



Immigration Looking back, looking forwards

Motu Public Policy Seminar

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Motu



economic & public policy research

NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa



Terms of reference

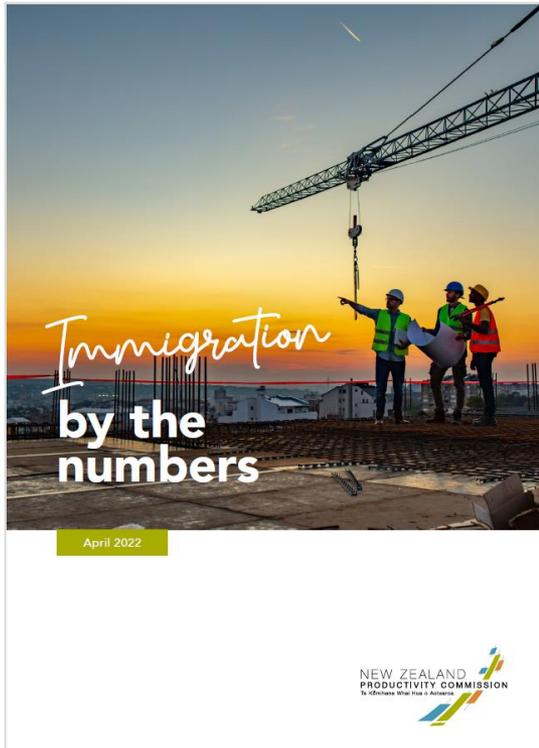
- Review immigration settings for the ‘long-term prosperity and wellbeing’ of New Zealanders:
 - System-wide view, not sector-specific
 - ‘Working age’ (ie, not refugees, tourism).
- Think about ‘prosperity and wellbeing’ broadly – four capitals, productivity, resilience, distribution, Treaty impacts and implications.



Overview: A tale of two reports

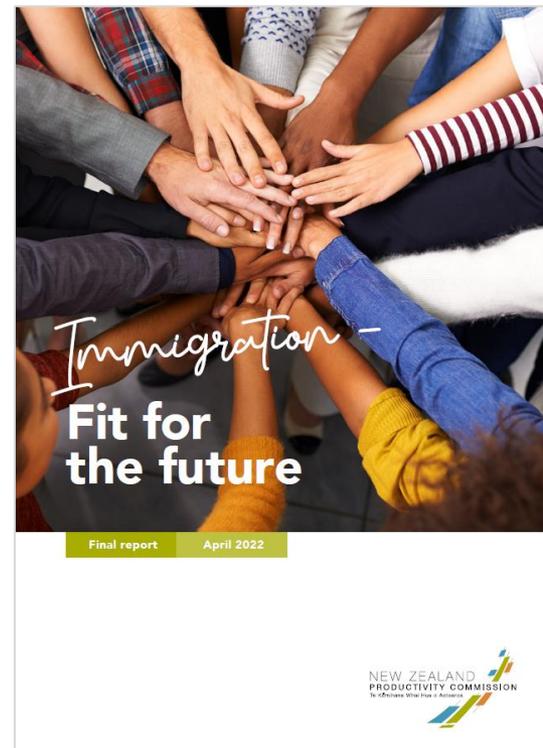
Part I:

Immigration by the numbers



Part II: Inquiry report

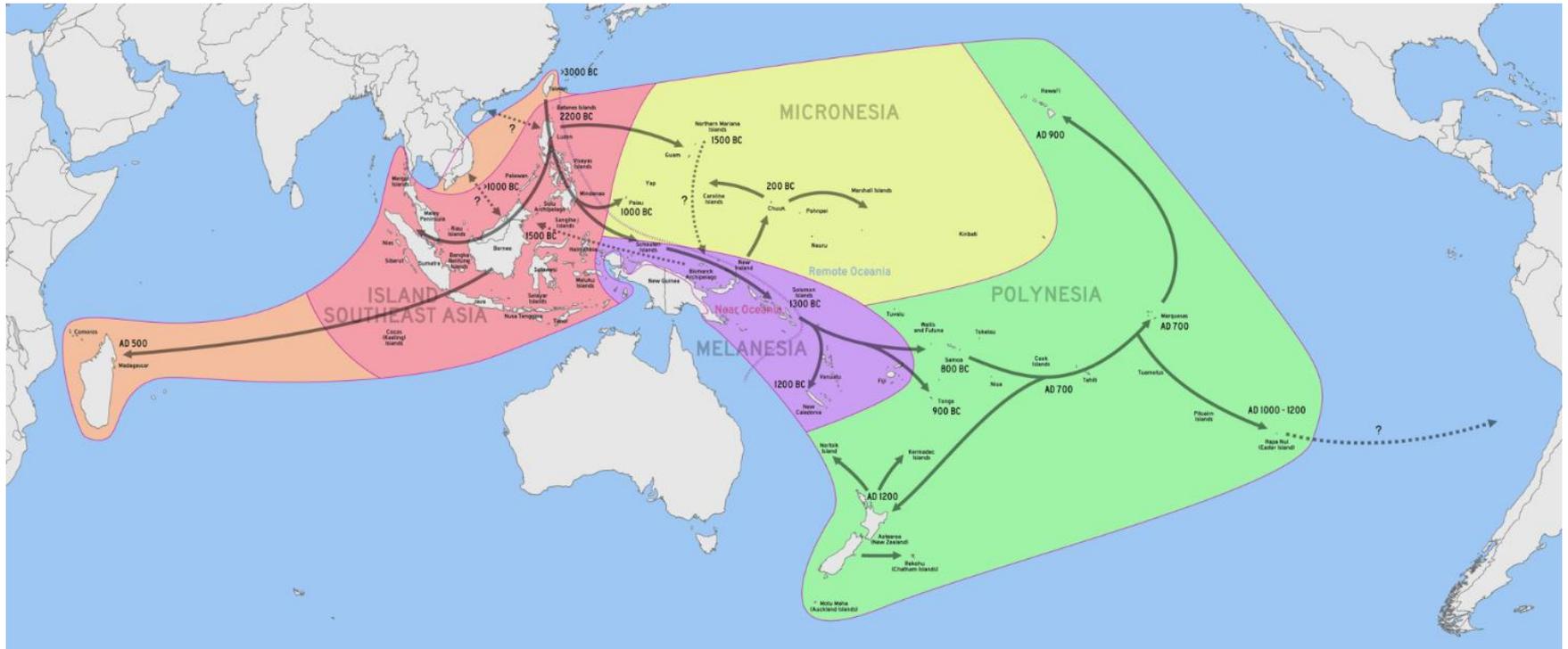
Immigration – Fit for the future



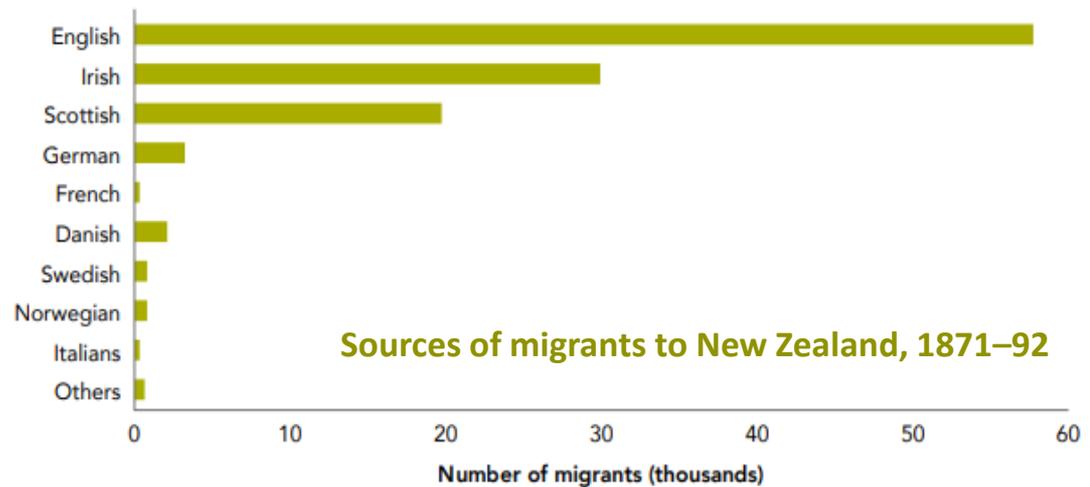
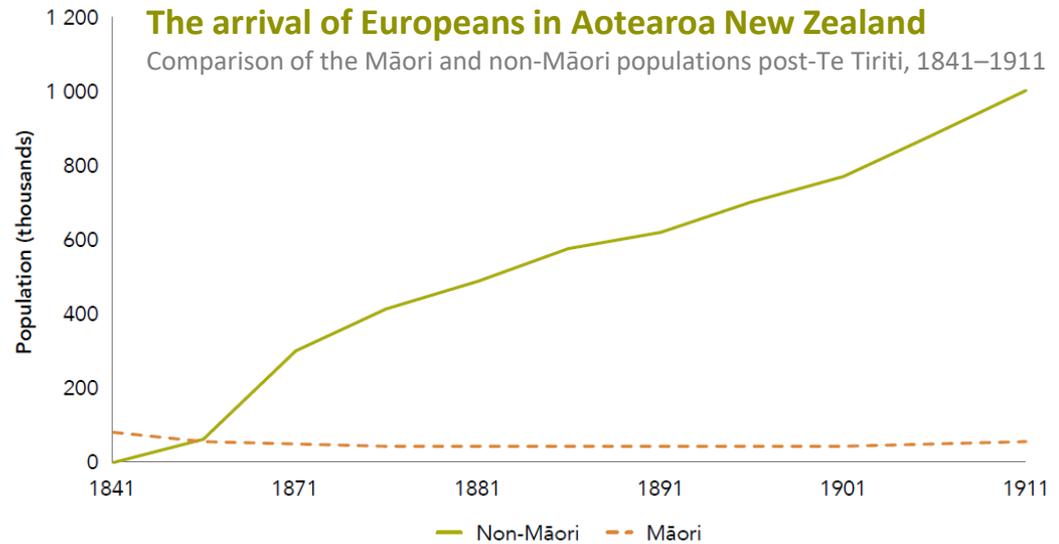
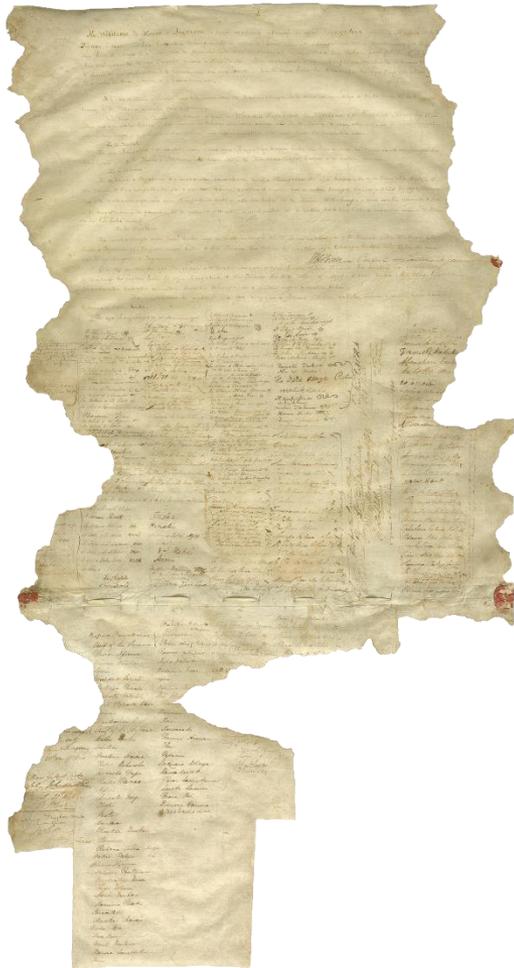
PART I



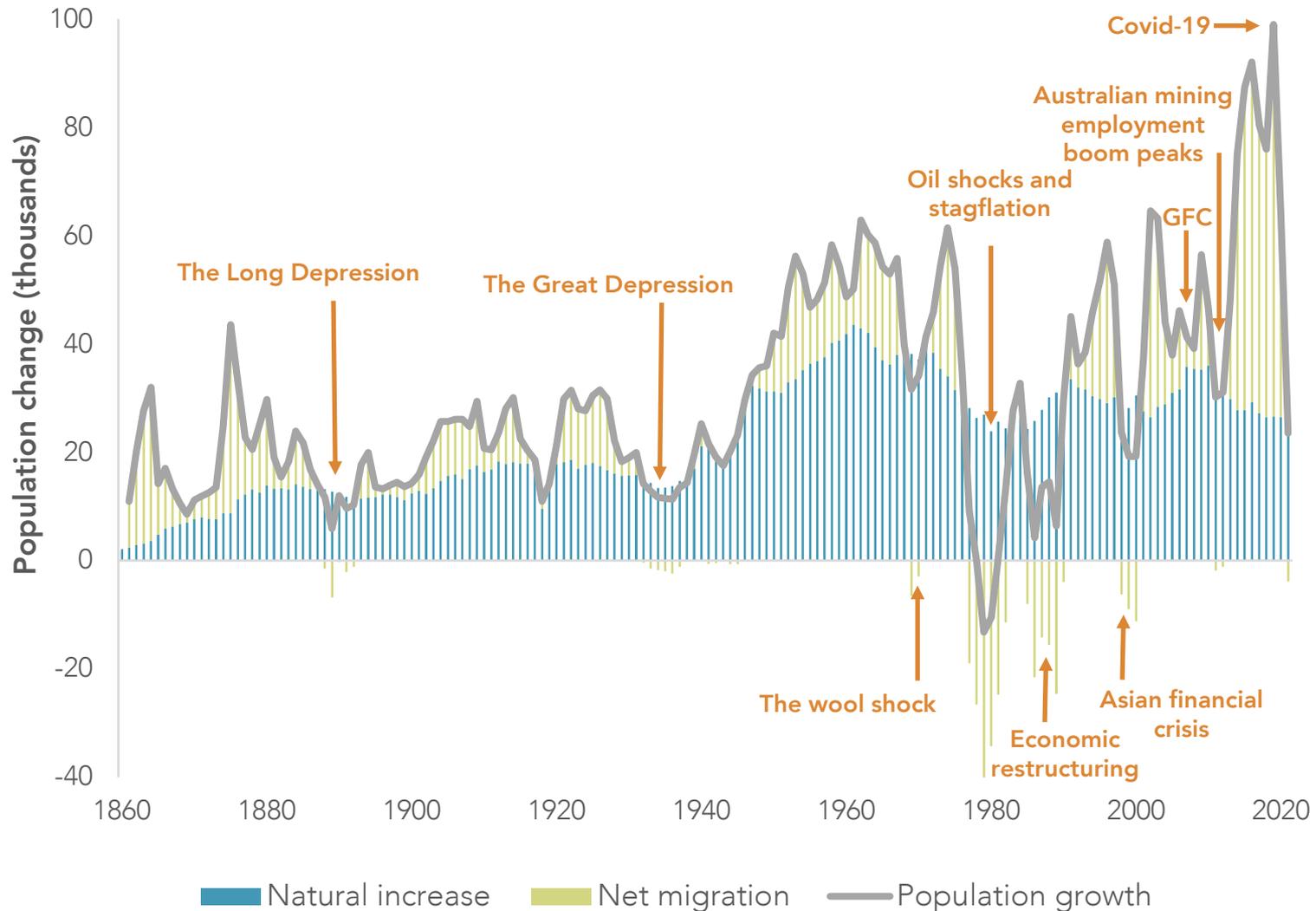
The first migration to Aotearoa New Zealand



Migration, post Tiriti



Migration has re-emerged as a driver of population growth



Both immigration and emigration have risen

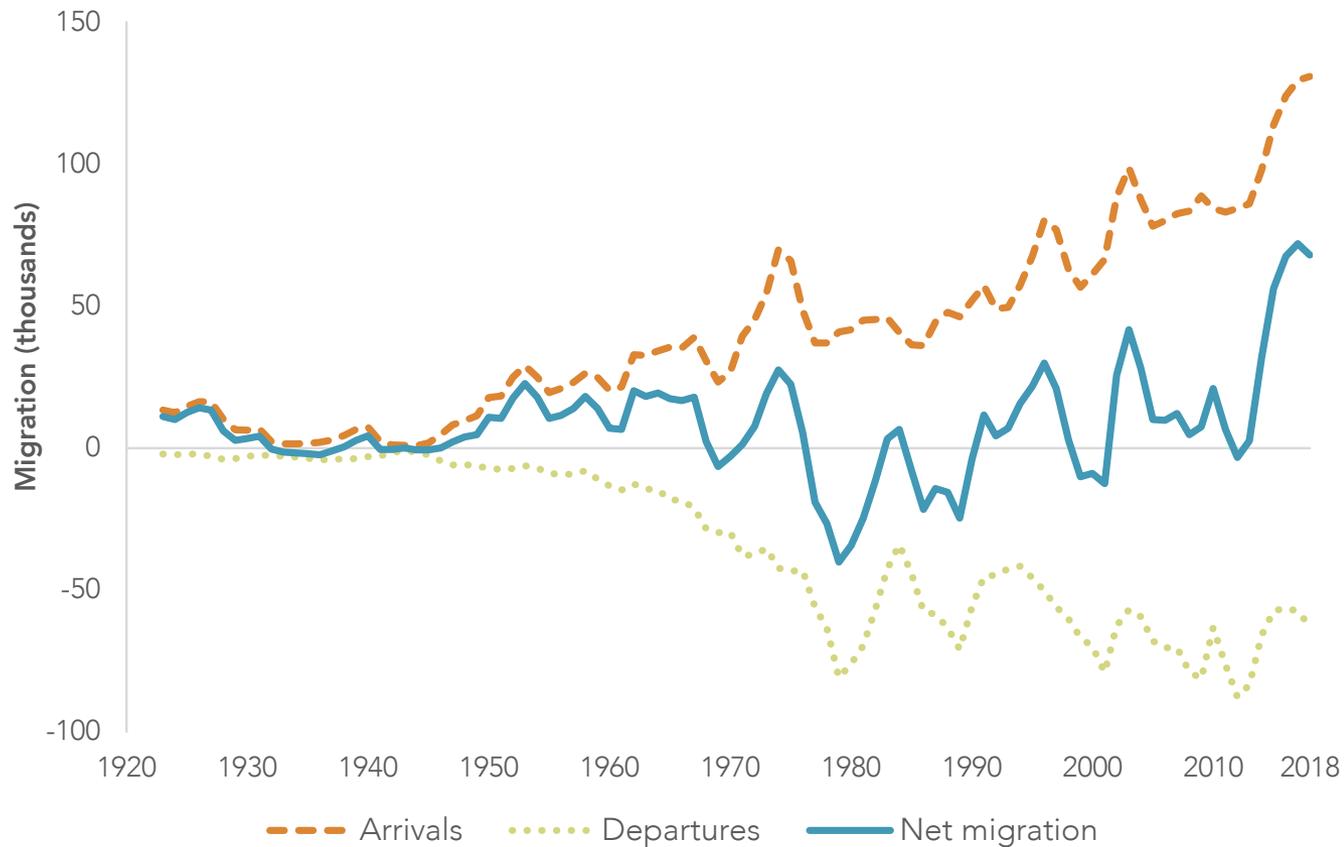


Figure | Migration as a share of the New Zealand population



New Zealand has a large diaspora

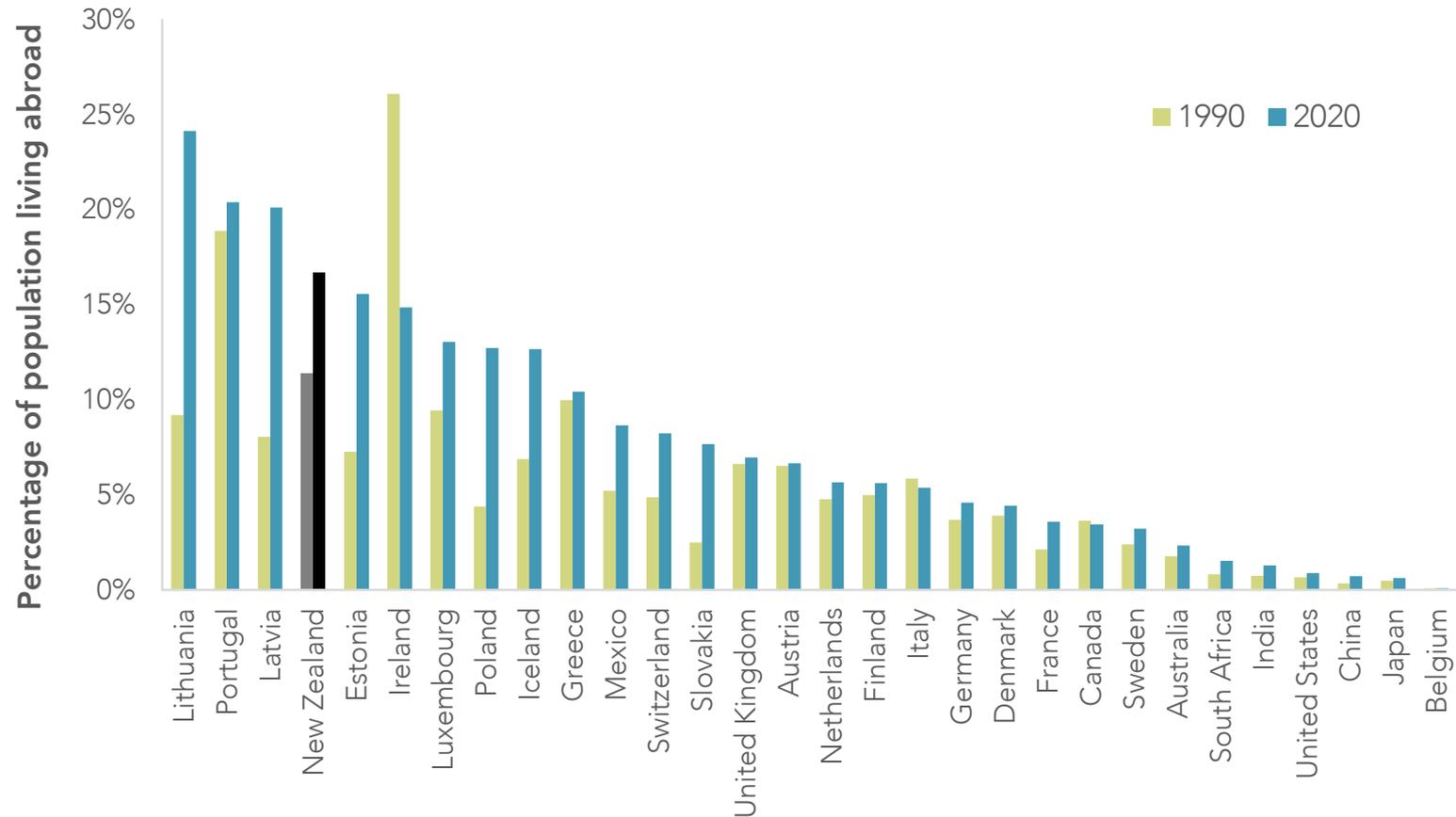
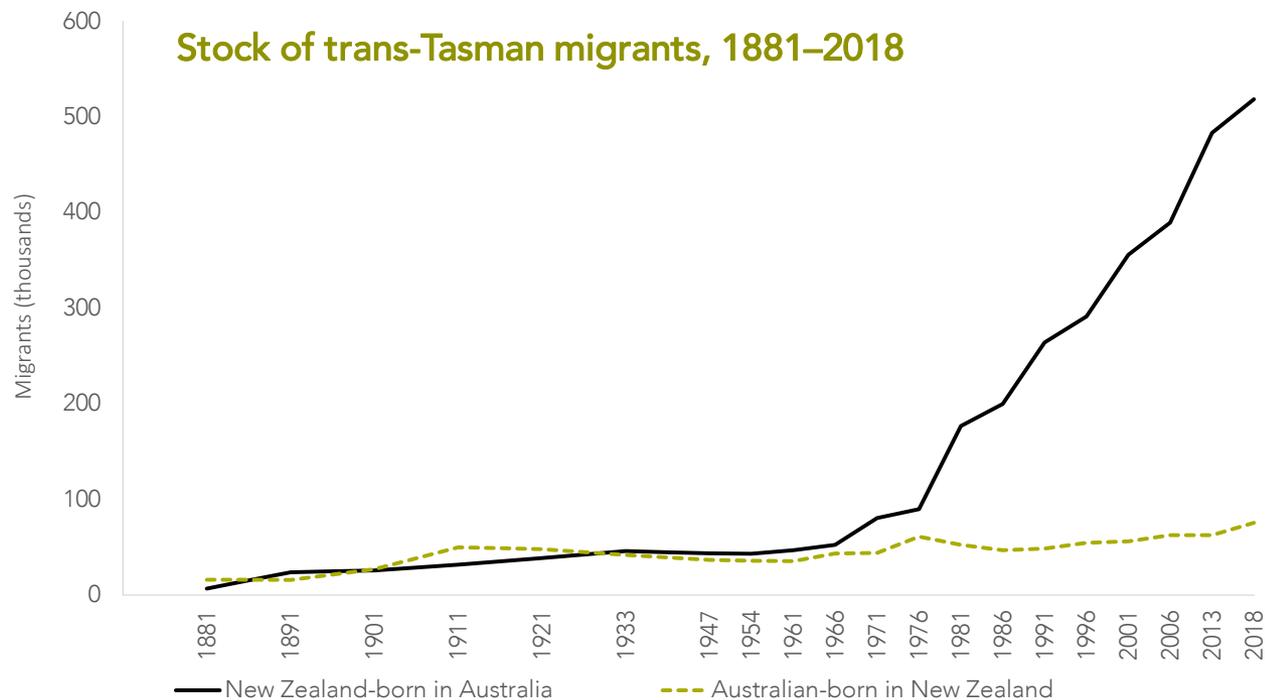
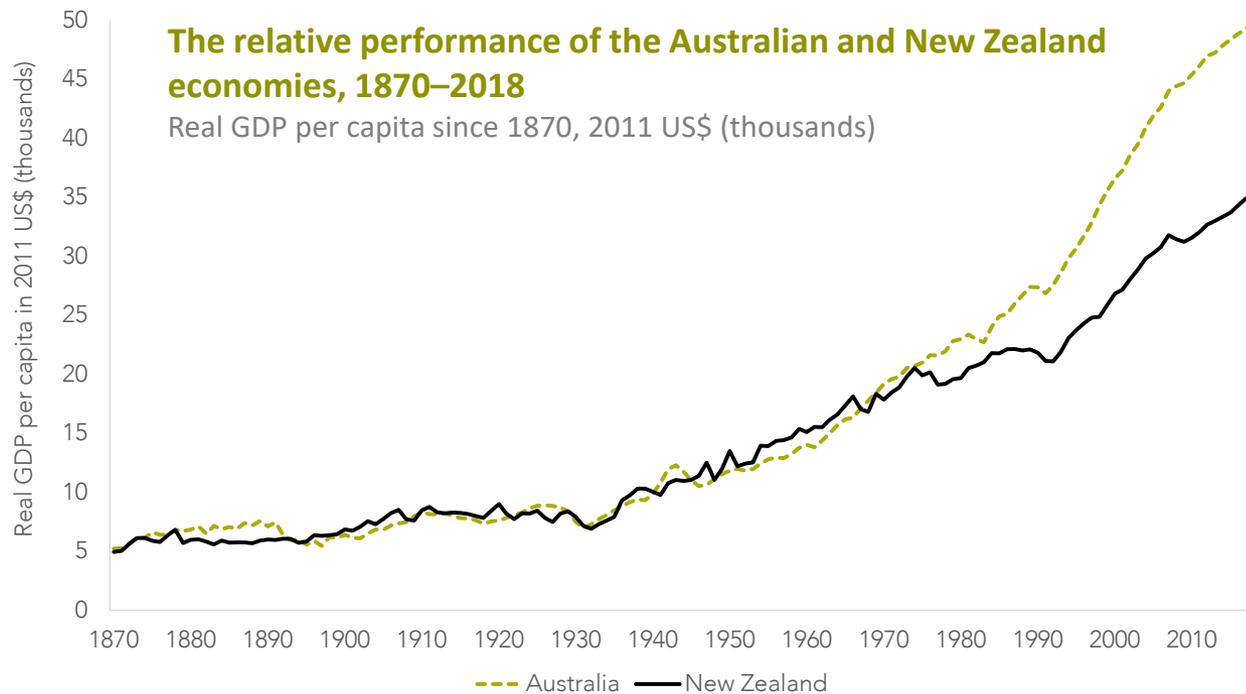


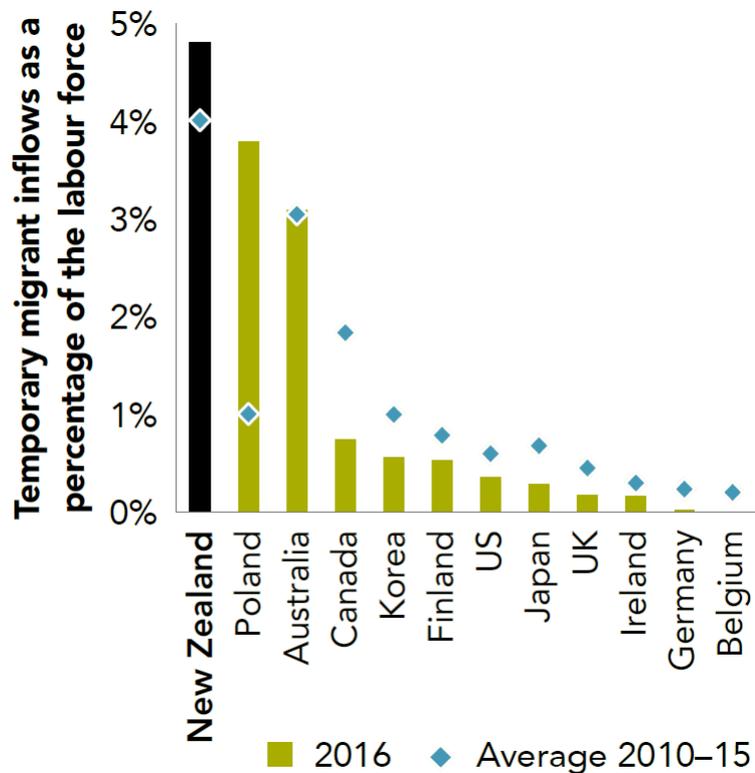
Figure | Selected countries' diaspora, percentage of the resident population



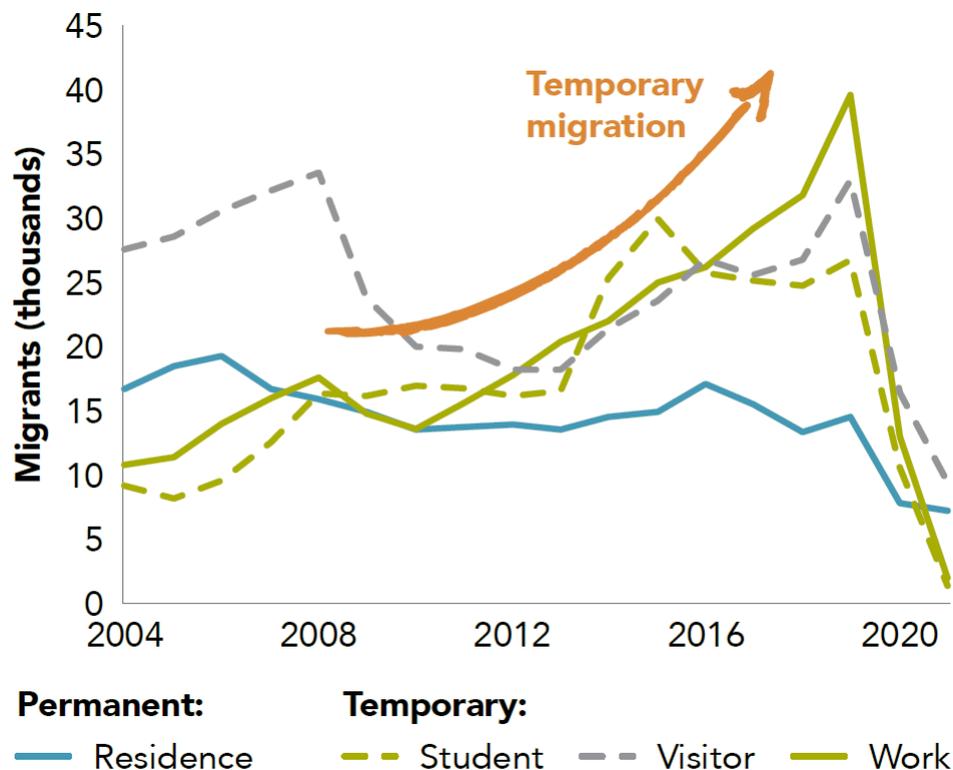
Migration from New Zealand to Australia increased when the relative performance of the Australian and NZ economies diverged in the early 1970s.



New Zealand has high temporary migration by international standards

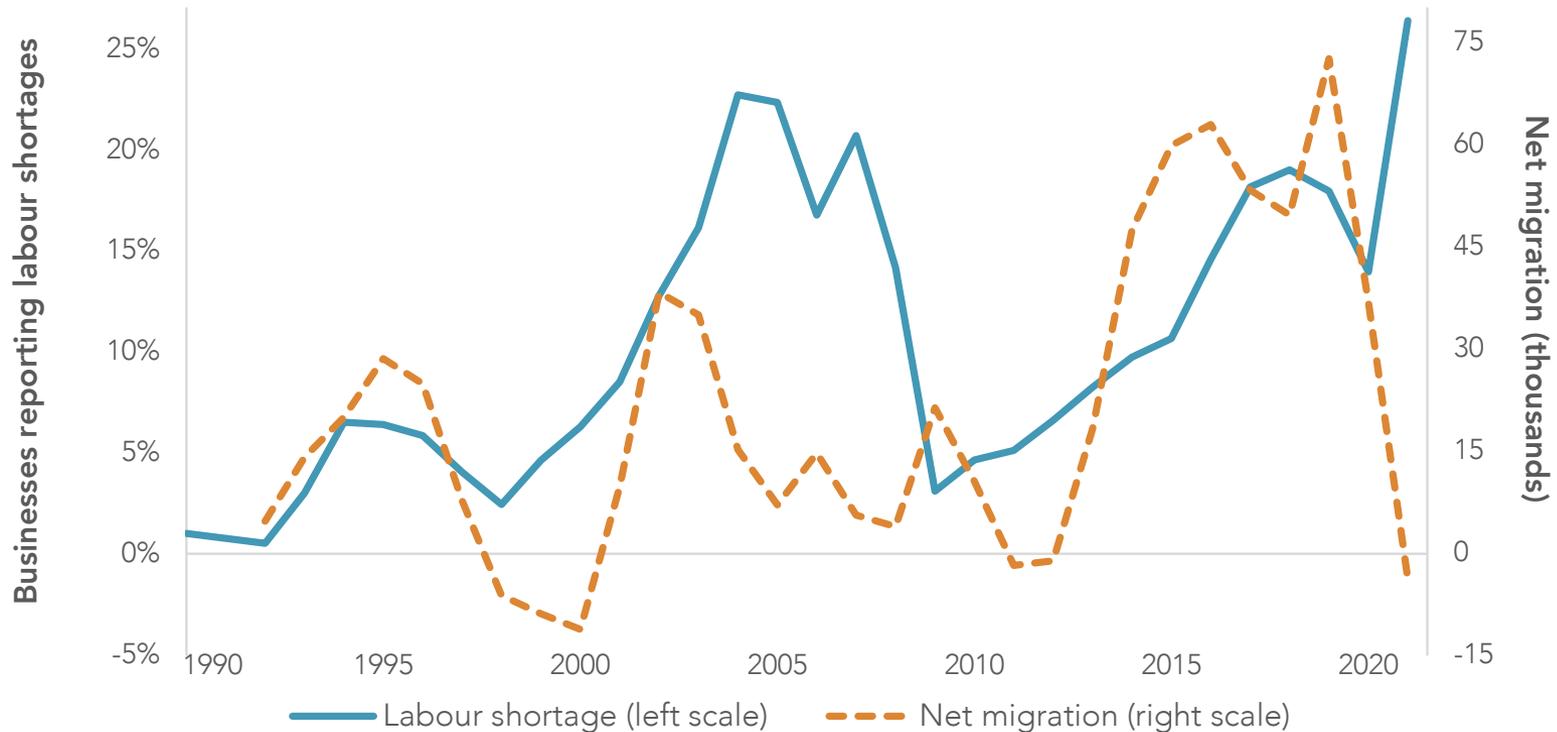


Growth in new arrivals is mostly from temporary migrants





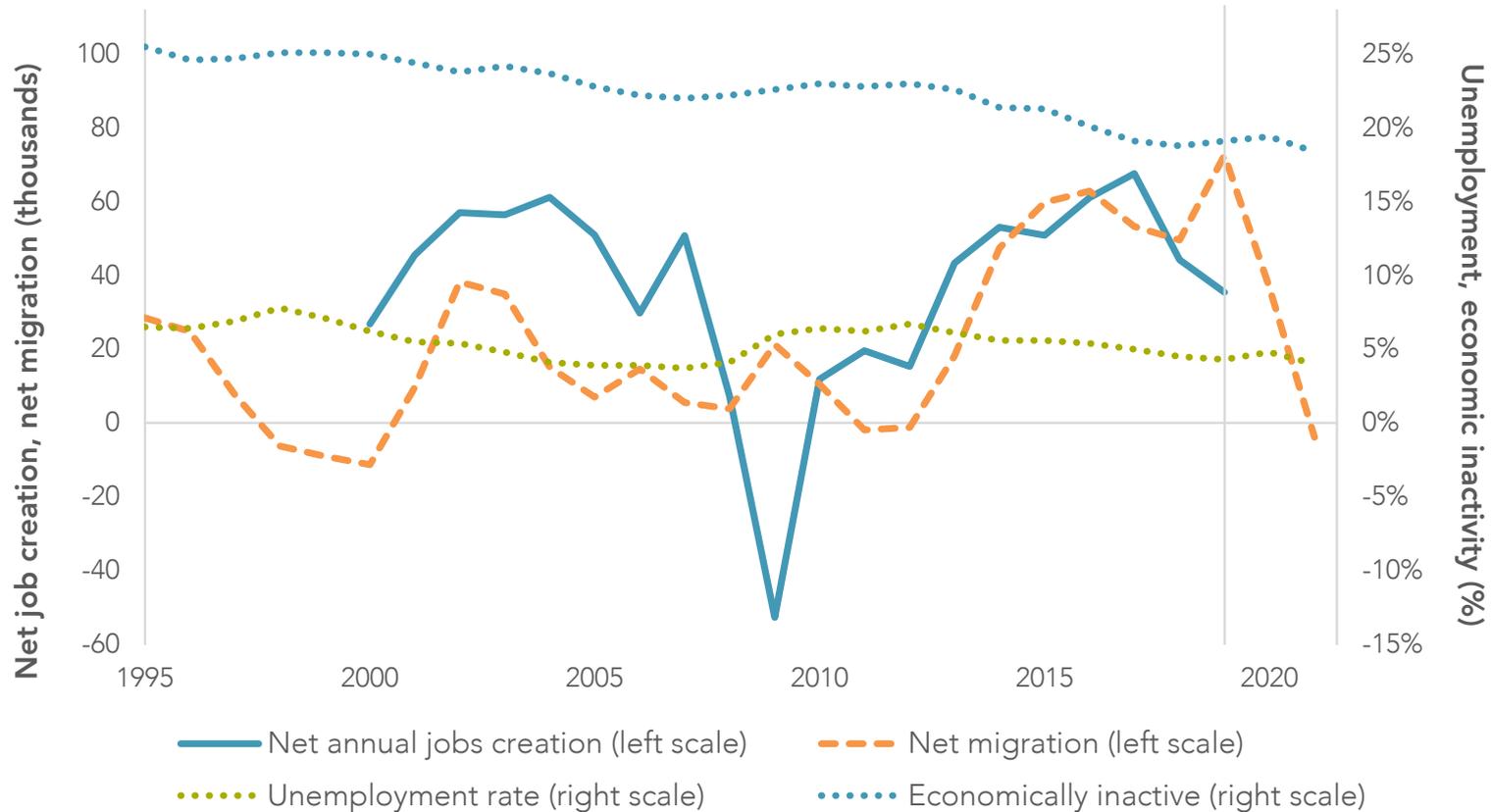
Labour shortages and net migration



Source: Quarterly Survey of Business Opinion and Stats NZ.

Figure | What single factor, if any, is most limiting your ability to increase turnover? Labour

Migration accompanies job growth



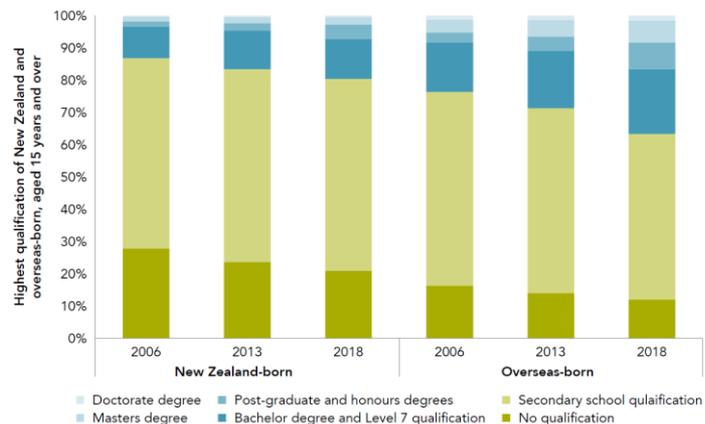
Source: NZPC calculations based on SNZ Household Labour Force Survey (HLFS), Linked Employer-Employee Data (LEED) and population data.

Figure | Net job creation and migration, unemployment and inactivity, 1995-2021

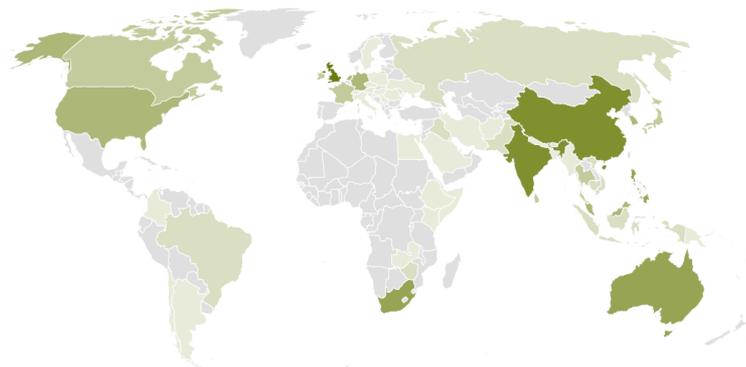
Who are the migrants?



Migrants are more highly qualified than NZ-born

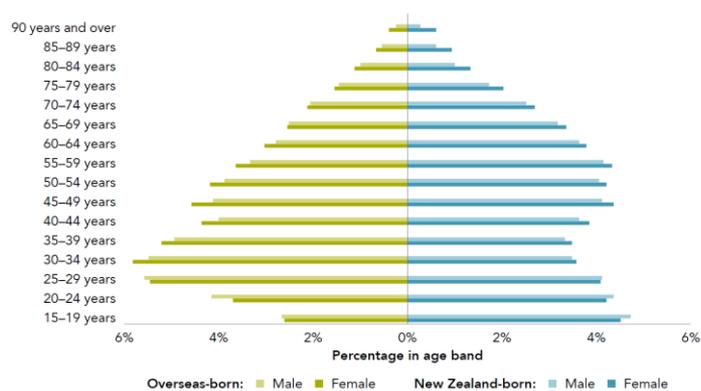


Migrants come from a wide range of countries



10 ■ 50–100 000 ■ 100–250 000 ■ 250 000+

Migrants are younger than NZ-born

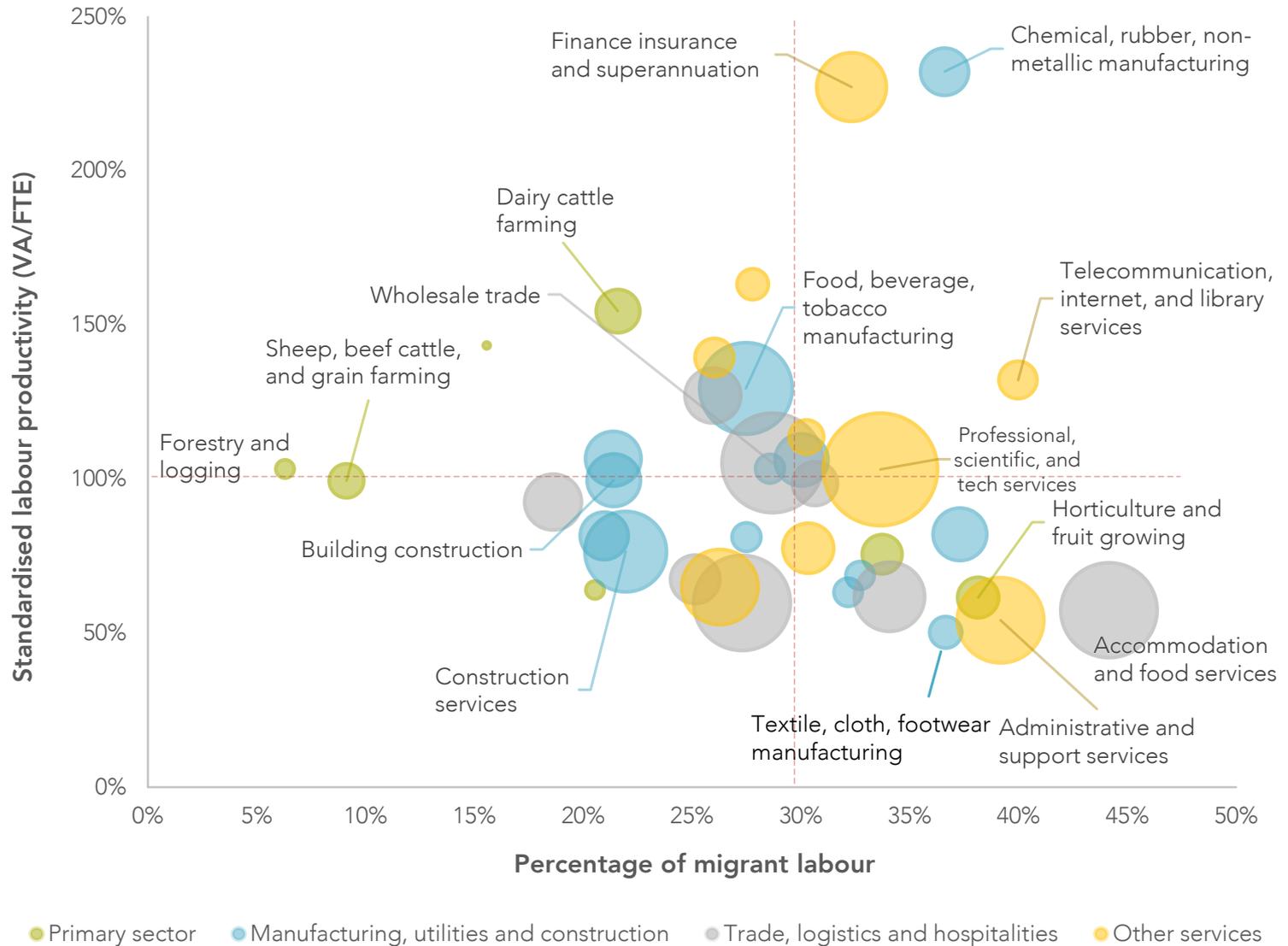


Source: Stats NZ, Census 2018.



Immigration and industry productivity

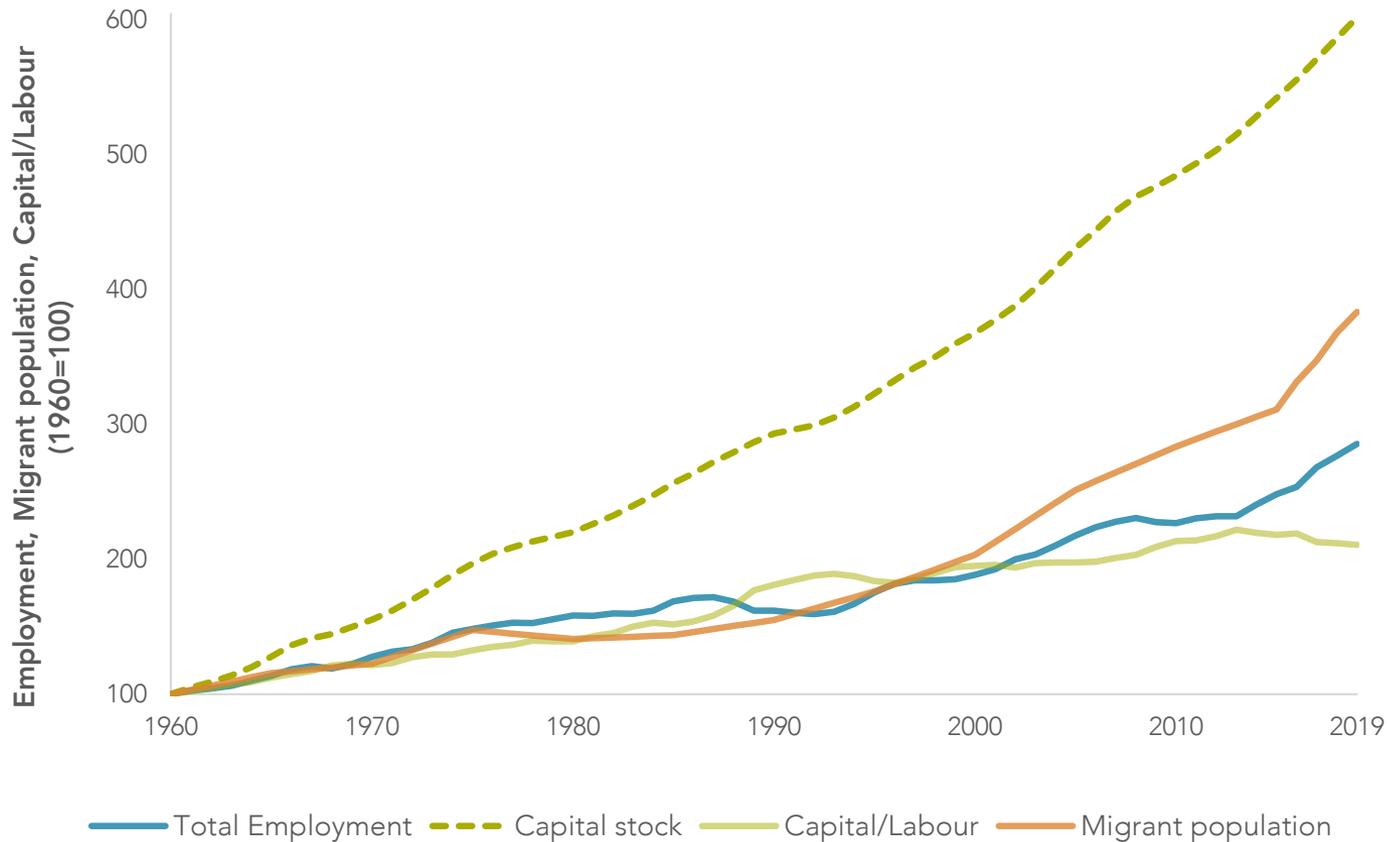
Figure | Industry intensity of migrant labour, labour productivity and total employment



Econometric analysis

- Skilled and long-term migrants make contributions to output that exceed moderately-skilled NZ-born workers.
- That higher contribution is likely due to a mix of skill differences and/or effort that is largely reflected in higher wages.
- Migrants that are not on skilled visas are associated with lower output and lower wages than moderately-skilled NZ-born.
- The share of employment for long-term migrants has grown over time (from 2005 to 2019).
- Their relative contribution to output appears to be increasing over the same period.
- Tentative evidence that high-skilled NZ-born workers make a stronger contribution to output when they work in firms with higher migrant shares, which is suggestive of complementarities between the two groups or, at least, positive mutual sorting of these groups into higher productivity firms.

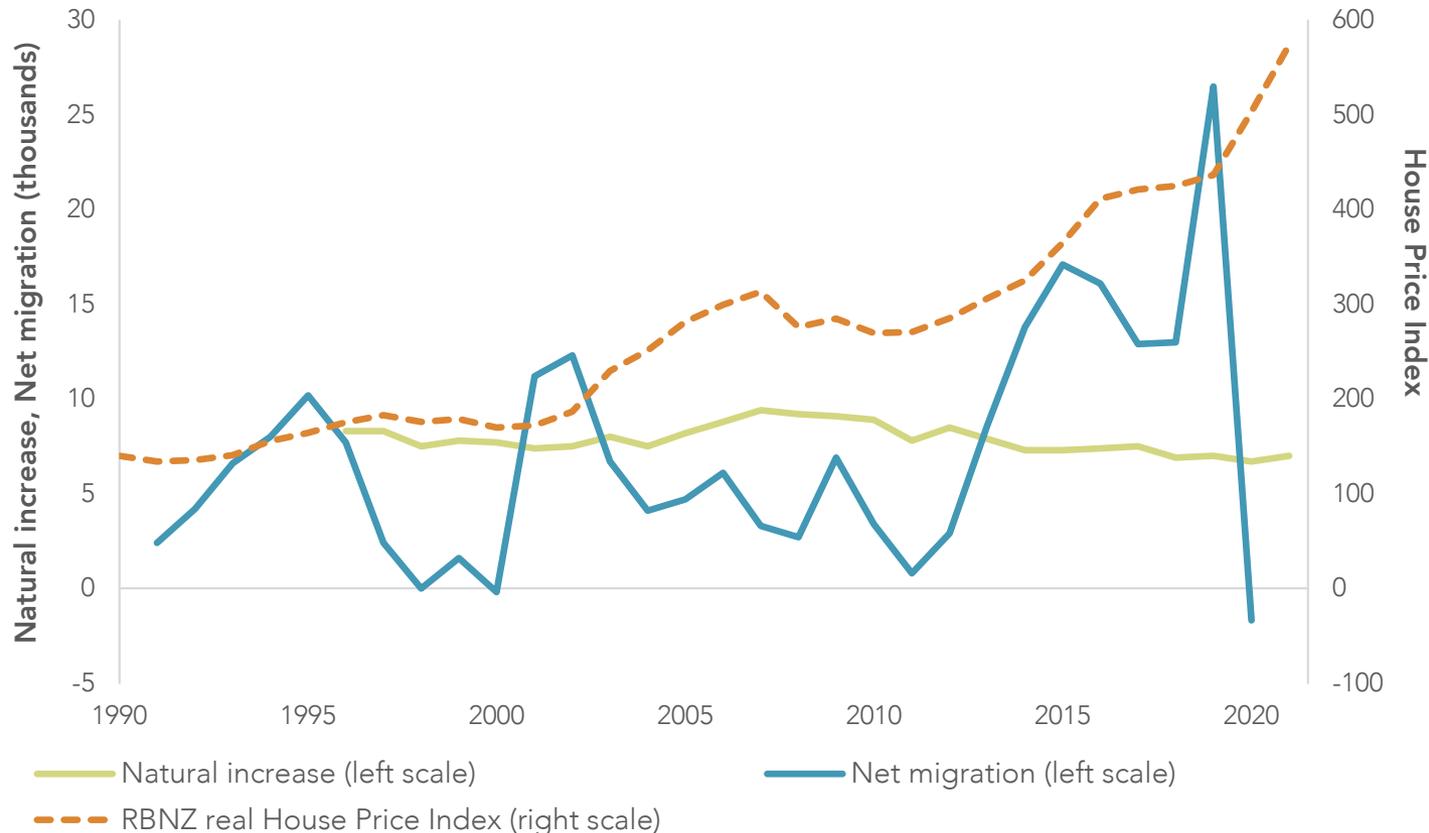
Immigration and capital



Source: University of Groningen and University of California, Davis.

Figure | Employment, capital and migrants (1960=100), 1960-2019

House prices were rising long before net migration rose, and continued to rise after net migration fell



Source: NZPC calculations using SNZ and RBNZ data.

Figure | Real house prices, population growth 1990-2021

PART II



Immigration -

**Fit for
the future**

Inquiry reports

- Immigration – Fit for the future
- Immigration by the numbers

Supporting work:

- Devine (forthcoming) Migrant selection and outcomes
- Fabling et al. (2022) Migration and productivity
- Fry & Wilson (2022) Planning for prosperity: Transparent and public immigration settings
- Knopf (2022) Case study: Aged care
- Maré et al (forthcoming) Missing migrants: border closures as a labour supply shock
- NZPC (2021) Supplementary series of six papers
- Schiff (2022) Case study: Construction
- Taylor Fry (2022) Data-led approach to identifying skills shortages
- Whāia Legal (2021) Advice on immigration policy and Te Tiriti o Waitangi



In aggregate immigration has a small positive effect on productivity and wages in NZ

- Consistent with overseas studies
- GDP growth in NZ has relied on adding more people to the labour force – both locals and migrants work longer hours compared with OECD
- Productivity is a long game
 - Needs sustained investments in physical and community infrastructure, education and training, workforce development, innovation and supportive regulation.
- Relationship between productivity and immigration
 - a balance of trade-offs
 - a consideration of short-run and long-run impacts.
- Immigration is not the solution to 21st century productivity challenges, nor is it the cause of our productivity problems

Migrants make an important contribution to the economy

- Immigration has more than offset the loss of skilled New Zealanders.
- Immigration has reduced the risk of labour shortages across the economy – notably in aged care, dairy, IT and hospitality.
- Apart from the GFC, net migration moved in line with net job creation.

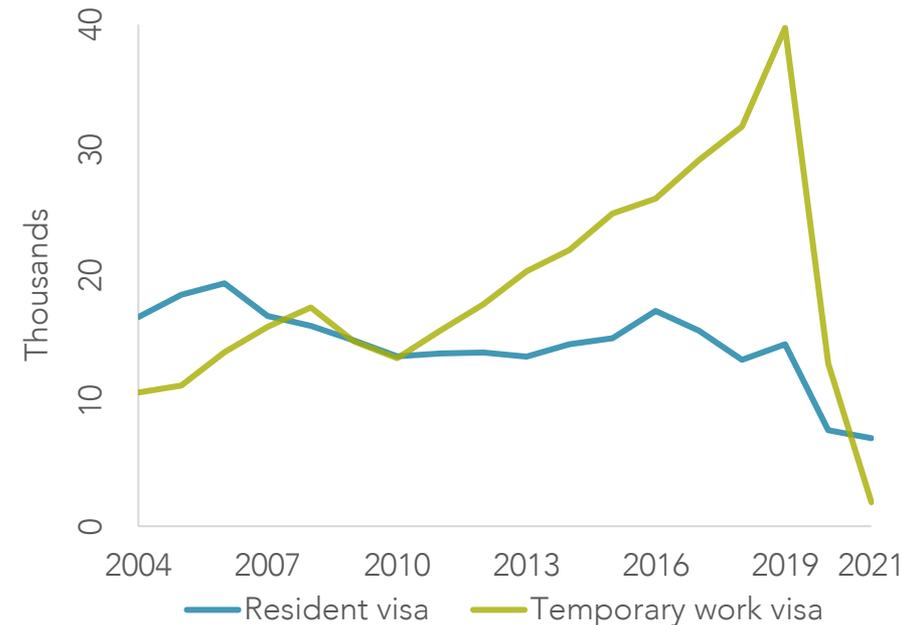


No evidence of systemic labour displacement from migration

- On average, small positive effects on wages and employment of NZ-born workers over the last 20 years.
- However, immigration can be negative for certain populations.
 - Negative impacts concentrated on people with low levels of skills, education, and experience, young, including young Māori, Pasifika and beneficiaries.
 - Cost can be very high, felt by individual, whānau and community. It can also persist (scarring).
- Even these negative impacts are not systematic.
 - Occur in particular places at particular times. Same group can experience positive impacts at different times.
- Pockets of displacement should be targeted with education, training and empowering active labour market policy.

System becomes increasingly unbalanced

- After the GFC, the Government stimulated economic growth
 - working holiday visas
 - new visa categories
 - promotion of temporary visas.
- Led to an unbalanced system
 - many temporary workers expecting a pathway to residency
 - but no changes to the residency selection criteria
 - combined with low rates of emigration to create...
- High rates of population growth, putting additional pressure on some aspects of absorptive capacity



Migration policy needs to consider absorptive capacity

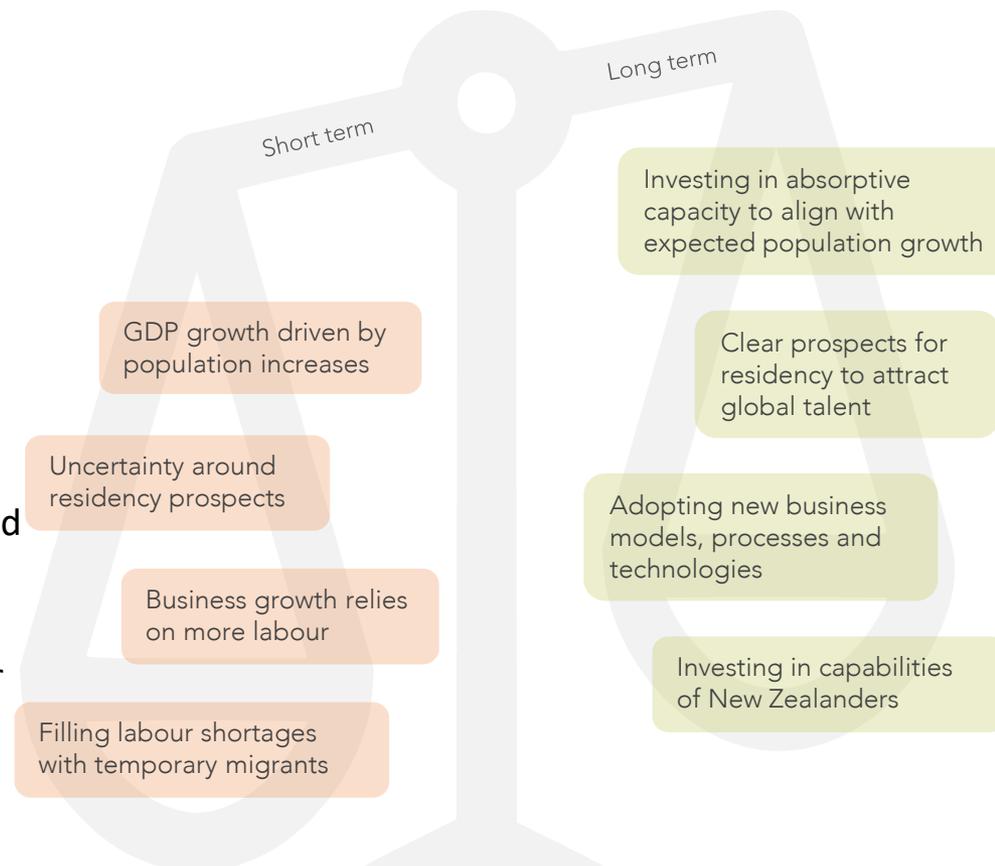
- In the short run there are trade-offs.
 - The way immigration policy is currently developed risks congestion. Pressure hits if migration is unbalanced or if not met with investment.
- But in the long run absorptive capacity is not fixed.
 - While arriving migrants create demand-side pressure that dominates the supply-side, over time they become net contributors to the community and the economy's productive capacity.
- Rather than limiting migration to manage infrastructure pressures, it would be better to deal with the root causes.
 - Infrastructure Commission research finds that infrastructure is less responsive to population growth now than in the past.
 - Infrastructure is more expensive to build, benchmarking with other countries.

Long-term win: Better labour market information and monitoring

- Improve information around labour shortages
 - vacancy indicators of skill shortage into BOS
 - wage pressure information
- Increase information and understanding of skills needs and use of skills
 - update ANZSCO/move to ONet
 - add citizenship and long term resident information data to IDI

Long-term win: an immigration Government Policy Statement (GPS)

- **Reflect Te Tiriti o Waitangi** in immigration policy
- **Clarify immigration policy objectives** and connections to other government objectives including
 - Education and training policy
 - Investments in absorptive capacity
- **Set relative priorities** balancing the short- and long-term goals:
 - Explaining how the demand for temporary and residence visas will be managed
 - Supporting infrastructure planning and investment, and education, training and labour market policies by projecting future migration rates and composition
- **Engage** with Māori, communities, and businesses by compiling data and performance indicators regularly



Thank you

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