

## *Assessment and recommendations*

### **New Zealand is a longstanding country of immigration**

New Zealand is among the OECD countries that have been settled by migration, and currently more than a quarter of the New Zealand workforce is foreign-born. It has a longstanding managed permanent migration programme admitting more migrants than most other OECD countries. Traditionally, most migration has come from European OECD countries, in particular the United Kingdom. More recent flows, however, have been dominated by Asian countries, in particular India, China and the Philippines. The Pacific Islands remain a further important source of migration for employment, and there are several preferential schemes for Pacific Islanders. Most labour migrants are high-educated. As a result, immigrants are overrepresented among the high-educated and their labour market outcomes are favourable in international comparison.

### **Outmigration, in particular to neighbouring Australia, is also high, resulting in a high migration-related turnover in the labour market**

Not only inflows of migrants, but also outflows of both immigrants and native-born are high in international comparison. The main destination is neighbouring Australia, although most of the flows seem to concern native-born New Zealanders. New Zealand has a free-mobility arrangement with Australia and in 2011/12, outflows of New Zealanders to Australia reached a new historic high of over 44 000, equivalent to 1% of New Zealand's population. Net outflows in particular have reacted quite strongly to the more favourable labour market conditions in Australia than New Zealand. Since the beginning of the global economic crisis, the unemployment rate in New Zealand has almost doubled, although it is now falling again somewhat and the short- to medium-term economic outlook is rather favourable. The parallel presence of in- and outmigration has been associated with a more limited impact of migration on population growth than elsewhere, and a high migration-related turnover on the labour market.

## **Per-capita temporary labour migration flows are the highest in the OECD**

In spite of being a settlement country, most labour migration is temporary and permanent migration mainly draws from the pool of temporary labour migrants. Current temporary labour migration is equivalent to 3.6% of the workforce. This is by far the highest figure in the OECD, in spite of a significant decline since the beginning of the global economic crisis.

## **The largest single category is the Working Holiday Scheme (WHS)**

The single largest component of temporary flows are Working Holiday Schemes (WHS). These allow young persons from selected countries with which New Zealand has signed reciprocal bilateral agreements or arrangements to holiday in New Zealand and undertake some work and study incidental to their stay. The WHS programme has constantly grown and in 2012/13, almost 49 000 individuals were admitted as Working Holidaymakers (WHM), adding almost 2% to the working-age population and even 8% to the youth population in the same age-range. In addition to its importance as a temporary labour migration programme, many of the WHM change status after their stay and the programme has become an increasingly important source for permanent labour migration. There is a clear negative correlation between the part of the stay devoted to “work” and the income level of the country of origin. Mean monthly earnings of WHM are about NZD 1 850, suggesting that for some WHM, the principal purpose of the stay may be work rather than travel.

## **There is wide variation in the conditions for the WHM by origin country, and these seem to have some impact on WHM employment**

In total, New Zealand has 40 agreements with origin countries, and further ones are under negotiation. Each agreement has specific conditions, with the more recent agreements generally being more restrictive and capped. One important restriction concerns the number of months to be spent with a single employer, which largely confined WHM to lower-skilled jobs where training costs are low and turnover high. Yet, it is also these sectors where low-skilled native youth are often employed, raising concerns about possible competition as unemployment among this latter group is relatively high and growing. At the same time, the expenses of WHM also create jobs – about 0.2 jobs per WHM according to some estimates. Globally, past research did not find evidence of a negative impact, but this mostly referred to times when admission numbers were lower and labour market conditions for low-skilled native youth were more favourable. The labour market impact of WHM, particularly with respect to disfavoured groups on the labour market, should thus be continuously monitored.

## **The temporary “Essential Skills” visa is the cornerstone of New Zealand’s immigration system**

Traditionally the main category of admission for temporary labour migration has been the Essential Skills (ES) visa, which is intended for migrants who fill jobs for which no New Zealander or permanent resident is available. Numbers of issuances have reacted quickly to changing economic conditions, and declined by about half since the beginning of the global economic crisis. The ES visa can be seen as the cornerstone of the current immigration system in New Zealand, and more than half of new permanent labour migrants had an ES visa at some stage.

## **An elaborate system of labour-market tests and exemptions aims at limiting negative impact on the domestic workforce while at the same time responding to employer needs**

To ensure that priority is given to the domestic workforce while swiftly responding to employer needs, New Zealand has established a rather elaborate system. The entity in charge of delivering the immigration services, Immigration New Zealand, which is part of the Ministry of Business, Innovation and Employment, applies a labour-market test and, for lower-skilled jobs, also involves Work and Income, the agency in charge of bringing recipients of social transfers into work. There is also a rather impressive array of shortage lists and employer accreditation procedures to circumvent the labour market test, and about 40% of the admissions are based on the latter two. The maximum duration of the visa depends on the skills level of the job, with low-skilled jobs having the shortest visa duration. The visas can be renewed indefinitely although technically, there are no “renewals” since each time the same procedure applies as for the original grant. Few migrants, however, remain on continuous spells of ES visa for long. Most either leave the country or transit to permanent residence. Nevertheless, in a few lesser-skilled occupations such as dairy cattle farm workers, truck drivers and aged care assistants, about 30% to 50% of ES visa holders remain for at least four years on that visa, because working in such occupations does not give points for permanent migration.

## **There seems to be some scope for facilitating admission at the high-skilled end**

Rejections are rare, perhaps because immigration officials use the discretionary scope in the process often in favour of the applicant. Nevertheless, there has been some increase in rejections as less favourable

labour market conditions prevailed. Globally, the system thus seems to work as intended. However, the process of the elaboration of the shortage lists is resource-intensive. Given that most occupations concerned are high-skilled, where competition with New Zealanders is less likely, there seems to be some scope for streamlining, for example by exempting occupations at the highest skill level or above a certain salary threshold from the labour market test.

### **The lack of solid information on vacancies and jobseekers is an important impediment for migration management**

One key shortcoming for the management of labour migration is the lack of solid knowledge about vacancies and jobseekers. Although a number of tools have been developed to partly compensate for this, it has rendered the admission procedure for ES visa complex. Notably the procedure for the definition of the shortage list is resource-intensive. The experiences with the Canterbury Skills Hub which tries to better match labour supply and demand in that region, to respond to labour needs in the post-earthquake rebuild, should be used to simplify and accelerate the process.

The Recognised Seasonal Employer scheme provides a good example of a managed seasonal labour scheme.

To respond to labour needs in the seasonal viticulture and horticulture industry, New Zealand has developed a specific Recognised Seasonal Employer (RSE) programme for the admission of seasonal labour migrants, with priority given to its Pacific neighbours. The programme is tightly managed to limit abuse and, at the same time, contributes positively to the development of the origin countries. The compliance measures impose a large administrative burden on both the public administration and the employers. As a result, most of the workers are employed by a few large growers, and in addition there are contractors who subsequently provide the seasonal migrants to several smaller producers. In spite of its high administrative burden, the programme seems to respond well to employer needs, while at the same time benefiting origin countries and limiting abuse, and can thus be regarded as good practice in the field.

### **There is a multitude of different visas available, and some streamlining may be warranted**

Apart from the WHM, the ES and the RSE categories, there is a vast variety of further different temporary work visas available. The number of these has steadily grown in recent years, and many migrant applicants may qualify for several visas. Most visa categories are relatively small-scale, and given the partial overlap there seems to be some scope for streamlining in

the number of categories. Other OECD countries do this partly by using a discretionary category for non-standard cases, provided that there is a public interest. New Zealand has such a category as well, although it is exclusively used for regularisations, i.e. persons who do not have a valid visa or permit.

### **International students provide an important source of labour**

A further important component of temporary flows is international students, who are not considered labour migrants but have some work rights. More than 30% of the international students stay in New Zealand after their studies to work. In contrast to most other OECD countries, the majority of international students are in private training establishments, often English language training, and many of these also have work rights during their period of study. Considering secondary and higher education, New Zealand had about 50 000 international students in 2011/12, relative to its population certainly the largest number in the OECD. Two-thirds of all students are in the Auckland region, and international students with work rights account for 2% of the working-age population – and even a full 11% of the youth population – in that region.

### **Working conditions and labour market impact should be monitored, in particular for non-tertiary students**

Almost 60% of international students in employment work in either retail trade or accommodation and food services, both of which are rather low-skilled sectors where control over working conditions is limited. These are also the two main sectors of employment for low-skilled native-born youth, raising concerns about possible adverse impact on their employment opportunities. Working conditions and labour market impact should thus be closely investigated, in particular for the many non-tertiary students for whom work rights appear to be more generous than elsewhere in the OECD.

### **The qualifications of international students do not seem to convey large returns and retention is low, which puts into question the bonus points given to these qualifications in the system**

Most OECD countries favour migrants with domestic qualifications in their immigration system, and New Zealand is no exception in this respect, by providing facilitated migration pathways for persons with New Zealand qualifications and by giving bonus points in the general skilled migration system. Yet, the evidence to date suggests that the New Zealand qualifications of international students seem to convey lower returns in the labour market than foreign degrees that have undergone a formal recognition

process in New Zealand. In addition, the retention rates of such students are also lower than those of other migrant groups. This raises the question about the usefulness of favouring them in the points system. Part of the problem seems to be associated with the fact that few international students seem to go into fields of study where the labour needs are, suggesting that better information about labour market needs and opportunities in New Zealand could convey some benefits.

### **A large part of temporary flows is thus into low-skilled jobs with little steering possibilities, and some vigilance is needed**

In summary, the bulk of temporary flows seems to go into low-skilled occupations, mainly through the WHM and international student programmes. Both of these are largely unmanaged, and there is little oversight of their working conditions. This stands in remarkable contrast to admissions under the Essential Skills – which in addition often concerns higher-skilled employment – and the RSE, both of which see close examination of occupations, wages and working conditions. Thus, there seems to be some need of strengthening control in the lower-skilled occupations where competition with New Zealanders is most likely. To date, however, the available evidence does not suggest that there has been a strong negative labour market impact on the native-born. Nevertheless, this should be continuously monitored, as both unemployment – in particular of low-educated native-born youth – and the numbers of WHM and of international students remain high.

### **Permanent migration is largely from onshore and demand-driven, which is due to a strong weight on “skilled employment” in the admission system**

A distinguishing feature of permanent migration to New Zealand is that it predominantly concerns migrants who are already in New Zealand, most of whom with a job. This is mainly attributable to the fact that employment in a job considered as skilled or an offer of such weighs heavily in the points system that is used for the admission of permanent labour migrants, and 92% of migrants who are admitted score on this criterion. In addition, there are points for previous skilled employment in New Zealand. However, only a select set of occupations – at skills levels 1-3 on the Australia and New Zealand Standard Classification of Occupations – provide points, making it essentially an “all or nothing” approach. As a result, it is difficult to get the necessary points for permanent migration if the occupation is not at level 1-3.

### **Adjustments in the points system, such as points for general work experience and points for better English knowledge should be considered**

One option to be considered would be to provide more variation in the system, by giving some – albeit fewer – points also for work experience in New Zealand in lesser-skilled jobs. Adjustments in the points system should also be considered regarding English language knowledge. Currently, there is a minimum English level required from all principal applicants, but higher levels are not rewarded. Such rewards should be introduced, as evidence from New Zealand and from other OECD countries clearly shows that better mastery of the host-country language is associated with better labour market outcomes.

### **The pre-paid English-language tuition for non-English speaking secondary applicants should be replaced by a bond**

Partners and children who lack minimum English knowledge, and would otherwise not be eligible for permanent migration, can pre-purchase English language tuition to compensate for this. The maximum amount that has to be pre-purchased in such a case is NZD 6 795. English language tuition up to the amount pre-purchased can then be obtained from New Zealand's Tertiary Education Commission, but provisional figures show that about one third of those migrants who pre-paid for the training do not take it up. A more choice-oriented approach would be to refund the fee if migrants manage to obtain the required level in a certain amount of time, and leaving it up to the migrant how he or she acquires that knowledge rather than giving them the right to free tuition. Such a language bond already applied in New Zealand between 1995 and 1998.

### **New Zealand seems to face difficulties in meeting the migration target numbers, whose value-added in a largely demand-driven system is questionable**

New Zealand's permanent migration system is based on three-year target levels for admissions. At present, if inflows persist at the levels observed in recent years, admissions for labour migration will be well below the target. This is not surprising, given the fact that current labour market conditions are less favourable and permanent labour migration is largely demand-driven. The objective behind the target is not specified in any official document, although the fact that the average annual target number has remained unchanged for over a decade suggests that the objective is to have a broadly stable number of migrants. This would then imply that at times – and also at present – admission criteria would have to be relaxed,

although this would imply to lower the average quality of migrants. In contrast, during favourable economic circumstances, good candidates would be excluded. A better alternative seems to be to link the target with labour market conditions, or to remove it altogether and possibly replace it with a cap at a higher level.

### **This raises the issue of New Zealand’s attractiveness, although policy options are limited**

Not only admission numbers are declining but so are also the so-called Expressions of Interest, a pre-selection step introduced in 2004, suggesting that the decline is on-going. These declining numbers raise the issue of New Zealand’s attractiveness, although as far as the declining numbers merely reflect a decline in labour demand, they are not necessarily a cause of concern. In any case, policy options to remedy this are limited. One route that has been taken is to better match interested candidates for migration with employers with skills needs, and two web-portals have been set up for this purpose.

### **The role of visa fees should be investigated in this context**

One issue that may deter migrant candidates in New Zealand is the relatively high cost involved for becoming permanent migrants. All administrative costs taken together can easily sum up to a month’s salary or more, particularly for those who have non-English speaking spouses and children and make use of an adviser. For offshore applicants in low income countries, this may represent a major disincentive. These migrants will often also have to go through a process of pre-recognition for their foreign qualifications, which adds further to the bill, and the outcome will often be uncertain. The role of such costs in the migration process should be investigated.

### **Although retention does not seem to be a major issue, there seem to be some links with the early grant of unlimited residence**

A further specific concern regards the retention of migrants, although the outmigration of permanent migrants does not appear to be particularly high in international comparison. There is some evidence that outmigration increases following the grant of unlimited residence after two years, which allows migrants to leave New Zealand and return at any time thereafter if they wish to do so. It should thus be considered to postpone the grant of such unlimited residence to five years, which is the residency period required for citizenship.





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