and technology education in our schools to meet future demand. However, even if these improvements were implemented, we will continue to be reliant on immigration to fill gaps in the talent pool.

### **Assessing the performance of the immigration system**

8. The ANZSCO level of skills is appropriate for broadly categorising the types of skills. However we would encourage MBIE to work with industry in their annual review of the skills shortage lists. This could be through industry advocacy bodies like NZTech or BusinessNZ, or alternatively a panel of mid to large sized employers. The skills required by businesses to grow are changing rapidly and the government and education system are not always able to keep abreast of these changes. Therefore continually reviewing the membership of this panel is healthy to ensure firms can attract the right skilled talent to fill openings as the companies [grow](#)<sup>[DD1]</sup>.
9. From The Icehouse's view point there is a dire shortage software engineers, testers, UI experts, AI and ML, mechatronics, cyber-security and data science [experts](#)<sup>[DD2]</sup>. This in turn is hampering the growth of high-tech companies and may force offshoring of development teams.

### **Investor category visa scheme**

10. Migrant investors bring not only capital but also international networks that can further New Zealand businesses growth. Residence can be granted to migrants investors who invest \$10 million over at least three years or \$3 million over at least four years. However, as noted in the issues paper, over 80% of these funds are invested in bonds or listed equities which can be relatively easily withdrawn at short notice.
11. We propose that the migrant investors should be mandated to invest funds on improving New Zealand's long term future. Some countries mandate that a certain percentage of the investment funds should be deployed into tech startup investments or social bonds for housing, education or health. A mandated percentage of say 25-50% should be deployed into helping the country succeed while returning yield and upside to our new citizens over time. These bonds or investments should have a minimum investment period of 10 years. Taking Australia's policy and making some specific adjustments would be a sensible starting point. Our new high net worth citizens must have "skin in the game" to improve New Zealand.

12. At no cost to taxpayers, we estimate this could provide \$400 million to \$500 million a year to invest in the country's future. We strongly recommend that a substantial portion is used to bolster STEM and technology education in schools by treating the top 15-20% of teachers as career educational professional that are paid as well as their German and Japanese counterparts, where incredible teachers are revered, but also have pay linked to performance.
13. The immigration policy should acknowledge the fact that investment and entrepreneurship are inherently risky, however any wholesale investor or business leader will understand that business has risks.

### **Entrepreneur category visa scheme**

14. Encouraging migrants to set up or buy a business in New Zealand is a sensible policy that should be continued. The criteria listed in the issues paper are appropriate to consider in addition to the minimum of \$500,000 investment in the business brought by the entrepreneur.
15. The businesses should be reviewed annually against the weighted criteria for migrants utilising this category of visa, perhaps through extending MBIE's annual enterprise survey. Individual companies can be followed up if weighted criteria do not meet a minimum verified threshold.
16. The four-year pilot of the Edmund Hilary Fellowship's Global Impact Visa scheme was a worthy experiment to trial a different way to attract and measure the impact of high-value immigrants to New Zealand. Its effectiveness should now be reviewed and the impact of the investment in global networks measured as it shifts into amplifying the 500+ Fellows' impact on New Zealand.

### **Recommendations**

17. Involve industry advocacy groups or a panel of mid and large sized employers in the annual review of skills shortage lists.
18. Mandate that migrant investors invest 25-50% of their required investments into funds that helping the country succeed while returning yield and upside to our new citizens over time. These should be in tech startup or social bonds for housing, education, or health. These bonds or investments should have a minimum investment period of 10 years and the venture part should be "at risk".

### **Conclusions**

19. We advocate that that if New Zealand aspires to be a high-value, knowledge and technology led economy then we need to attract people with the skills and experience needed now.

20. In parallel, we must address STEM and technology education in our schools making them relevant to the skills needed in the 21<sup>st</sup> century and enabling young Kiwis, together with skilled migrants, to achieve our country's goal of being a tech led, high-value, high-wage economy.