

Immigration: Doing the right thing for the right reasons

The new government has announced plans to reduce immigration. Being clear why the reduction will make New Zealand better off is important. The new government has the opportunity not just to make short-term changes, but to build an enduring policy regime based on evidence, analysis and clear principals. Migration policy is not easy, but the gains from getting it right are worth the effort. We offer some observations and suggestions based on our latest research.

Where did we come from?

In the year ended September 2017, 70,986 more people arrived in New Zealand on a permanent and long-term basis than left, slightly up from 69,954 the previous year. This news was greeted with headlines about “yet another record”.

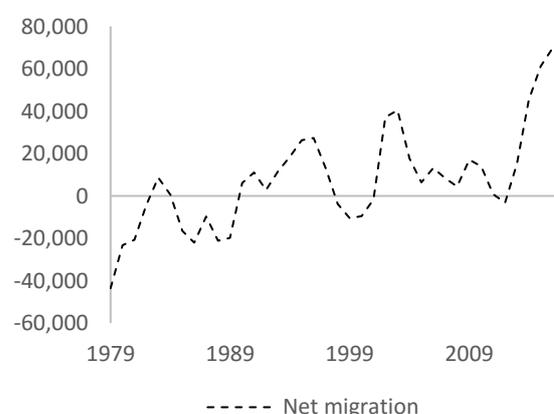
These records are, however, only recent. While Figure 1 shows a clear upward trend, net migration is highly volatile. Headlines in the late 1970s, and again at the turn of the century, reflected concerns about New Zealand’s “brain drain” and population decline (“would the last one out please turn off the lights?”). High levels of non-citizen inflows have been sought in part in response to ongoing outflows of New Zealand citizens.

What can we control?

The “permanent net migration”¹ figure is made up of four sub-components: New Zealand citizens leaving, New Zealand citizens returning home, non-citizens arriving and non-citizens departing.

Within the non-citizen class are Australians, who can live and work in New Zealand with only limited restrictions, as part of the Trans-Tasman Travel Arrangement.²

Figure 1 Net migration has not always been high



Source: Statistics New Zealand

¹ Statistics New Zealand classifies someone leaving New Zealand with the intention of staying away for more than 12 months as departing “permanently” (these intentions may or may not be realised). Likewise, someone arriving with the intention of staying for more than year is a permanent arrival. “Permanent and long term” immigrants in Statistics New Zealand

publications are not the same as “permanent residents” under the Immigration Act.

² The restrictions relate to health status and prior convictions. Australians living in New Zealand are treated the same as permanent residents, although the process by which they acquire the authority to be in New Zealand indefinitely is different.

New Zealand citizens have a legal right to enter and leave New Zealand at any time,³ as do Australians. Non-citizens can leave at any time, except if they are in prison.⁴

Thus, of the four components of “permanent” net migration, only one can be controlled by the government of the day: arrivals by non-citizens from countries other than Australia.⁵

Figure 2 The things the government can't control

Permanent and long-term, year ended September



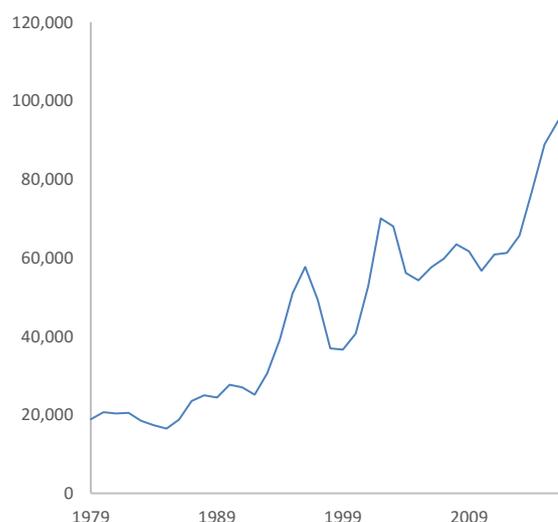
Source: Statistics New Zealand

As Figure 2 shows, historically the number of New Zealanders arriving and departing permanently has

been a significant driver of the volatility of net migration. The number of non-citizens departing annually has been steadily, but slowly, increasing.⁶ Non-citizen arrivals – the factor that is within the government’s control – have also been volatile historically. The long-term rising trend has clearly accelerated again since 2010.⁷

Figure 3 Arrivals of non-citizens

Permanent and long-term, year ended September



Source: Statistics New Zealand

Non-citizens who want to enter New Zealand need a visa and permission to enter.⁸ There are multiple classes of visas, with various conditions attached.⁹

³ New Zealand citizens can only have their passport cancelled or confiscated on very narrowly defined national and international security grounds. See Section 27GA of the Passports Act 1992.

⁴ See the New Zealand Bill of Rights Act, section 18.

⁵ New Zealand grants permanent residence to a small number of people each year from selected Pacific countries under the Pacific Access Category (PAC) and Samoan Quota Scheme. The current number of places is: Samoa 1,100, Fiji 250, Tonga 250, Kiribati 75 and Tuvalu 75. Although the government could reduce these numbers, they are seen as an important expression of the long standing special relationship between New Zealand and its near neighbours.

⁶ This reflects the effect of our rising non-citizen population and the fact that, as with citizens, a proportion of non-citizen “permanent” arrivals eventually leave.

⁷ The two previous peaks were in 1996, when non-citizen arrivals reached just over 50,000 and in 2003, when about 68,000 non-citizens arrived to live permanently in New Zealand.

⁸ A visa grants the right to arrive at an immigration area (these days, most commonly at an airport): it is what you need to get

on the plane. Some travellers must apply for a visa in advance, while others (like tourists from some countries and Australians) can apply for a visa on arrival. To leave the immigration area, the travellers needs to be granted permission to enter. 2,930 people were prevented from boarding a plane to New Zealand in 2015/16, and a further 1,371 were refused entry on arrival. (MBIE (2017) *Year at the Border Report 2015/2016*.)

⁹ The main classes are:

- Permanent residence – full rights to live and work in New Zealand indefinitely. Can vote and receive publicly-funded services (health, education and welfare) for themselves and their families. Can apply for citizenship after a qualifying period.
- Work visas – can work for a specified period (up to five years). Some access to publicly-funded services if visa is for more than two years. Generally, do not have a path to permanent residence.
- Working holiday visas – allows young people (generally between 18 and 30) whose primary intention is to holiday in New Zealand, to undertake employment and study during their stay. Normally limited to 12 months.

What's changed?

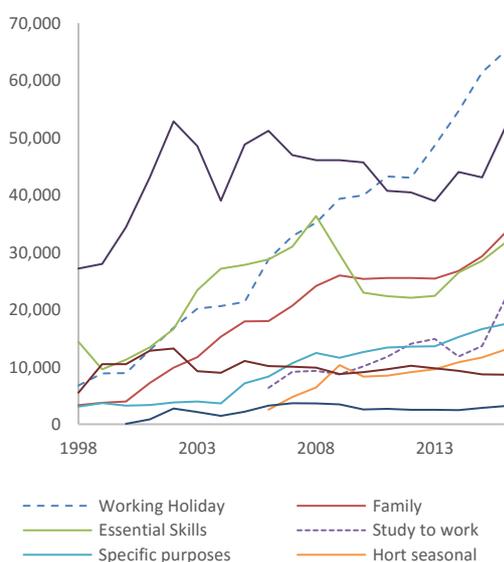
The net migration figure makes headlines, but it has limited use as a guide to policy. The numbers in the different categories of immigrants tell a richer story.

Data from Immigration New Zealand shows the number of people granted permanent residence has been stable at around 45,000 over the last fourteen years.¹⁰

What has changed dramatically is the number of short-term visas issued to people with the right to work without restriction in New Zealand. As Figure 4 shows, the largest increases have been in working holidays (up from 7,000 in 1998 to over 65,000 today) and students with work rights. The number of study-to-work visas, granted to students who have finished a course of study¹¹ in New Zealand and are looking for work, has increased from 6,300 in 2005/06 to 22,000 in 2015/16.

Figure 4 Work visas

Types of visas granted to non-citizens, year ended September



Source: Immigration New Zealand

Visas for tertiary students, who generally now have the right to work anywhere for up to 20 hours per

- Student visas – can study, and work part-time (full-time during holidays).
- Visitors visas – issued to tourists and other short-term visitors. Cannot work or study. No access to publicly-funded services, other than ACC.

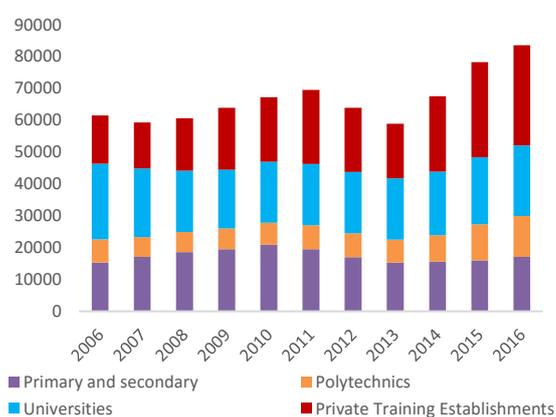
¹⁰ MBIE (2017) *Migration Trends 2015/2016*.

week while studying and full-time in the holidays, have increased from 46,000 in 2005/06 to 66,000 last year. Over the same period, the number of visas granted for students attending private training establishments has increased from 15,000 to 31,000, while the number of university students has fallen slightly from 23,800 to 22,100.

These changes were all the result of deliberate policy changes by the previous government, intended to boost GDP and GDP per head, which was the key economic goal the government set itself.

Figure 5 PTE student numbers have increased

Visas granted to students



Source: Immigration New Zealand

Why does this matter?

Recent survey evidence shows that around a third of New Zealanders are positive about migration and the remainder are either ambivalent (around 40 percent) or negative. New Zealand citizens view migration less positively than migrants.¹²

Public unease over the direction of migration policy is not specific to New Zealand. We have seen similar concerns contribute to Brexit, the Trump presidency, and the rise of the far right in Europe.

¹¹ The lowest level of qualifications eligible for this visa is a 60-week course at NZQF Level 4, which is a trade certificate.

¹² <https://thespinoff.co.nz/society/12-06-2017/as-we-gear-up-for-an-election-a-new-poll-reveals-nzers-views-on-immigration/>

Perhaps these developments were inevitable. But we take a more optimistic view.

Start with the end in mind

We think that what people care about is the impact that migration has on their overall wellbeing.

Currently, the primary focus on migration policy in New Zealand, and many other countries, is on increasing economic output, measured by Gross Domestic Product (GDP), or sometimes GDP per head.

The broad conclusion of many studies in New Zealand and overseas is that when measured against GDP per head, immigration brings small positive benefits that are worth having.¹³ But this approach fails to consider many things that people care about. That is probably why we see an ongoing disconnect between statements economists make about the benefits of migration, and how people feel about it.

A wellbeing approach

As part of NZIER's Public Good Programme, we are developing a new economic framework to think about migration.

Our approach takes a much broader view, and looks at twelve separate dimensions of wellbeing, ranging from jobs and security to the environment and the Treaty of Waitangi. While this approach is more complex than simply using GDP as a measure of success, it allows us to look deeply at the things we value as a country when we decide what number and what type of migrants we should invite to live here. A summary table is included in the Appendix.

You can see the first results of this work in the pre-election edition of Victoria University's *Policy Quarterly*.¹⁴ A more thorough outline of our thinking will be published in April next year as part of Bridget Williams Books' BWB Texts series.

Things we already do well

When looked at through a wellbeing lens, there are some aspects of our existing immigration system that are likely to be improving national wellbeing.

For example, the way the current points system is weighted means that most immigrants seeking permanent residence in New Zealand will have a job or a job offer (not just the potential to get a job because of their skills and qualifications). This means that we are less likely to end up with permanent residents who are unable to get a job.¹⁵

Essential Skills visas enable us to address specific areas of skill shortage that would otherwise negatively impact wellbeing. The addition of temporary migrant labour following the Canterbury earthquakes did not just enable a faster rebuild: it also meant that the Reserve Bank did not need to tighten national monetary policy in response to wage pressures resulting from a localised shortage of labour.

Our system of allowing foreign students to study at New Zealand universities is a good use of our educational infrastructure: universities can earn revenue selling an internationally desired product, and New Zealand students benefit from learning alongside peers from different backgrounds

The Recognised Seasonal Employer scheme provides needed employees for the agricultural, horticultural and viticultural sectors and reinforces our linkages with Pacific countries.

On business immigration, the new Global Impact Visa considers the contribution of applicants to wellbeing of New Zealanders, as well as the GDP impact of their businesses.

Things we could do better

Because our immigration system has not been designed to optimise national wellbeing, there are some areas where it falls short.

¹³ For a summary of the literature, see Julie Fry and Hayden Glass note in *Going Places: Migration, Economics and the Future of New Zealand* (Bridget Williams Books, 2016).

¹⁴ Julie Fry and Peter Wilson, "[Immigration Policies that would Enhance the Wellbeing of New Zealanders](#)", *Policy Quarterly*, 13(3), August 2017.

¹⁵ However, as Julie Fry and Hayden Glass note in *Going Places*, this heavy focus on job offers makes it less likely that we will bring in transformational migrants with entrepreneurial flair.

We suggest that adopting a wellbeing approach to immigration policy would lead us to re-examine the following areas of immigration policy.

Skilled migrant policy

Serious concerns have been raised about the extent to which residence is being granted to people with skills lower than intended by policy (such as managers in chain restaurants and service stations).¹⁶ Focusing on improving wellbeing would point to using more effective education and training of locals to overcome these kinds of skill shortages in the medium term.

Family policy

Over the past several decades, family policy has increasingly focused on maximising potential economic benefits and minimising potential economic costs (with the health and superannuation costs of elderly parents being a particular concern).

Under a wellbeing framework, we would focus more on ensuring that migrants who stay in New Zealand longer term settle well. This would lead us to balance family reunification benefits (such as grandparents being able to provide childcare, or help to maintain native language fluency) against fiscal impacts, and might result in more people entering on family grounds.

International/Humanitarian policy

Altruism and contributing to a reduction in global suffering are elements of wellbeing, at least for a plurality of New Zealanders, and possibly a majority, so a wellbeing approach to international and humanitarian policy is likely to favour higher numbers of refugees.

Temporary migrant policy

We would also expect to see a greater focus on ensuring that locals are not disadvantaged by extensive temporary migrant flows. Over time this would reduce the extent to which migrant labour is used in shortage industries and increase support for the local education and training system to produce the people we need. At the same time, we need to

recognise that in some cases of world shortage (healthcare is one example) we will need ongoing input from immigration.

Since 1998, the number of working holiday visas issued has increased almost ten-fold, to more than 65,000 in 2016. The number of countries covered by the scheme has also increased from six to forty-one. It is unlikely that allowing so many people to take jobs that could easily be filled by locals enhances wellbeing.

Accordingly, focusing on wellbeing would lead us to reduce Working Holiday visa numbers, including through increased reciprocity requirements.

The work rights of students studying in New Zealand have been increased substantially in recent years, especially for those studying at language institutes. While this is good for wellbeing of the students, it does raise the issue of how this scheme fits with other temporary work permit schemes, such as Essential Skills, which typically limit migrants to working in skilled positions.

Considering the wellbeing impact of immigration leads to some difficult boundary issues. We are leaning towards the view that returning to more restrictive work rights might provide a better balance between the wellbeing of migrant students, the wellbeing of locals and the wellbeing of the owners of private training establishments.

We should also consider how to improve the wellbeing of participants in the Recognised Seasonal Employer scheme though ensuring they experience the same labour and housing market protections as New Zealanders.

As far as visitors are concerned, more work is required before we could say definitively that the benefits, in terms of export income and employment, are more than balanced by negative effects like over-crowding.

How does the new Government's approach stack up?

Both Labour and New Zealand First campaigned on cutting immigration, so the announcement that the coalition partners have agreed to "ensure work

¹⁶ For an early discussion of these issues, see MBIE (2013), "Review of skilled migration policies: Objectives, analysis and issues identification." Briefing from Ministry of Business,

Innovation and Employment. 27 June 2013, Tracker No: 12/03335.

visas issued reflect genuine skills shortages and cut down on low quality international education courses, and take serious action on migrant exploitation, particularly of international students”, comes as no surprise.¹⁷

This announcement was made within the context of the Coalition agreement providing that the government’s programme will be based on Labour’s manifesto, augmented by some policies that New Zealand First wishes to advance.¹⁸

The specific policy changes proposed are set out in Table 1.

Table 1 Labour’s major proposals

| Visa Category | Change | Reduction |
|----------------------|---|---------------|
| Student Visa | Limiting visas and ability to work for people taking low value courses | 6,000-10,000 |
| Post Study Work Visa | Remove work visas without a job offer for graduates with lower level qualifications | 9,000-12,000 |
| Work Visas | Regionalise the occupation list and ensure that employers hire Kiwis first | 5,000-8,000 |
| Total | | 20,000-30,000 |

Source: Labour Party 2017 Manifesto

At first blush, these proposals appear consistent with our developing wellbeing approach. We both come to a similar high-level conclusion about the direction of change currently needed. But we do so for different reasons.

We do not see the net migration figure itself as a sensible target for policy. Rather, we consider a bottom-up approach to be more appropriate: detailed policy settings should be determined based on a wellbeing framework.

If those settings are wellbeing-enhancing, then the overall level of migration that results should also be appropriate. However, standing back and considering the likely overall result would be prudent.

Doing the right thing for the right reasons

The factors that drive net migration into New Zealand will inevitably change through time: the relative economic performance of Australia and New Zealand may reverse from the current (and welcome) advantages going our way. The regions from which we draw many of our migrants will go through their own political and economic cycles. International security concerns may see even more New Zealanders seek the comparative safety of home.

All governments should, we suggest, base their migration policies on a framework that acknowledges and accounts for this dynamic. If the policy response to changes in settings is predictable, firms and workers will be more able to plan with confidence.

We saw an example of this type of approach when the previous government’s proposals around tightening some classes of migration through the application of income thresholds were amended following consultation. The higher thresholds subsequently announced took into account the wellbeing of employers currently reliant on migrant labour.

The current Government’s migration proposals are a reaction to a unique set of circumstances:

- The previous government taking the view that the benefits in terms of GDP from high migration across many categories outweighed the costs
- A substantial reversal of the flows of migrants across the Tasman

¹⁷ *Labour and New Zealand First Coalition Agreement*, p. 6

¹⁸ On page 2, the Coalition Agreement states: “In this parliamentary term, New Zealand First has a number of

priorities to progress which Labour will support alongside its policy programme.”

- Strong natural population growth and internal migration to the top of the North Island¹⁹
- The inflexibility of planning in Auckland, which has not, for many years, allowed the supply of housing to match demand.

A migration policy that seeks to increase the wellbeing of New Zealanders, not just in the short term, but over time, can lead to policies that naturally take account of such events.

Because wellbeing is multidimensional, wellbeing-enhancing changes might not all involve either increases or decreases in numbers arriving. They might involve significant changes in the types of

migrants we seek, and in the rights and responsibilities we confer.

As we noted above, many of the Government's proposed migration policies are consistent with a wellbeing framework. Thus, as a first step, we welcome them.

We would, however, encourage the Government, once it has passed its manifesto commitments and begins to develop its medium-term plans, to use an underlying migration policy framework that is directed not at short-term population targets or at growing GDP regardless of consequences, but at improving the wellbeing of all New Zealanders, old and new alike.

This Insight was written by Peter Wilson at NZIER and independent economic consultant Julie Fry, October 2017.

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¹⁹ Compared to the rest of New Zealand, Auckland has a young population and a high rate of natural increase (birth minus deaths). Even under Statistics New Zealand's "low migration"

scenario, Auckland's relative share of the national population is expected to continue to grow over the next 30 years.

Appendix: A wellbeing framework

Based on the developing field of wellbeing economics, we have started to develop a new policy framework for judging immigration policies in New Zealand.

The table below is our initial sketch of the implications of this framework for migration policy.

Table 2 Aspects of well-being related to migration

| Dimension | Migration policy objectives |
|--------------------|---|
| Housing | The economy should have the capacity to house all migrants and existing residents to a standard that is acceptable. |
| Income | We should aim to select migrants who have higher than average productivity because they are likely to increase the overall incomes of New Zealanders. |
| Jobs | We should avoid bringing in large numbers of migrants with average skills or skills that are in reasonable supply locally, since they may have adverse effects for locals in the short- to medium-term (increased labour market insecurity and unemployment, decreased wages and employment). |
| Community | We should consider the quality of the support network that New Zealand can provide, since migrants, like everyone else, need social capital to thrive. |
| Education | We should manage migration flows so that we do not mask policy failures in the education system. Our goal should be to admit people who do not have skills that could be supplied by properly educated and trained locals. |
| Environment | We should aim to bring in migrants who will maintain or increase environmental quality. More research is needed to determine which factors are most important in New Zealand. |
| Civic engagement | We should explore whether there are interventions (such as access to settlement support) that will help migrants more quickly become engaged citizens. |
| Health | We should seek migrants who can supply skilled medical labour that cannot be supplied locally at reasonable costs. We should seek migrants (both individuals and in aggregate numbers) that the local health system can treat cost-effectively. |
| Life Satisfaction | We should target migrants who increase the life satisfaction of locals, balancing the benefits migrants bring from skills, and the wider range of experiences greater diversity can provide, against concerns about safety, access to housing and any negative effects on the labour market. |
| Safety | We should target skilled migrants, who are likely to have a positive impact on public safety. We should minimise the numbers of unskilled migrants we bring in, and where feasible, ensure that migrants are supported. |
| Work-Life Balance | More research is needed to determine the impact of different groups of migrants on work-life balance in New Zealand. |
| Treaty of Waitangi | When setting migration policy, we should be mindful of the Crown's obligations under the Treaty of Waitangi. |

Source: Wilson and Fry