

Chapter 1

Context for labour migration to New Zealand

Immigration has been a driving force in the development of New Zealand throughout its history and the country has one of the largest immigration flows in the OECD. Partly because of the longstanding and significant immigration flows, the demographic outlook for New Zealand is much more favourable than in most other OECD countries. Apart from demographic projections, relatively little is known about the extent and evolution of labour shortages in New Zealand. That notwithstanding, compared with most other OECD countries, New Zealand has rich data and research about labour migration, a large part of which is publicly accessible.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

New Zealand depends like few other OECD countries on foreign labour, with more than one out of four persons in the workforce being foreign-born, and with both temporary and permanent labour migration flows among the largest in the OECD. In 2011, temporary labour migration flows were 3.6% of the workforce, by far the largest in the OECD, and permanent labour migration was three times above the OECD average.

The management of labour migration to New Zealand should be seen in the context of a country that has been settled by immigration, with labour migration being a longstanding part of the country's history and tradition. At the same time, outflows of migrants are also large, in particular to neighbouring Australia where wage levels are significantly higher. As a result, *net* migration is only slightly positive, and the migration-related turnover in the labour market is larger than elsewhere in the OECD.

Migration to New Zealand has been shaped for most of its history by the country's historical ties with the United Kingdom, which continues to be the main origin country of total migration flows, although India has recently overtaken the United Kingdom as the top source country for labour migration. Two other Asian countries, the Philippines and China, are also among the top origin countries.

Recently, labour migration to New Zealand has been affected by the global economic crisis, which led to an almost twofold increase in the unemployment rate in New Zealand, although the current unemployment rate – at 6.0% in Q4-2013 – is well below the OECD average. The crisis has been associated with a decline in temporary and permanent labour migration.

While the crisis affected migration to many OECD countries, a specific factor shaping immigration to New Zealand is its relative geographical isolation. This is reinforced by the fact that there are few big cities in the country, and a large part of the country's GDP and exports come from primary industries. A further distinguishing factor is the strong concentration of immigrants in a single city; almost half of all new labour migrants are employed in Auckland, the country's largest city (see Annex A for a map of New Zealand).

The remainder of this review is structured as follows. Chapter 1 presents the context for labour migration to New Zealand, that is, the overall labour market conditions, the characteristics of the immigrant population, the history of labour migration to New Zealand and the key actors involved in its management. Chapter 2 analyses temporary labour migration, starting with an overview of its evolution and the main visa categories. Specific attention will be paid to issues related to the Essential Skills visa, which is

the cornerstone of the labour migration system, namely the labour market test and the role of shortage lists. Chapter 2 ends with a discussion of student migration. Chapter 3 discusses permanent labour migration, including the selection process, the transitions from temporary to permanent. Chapter 4 analyses the issues of attraction and retention.

Current labour market conditions and the evidence regarding labour shortages

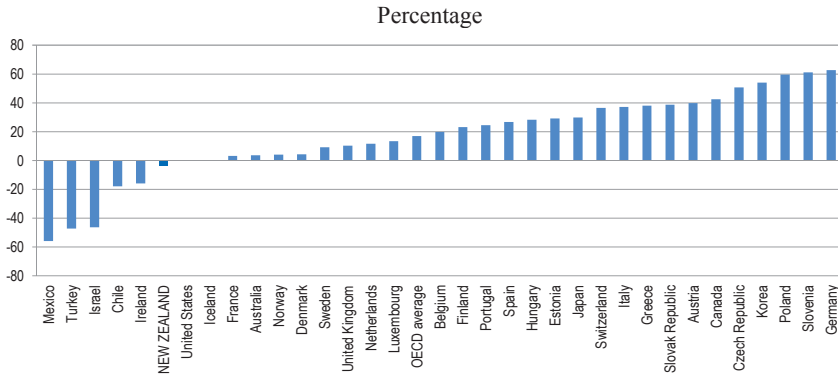
Until the beginning of the global economic crisis in 2007, labour market conditions in New Zealand were among the most favourable in the OECD, with more than 75% of the working-age population in employment, more than 8 percentage points above the OECD average of 66.5%. Likewise, the 3.8% unemployment rate seen in 2007 was a historical low. Since then, labour market conditions have deteriorated markedly; unemployment almost doubled, peaking in Q3-2012 before falling again to 6.2%. The low-educated were the most affected by the deteriorating labour market conditions with the crisis and experienced an increase in their unemployment rate by 4 percentage points, twice the figure of those with tertiary education. The current labour market outlook, however, is rather favourable. There has been an acceleration of growth as construction activity increased, partly related to the rebuild of the region of Canterbury following the September 2010 and February 2011 earthquakes, and a rebound in private consumption (OECD, 2013).

Partly because of the longstanding and significant immigration flows, the demographic outlook for New Zealand is much more favourable than in most other OECD countries. Indeed, New Zealand is one of the few OECD countries where the age-related entries into the labour force will, at least in the medium-term, continue to be larger than the exits (Figure 1.1).

Apart from these demographic projections, relatively little is known about the extent and evolution of labour shortages in New Zealand. A key obstacle for their identification is the lack of a public employment service that would file all vacancies of employers and corresponding information about job-seekers. However, there are a number of online vacancy sites available, which are also used in the process of the establishment of the shortage lists (see Chapter 2 below).¹ In addition, the New Zealand Ministry of Business, Innovation and Employment conducted in 2012 a survey among employers to assess the extent of their labour shortages. The majority of New Zealand employers do not seem to have major problems filling their vacancies – only about 16% report not being able to fill all the vacancies they had (see Annex Figure B.1a).² Excluding micro-enterprises, which are numerous in New Zealand, raises this figure to 20%. This figure still does

not appear to be particularly high in international comparison. In Germany, for example, about 50% of all enterprises report that they were not able to fill all of their vacancies.

Figure 1.1. Estimated differences between the age-related entries and exits from the working-age population, 2020



Note: Projections based on 2010 resident population and current migration levels. Age-related exits refer to the cohort aged 60-64, new entries to the cohort aged 15-19.

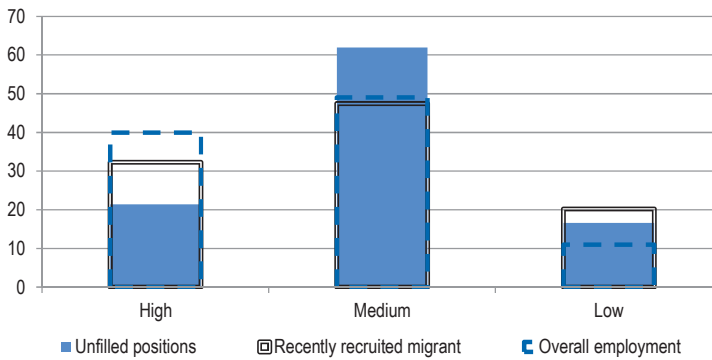
Source: OECD Secretariat calculations on the basis of UN Population Statistics; 2010 revision.

There is little regional variation in labour shortages, with the exception of Canterbury, where there are specific needs related to the post-earthquake reconstruction. Companies in Auckland also seem to have disproportionately many vacancies that they were unable to fill – and the incidence is almost twice as high as in Wellington, the country’s second largest city. However, this seems to concern largely micro-enterprises, as a comparison with Annex Figure B.1b shows.

In terms of industries, construction and the agricultural sector reported the highest incidence of unfilled vacancies for firms with more than five employees. However, some specific sectors in particular regions seem to have significant difficulties to fill all their vacancies. In the construction sector in Canterbury, 51% of employers report being unable to fill all vacancies. Likewise, in the health and social assistance sector in Auckland, 35% of employers report difficulties and in the rest of the North Island (excluding Wellington) even 46%.

Compared with the current distribution of employment, vacancies were disproportionately in the medium- and low-skilled occupations (see Figure 1.2). For the future, however, employers expect rather an increase in needs at the high-skilled end.³ Hires of recent migrants appear to have been disproportionately in both high- and low-skilled occupations, whereas they are underrepresented among the medium-skilled.⁴

Figure 1.2. Distribution of unfilled positions reported by employers relative to total employment, by occupational skill levels

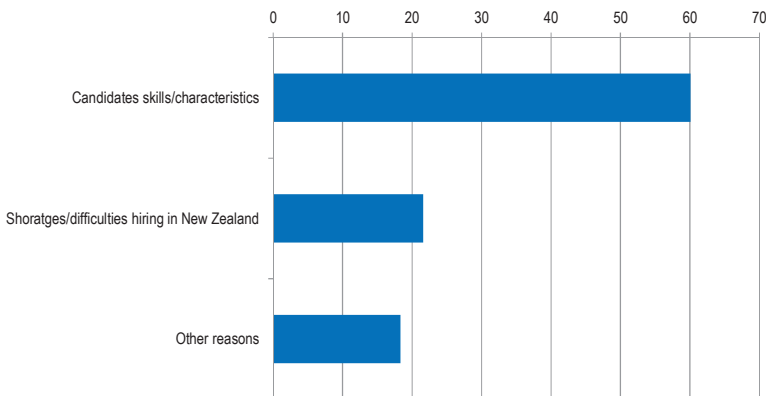


Note: Recent migrant refers to all migrants with less than five years of residence in New Zealand.

Source: OECD Secretariat calculations on the basis of MBIE National Survey of Employers 2012.

Note, however, that employers reported on the expected evolution of future needs, which do not necessarily result in shortages. In any case, most current recruitment of immigrants does not seem to be primarily driven by actual shortages in the domestic labour market. Employers who have hired recent migrants report to have done so primarily because of their skills and competences. Difficulties in finding New Zealanders were only mentioned by one in five employers who recently hired a migrant as being the principal reason for recruitment (Figure 1.3).

Figure 1.3. Reasons for hiring migrants in New Zealand

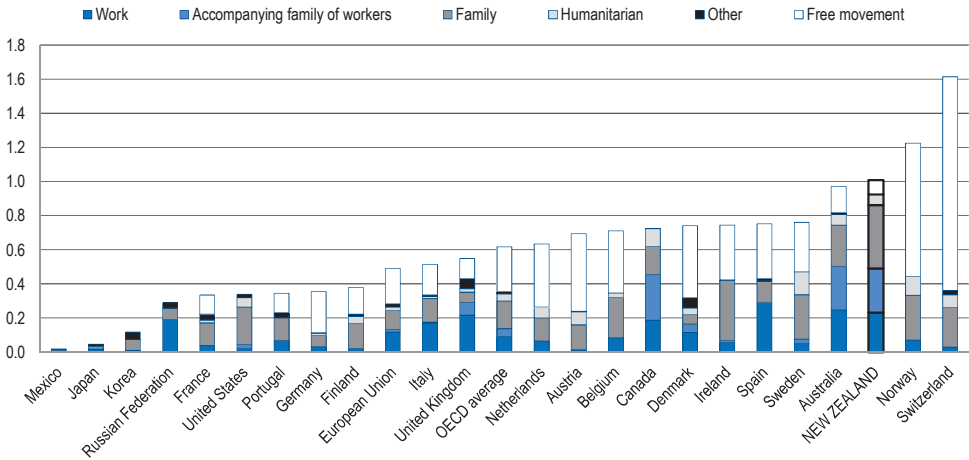


Source: OECD Secretariat calculations on the basis of MBIE National Survey of Employers 2012.

Evolution and characteristics of labour migration to New Zealand in international comparison

With new immigration flows of more than 1% of the population in 2011, the latest year for which internationally comparable data are available, New Zealand has one of the largest immigration flows in the OECD. Labour migrants and their family account for about half of total inflows, and new flows in these two categories relative to the population are broadly at the same level as in Australia and Canada, the two other OECD countries that have been settled by migration and that have a labour migration system similar to that of New Zealand (Figure 1.4). New Zealand also has a free-mobility arrangement with Australia, although most of the current flows under this arrangement are outmigration from New Zealand rather than immigration from Australia (see Box 1.1).⁵

Figure 1.4. Permanent immigration by category into OECD countries as a percentage of the total population, 2011



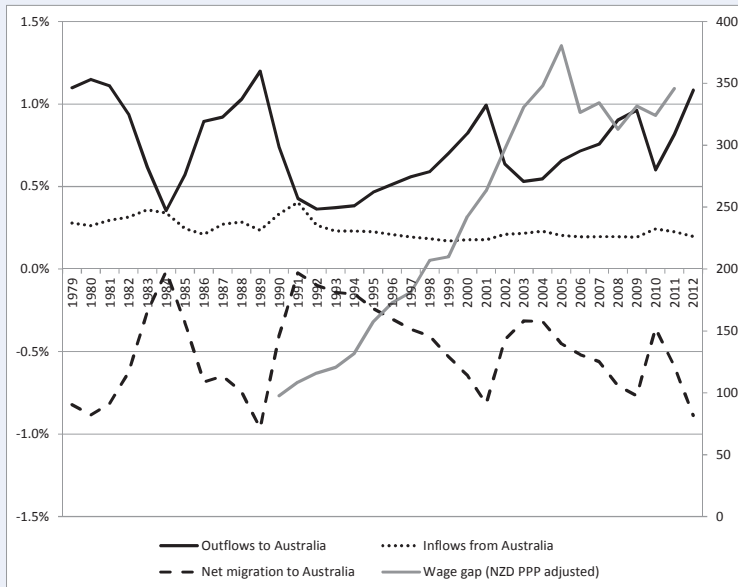
Source: OECD International Migration Database.

Traditionally, the main origin countries of labour migration to New Zealand were European OECD countries, in particular the United Kingdom. More recently, migration flows have diversified, and Asia has become the primary source of new permanent labour migration (see Figure 1.5). In 2011-12, India, the United Kingdom, the Philippines, China and South Africa were the main origin countries of permanent labour migration to New Zealand, accounting for almost two-thirds of all labour migrants. Flows from the latter two countries have seen a significant decline since 2008.

Box 1.1. Trans-Tasman free-mobility flows

The Trans-Tasman Travel Arrangement, established in 1973, allows for free labour mobility between Australia and New Zealand to those who are citizens of either country. In the past three decades, net migration flows of New Zealanders to Australia have been consistently higher than net migration flows of Australians into New Zealand (see figure below). These flows have been cyclical, and outflows of New Zealanders into Australia to settle under the Trans-Tasman agreement have reached over 44 000 in 2011/12, equivalent to almost 1% of the New Zealand population. In absolute terms, this is the highest number on record. Relative to the New Zealand population, however, net migration of New Zealanders to Australia was at similar levels in 1979-81, 1989, 2001 and 2009.

Departures of New Zealanders to Australia, absolute number and relative to the overall population



Source: OECD Secretariat calculations on the basis of Statistics New Zealand, OECD Short-term Labour Market Statistics.

A key driver of this net emigration is the more favourable labour market conditions in Australia, with higher wages and lower unemployment than in New Zealand. Indeed, there seems to be a rather strong link between relative economic conditions and net free mobility flows between the two countries, in particular since the mid-1990s. As is also visible from the above figure, the disparities in labour market conditions have evolved to New Zealand's disadvantage since the mid-2000s. This holds not only regarding unemployment but also for relative wages (not shown in the figure).

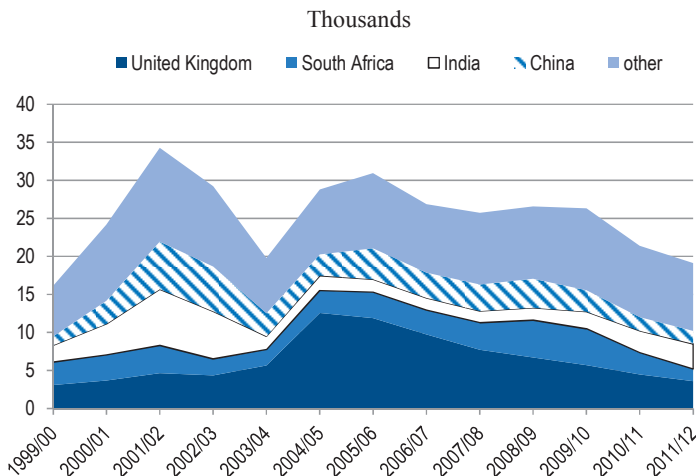
Box 1.1. Trans-Tasman free-mobility flows (cont.)

There is significant return migration of New Zealanders from Australia; about one-third of the New Zealanders in Australia return to New Zealand within four years (Poot, 2009). The characteristics of those New Zealanders who leave New Zealand do not appear to differ substantially from the overall New Zealand population (Stillman and Velamuri, 2010).

New Zealand citizens living in Australia have access to health care and family-related welfare benefits, although access to social security is limited, for those who arrived to Australia after 2001 and are not eligible for a permanent visa. In contrast, Australian citizens living in New Zealand have the same access to welfare benefits, health care and social security as New Zealanders, provided that they stay for more than two years.

Of particular interest is the degree to which immigrants naturalise and subsequently take advantage of the free mobility arrangement. For most migrant groups, this seems to be a rather marginal phenomenon – with the exception of migrants from India and South Africa, two English-speaking countries which are not high-income economies. For these countries, 47% and 62% of outmigration from New Zealand is to Australia, apparently often after five years, which is the residency period required for eligibility for New Zealand citizenship (see Ministry of Business, Innovation and Employment 2012 and Chapter 4).

Figure 1.5. Evolution of the main origin countries of permanent labour migration to New Zealand since 2000

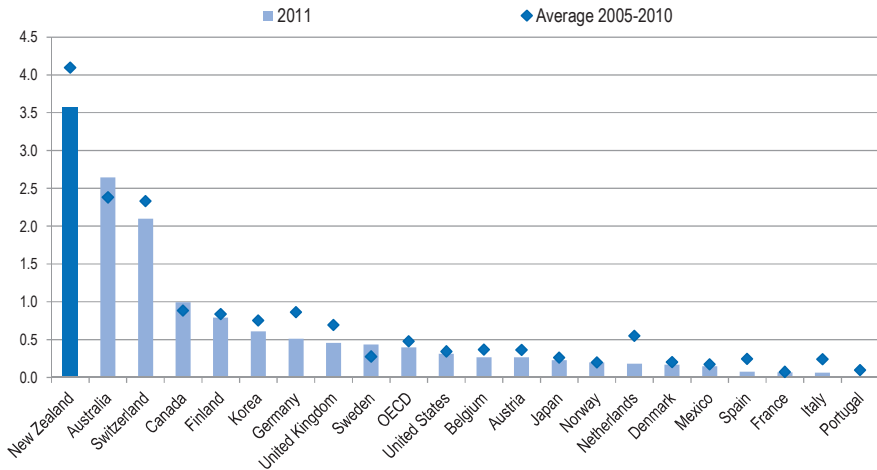


Source: OECD Secretariat calculations on the basis of Ministry of Business, Innovation and Employment.

Where New Zealand really sticks out, however, is temporary labour migration, accounting for 3.6% of the labour force in 2011 (Figure 1.6). These flows remain by far the largest among the OECD countries in relative

terms, in spite of a significant decline in 2011.⁶ As will be explained in more detail in the following sections, temporary labour migration is also the most important source of permanent labour migration in New Zealand.

Figure 1.6. Temporary labour migration as a percentage of the labour force, selected OECD countries, 2011 and 2005-10 average



Source: OECD International Migration Database.

Most labour migrants are high-educated and, as a result, the percentage of high-educated among the immigrant population is 50% larger than among the native-born (36% versus 23.5%). Partly due to the high proportion of highly-educated labour migrants, the labour market outcomes of immigrants in New Zealand are also relatively favourable in international comparison. Although the labour market outcomes of immigrants lag slightly behind those of the native-born, the differences are not large compared with other OECD countries. Immigrants' employment rates are about 2 percentage points lower than those of the native-born, with slightly larger gaps for women. In contrast to the native-born, however, immigrants' employment rates have slightly increased in recent years. This is particularly notable for immigrant women, where a gap of almost 10 percentage points in 2008 has narrowed down to 3 percentage points in 2012. Immigrants also face higher unemployment rates, but again the differences are small in international comparison – below 1 percentage point. Indeed, the unemployment rate of immigrants – 7.6% in 2012 – is among the lowest in the OECD.

Regarding job quality, one observes no difference in the overqualification rate between immigrants and the native-born (OECD, 2012).⁷ This stands in contrast with most other OECD countries, where the overqualification rate of immigrants tends to be above that of the native-born.

Evolution of New Zealand’s immigration policy

Discovery and colonisation

Immigration has been a driving force in the development of New Zealand since its discovery by Polynesian explorers around the year 750.⁸ The first migrants to New Zealand were Polynesian settlers who arrived in the North Island around 1300 and over time developed the indigenous Maori language and culture.⁹

The English explorer James Cook was the first to fully chart New Zealand’s coast in 1769 and paved the way for future visits by European whalers, traders, and missionaries. Following his arrival, the settlement of Europeans in New Zealand gradually started and in 1840, the Treaty of Waitangi was signed between representatives of the British Crown and a group of Maori tribes. This was the first agreement signed between Maori and Europeans and allowed the British to claim sovereignty over the country in exchange for protection and British citizenship for all Maori. The early colonial governments did not impose any restrictions on arrivals to New Zealand and anyone who came after 1844 could stay and apply to become a naturalised British citizen (Beaglehole, 2009).

Policy of racial and national preference

The small size of the non-European population, the racial preferences of the time, and a strong identification with the British Empire, meant that the first 100 years of New Zealand immigration policy (from 1840 to 1947) were defined by the ethnicity and origin country of migrants. Immigration policy was expressed through assisted migration programmes and restrictions on non-white immigrants.

To grow the new colony (numbering only 2 000 Europeans in 1840), assisted migration schemes offered selected migrants, originally from the United Kingdom and Ireland and later from other European countries as well, subsidised passage or land grants to come to New Zealand. These schemes were used on an ad hoc basis until 1975 and have been an important component of immigration policy, appearing and disappearing with economic conditions.¹⁰

Early immigration policy also sought to limit non-European migration. The discovery of gold in 1859 attracted a number of Chinese immigrants in the subsequent decades, prompting the government to introduce the first laws limiting immigration in 1881. Although the actual number of Chinese in New Zealand was relatively small (fewer than 3 000 in 1871) the popular fear that Asian migration might overwhelm the colony's small European population caused the government to place further restrictions on the arrival of Non-Europeans in 1899.¹¹

Policies favouring British and Irish immigration continued into the 20th century. In 1920, the Immigration Restriction Amendment Act further required anyone not of British or Irish parentage to apply for an entry permit, including non-white citizens of British Empire countries. This effectively created a “white New Zealand policy” which was also used to exclude southern European Italians and Dalmatians, in addition to Asian immigrants.

The beginnings of a labour market view of migration

After a freeze in migration during World War II, post-war labour shortages encouraged the government to restart assisted migration schemes for British-born in 1947 and to expand these programmes to Scandinavian and northern European countries in 1950.¹² The post-war years coincided with a shift in the focus of immigration policy from managing colonial population growth to resolving short-term labour-market shortages. This change in thinking is reflected in the choice to move immigration control from the Customs Service to the Department of Labour in 1951, under whose successor it remains today.

In addition to assisted migration programmes for Europeans, flows of labour migrants from the Pacific were also expanded. Cook Islanders were granted New Zealand citizenship in 1949 and began to migrate to New Zealand in response to economic and population pressures at home. After Western Samoa gained its independence from New Zealand in 1962, the two countries signed an agreement allowing a quota of Samoans to migrate to New Zealand each year. As the need for labour increased, further quotas for Samoan temporary work visas were created in 1967 (Beaglehole, 2009). As a result of these changes, the population of ethnic Pacific Islanders in New Zealand grew from 3 600 in 1951 to over 61 000 by 1976.¹³

In 1973, economic shocks from the oil crises and the loss of New Zealand's special trade relationships with the United Kingdom, following the latter's entry into the European Economic Community caused the government to reduce immigrant flows and tighten temporary migration policy.¹⁴ The loss of its special trading status with the United Kingdom

meant that New Zealand was forced to look to other markets for its exports and review the logic of its “preferential source country” immigration policy. This resulted in the government dropping visa-free access to British immigrants although free movement between New Zealand and certain Pacific island countries was retained. While requiring British migrants to apply for residence was mostly a symbolic change since British immigrants were rarely rejected, it marked a significant shift in New Zealand’s immigration policy paradigm.

Full shift to merit-based acceptance

A comprehensive review of immigration policy in 1986 (Burke, 1986) marked the final shift away from earlier selection policies based on ethnic and national origin. The Immigration Act 1987 was passed shortly thereafter and offered admission to any immigrant meeting certain standards of education, age, or professional status irrespective of their nationality. These standards form the broad selection criteria that, with some additions, are still used to select skilled migrants today.¹⁵

Prior to the 1987 reforms, migrants applying within the “occupational” stream were accepted if they had proven skills in an occupation included in the Occupational Priority List (a list of occupations deemed to be in “permanent” shortage) and a current job offer for that occupation. Migrants in occupations not included on the priority list could be accepted if they had a job offer from an employer that passed a labour market test. The 1987 act continued this policy but removed the national preference for British migrants and established a periodic review of the Occupational Priority List using a job vacancy survey as an objective measure of occupational shortages.

The only exceptions to the removal of national preference in New Zealand’s immigration programme in 1987 were the continuation of long-standing free movement policies between Australia and New Zealand, first formalised in the reciprocal Trans-Tasman Travel Arrangement (1973), and the preferential selection of migrants from the Netherlands and selected Pacific island nations.

The 1987 reforms offered residence through four government-defined streams – occupational, business, social, and humanitarian. The occupational and business streams selected migrants on the basis of their skills and qualifications; the social stream provided for the reunification of overseas family members; and the humanitarian stream covered the entry of refugees and other migrants admitted on recognition of their personal hardship. With some modifications, this basic structure is still in place today.

The 1986 review also recognised the need for migrants to have adequate English skills for integration and suggested that English language ability should be a key element in the assessment of immigrants admitted in the occupational stream (Burke, 1986). However, concerns that English language ability could be used to perpetuate discriminatory policies caused policy makers to shy away from setting firm English language standards for occupational or business migrants at that time.

Human capital-based selection

The Immigration Amendment Act 1991 shifted the focus of New Zealand immigration policy from addressing short-term skill shortages to a medium-term human capital model of skilled migration. The Occupational stream was replaced by the so-called General Category which selected migrants using a points system instead of the Occupations Priority List. By switching to a points system, the New Zealand government hoped to make the selection of skilled migrants more transparent and consistent. Points were assigned to applicants based upon *employability* (determined by work experience and qualifications), *financial independence* (determined by the amount of settlement funds migrants brought with them), and *age*. The points system had an automatic pass-mark and a required minimum level of points. Applicants with total points greater than the pass-mark were automatically offered residence. Those with total points less than the pass mark, but more than the minimum level, were placed in a pool, ranked, and then selected monthly to meet an annual migration target. In line with the human capital model, most of the points were given to the applicant's qualifications (35% of all points possible) followed by age and work experience (both 23%).

English language standards for occupational migrants were raised, requiring immigrants in the General Category to have at least the reading and speaking ability of an 11-year old native English speaker. Applicants without a certificate to prove their English ability were assessed in an interview with an immigration officer. It seems that the subjective nature of these interviews often led to uneven assessment of applicants' English language ability.

The 1991 law also introduced an immigration target in line with similar targets introduced in Canada and Australia. As with Canada and Australia's targets, New Zealand's target is a goal rather than a limit meaning that it is possible for overall acceptances to exceed the limit. This limit, although now much higher and with a tolerance margin, continues to be part of immigration policy today.

Improving settlement outcomes of labour migrants

The policy changes in 1991 and favourable economic conditions in the early 90s resulted in a sharp increase in applicants through the General Category. The number of applications accepted through the stream went from less than 10 000 in 1992/93 to nearly 35 000 in 1994/95. The increases in the number of applications, coupled with an overall improvement in the quality of applicants, resulted in such a large number of applicants exceeding the automatic pass-mark that there were not any spots left over for pool applicants (those with enough points to be considered, but not enough to be automatically accepted). Since Immigration New Zealand was obliged by law to accept these migrants, it lost, in effect, the ability to limit the number of accepted General Category migrants. As a result, the number of applications accepted from all immigration streams exceeded New Zealand's annual immigration target of 25 000 migrants in each of the four years following the introduction of the points system in 1991 and by more than double the target in 1994 and 1995.

There was also some evidence that the lack of a consistent English language assessment and a general difficulty in getting migrant qualifications acknowledged by local industry bodies were causing settlement difficulties for skilled migrants and leading to a discount of their qualifications on the New Zealand labour market. These concerns and the oversubscription of the General Category lead to a review of the residence schemes in 1994.

Following the 1994 review, the General Category was replaced with the General Skills Category (GSC) in 1995. This increased the English language requirement to level 5 or above on the standardised International English Language Testing System (IELTS) and extended it to secondary as well as principal applicants. Secondary applicants scoring below this standard were required to pay a NZD 20 000 bond to be repaid if they reached the required level within 12 months. The 1995 changes also required applicants to have their qualifications registered with local professional bodies in order to receive points for them and replaced the monthly pool selection with a pass mark that changed from month to month. Applicants below this monthly pass mark were rejected rather than being placed in a pool. In 1998, the bond for GSC secondary applicants was removed and replaced with the option to pre-purchase English for Speakers of Other Languages (or ESOL) courses, at lower fees for the migrants concerned compared with the original bond.¹⁶ In 2001, an annual numeric target for permanent residence approvals was set at 45 000, with a goal of accepting about 60% through the Skilled/Business Stream, 30% through the Family stream, and 10% through the international/humanitarian stream.

The change towards a hybrid selection model

The next major shift in immigration policy occurred in 2003. The country had just experienced four years of strong and sustained economic growth and was experiencing the lowest unemployment rate in 15 years, resulting in skill shortages in many industries. It was felt that the current human capital model of the General Skills Category should be modified to address those shortages. As a result, the government replaced the General Skills Category with the Skilled Migrant Category (SMC) which, with some modifications, is still used today.

The Skilled Migrant Category was given a completely different point structure that included new weightings for different point categories. The total number of points available increased from 48 to 240 with a minimum of 100 points to be considered for selection. In 2005, changes made meant that applicants with 140 points would be automatically selected. Following the new shift in focus, which in many ways implied a return to the demand-driven policies of the 1980s, points offered to migrants with job offers or current employment increased from 17% of the pass mark to 54% of the pass mark. Bonus points are given for migrants who have work experience, qualifications or a job offer in a “future growth area” or “area of shortage”. Applicants eligible to claim the maximum number of these bonus points can earn up to 65 points, or 46% of the auto-pass mark. Other point categories were reduced. Age became less important with the maximum points available falling from 38% to 21% of the pass mark. Points for settlement funds and family sponsorship were done away with entirely (although family sponsorship was reinstated in 2005/06).

The 2003 changes also did away with the automatic pass mark system and initiated a two-step process, still used to this day, in which applicants are awarded points based on their skills, work experience, qualifications, age, and whether they have a job offer. Applicants with over 100 points can submit an expression of interest and are placed in a selection pool. Expressions of interest with 140 or more points are automatically selected. A selection point level for expressions of interest with fewer than 140 points is decided based upon current quotas and policies and a certain number of applicants from the pool are then invited to apply for residence through the SMC. Applicants who are selected and have been assessed as having sufficient points are then assessed for their ability to integrate into the New Zealand labour market and society. Having a skilled job or job offer is a proxy for settlement and contribution. Migrants without skilled jobs are interviewed to determine their suitability. As a result of the interview applicants who are selected and apply but who do not have a skilled job can be offered job search visas to help them find skilled work in New Zealand and therefore to be granted residence. Further changes to the point system

were implemented in 2007, changing the bonus points awarded for SMC applicants who had studied in New Zealand and a doubling of points for their partner's qualifications and employment/job offer.

New Zealand's immigration policy has remained relatively unchanged in the recession following the 2007 global financial crisis, which was less severe than in many other OECD countries. A new immigration act was passed in 2009 giving different point amounts for qualifications depending on the level of the qualification and removing bonus points for vocational New Zealand qualifications.

Key actors in managing labour migration to New Zealand

The main actor in regards to labour migration policy in New Zealand is the *Ministry of Business, Innovation and Employment* (MBIE). Its predecessor, the Department of Labour, took responsibility for immigration control from the Customs Service in 1951 and has retained this function ever since. On July 1st 2012, the Department merged with the Ministry of Economic Development, the Department of Building and Housing, and the Ministry of Science and Innovation, to form a new Ministry of Business, Innovation and Employment.

The ministry manages all immigration-related activities at the government level. In 2012, the immigration budget (NZD 131 million) made up for slightly more than two-thirds of the total annual labour-related budget of MBIE (NZD 211 million) and a similar proportion of its staff (1 466 out of 2 137 full-time equivalent staff).¹⁷ Around two thirds of the immigration budget comes from visa fees charged to applicants. Fewer applications during the economic downturn and a government-wide savings drive have increased cost pressures and in response, application fees were increased by 16% in July 2012.

There are three divisions (“workgroups”) in MBIE that deal with migration matters; namely the Immigration Group, the Policy and Research Group, and the Legal and International Group. The Immigration Group delivers all of New Zealand's front line immigration services such as the selection of applicants and visa issuing through the *Immigration New Zealand* service brand. The Legal and International Group provides corporate services to the ministry and maintains the international relations. The Policy and Research Group focuses on immigration research and strategic policy advice. The resources invested into research are significant. Together with a comprehensive data infrastructure, they have contributed to a close link between immigration research and policy making (Box 1.2).

Box 1.2. Data and research on labour migration to New Zealand

Compared with most other OECD countries, New Zealand has rich data about labour migration, a large part of which is publicly accessible.

One important source of information is migration data via border cards. Because of New Zealand's geographical position as a remote island, practically all in- and outward movements are registered. Anyone entering or exiting New Zealand must fill out a card with information such as citizenship, occupation, length of travel etc. This dataset provides a rather complete picture of migration flows and has been recently updated to include more information on "permanent and long-term" migrants.

Immigration New Zealand provides publicly available information on collected administrative data from permit applicants (both accepted and rejected) on their website. This information includes time series going back to 1997 and various characteristics of the applicants. Most of the administrative data are publicly accessible free of charge.

This information is fed into the Integrated Data Infrastructure (IDI) database which has been gradually extended. The IDI is an extension of a longitudinal database of administrative data, the so-called Linked Employer-Employee Database, which links monthly data on employee earnings with data on employers and firms derived from different administrative data sources. MBIE and Statistics New Zealand continue to integrate further administrative data, as well as survey data into the database. The IDI thus allows for detailed analysis of the settlement outcomes, employment characteristics and retention of labour migrants in New Zealand. A prototype with migrant data has been developed and the full infrastructure is scheduled to be completed by June 2015.

One rich survey dataset that has recently been merged with the IDI is the Longitudinal Immigration Survey New Zealand (LisNZ). It includes longitudinal socio-demographic and socio-economic data by visa type on principal applicants and their families who arrived at the end of 2004 and who were monitored during the first three years as permanent residents in New Zealand. The survey was conducted in three waves (6 months, 18 months and 36 months after take-up of permanent residence) and consists of a sample of more than 5 000 migrants.

Information on the recruitment of migrants by employers is available from the National Survey of Employers. This annual survey of employers is undertaken by the Migration Research, Evaluation and Analysis group at the MBIE. The main focus of the survey is on labour shortages, but the survey also intends to assess a number of issues associated with employing migrants, notably those related to the recruitment and retention of migrants. The survey also aims to monitor whether services provided by INZ are meeting the needs of employers.

In addition to the information above, a number of other surveys also contain valuable information related to labour migration. One of these is the Graduate Longitudinal Study NZ which was conducted in 2011. For this survey, more than 8 600 final year students in New Zealand were interviewed, among which more than 10% were international students. The survey started in late 2011 and the graduates will be followed up in two, five and ten years' time. The survey will allow for a thorough assessment of the contribution of international students to the domestic labour market.

Box 1.2. Data and research on labour migration to New Zealand (cont.)

The significant importance of labour migration for the country and the good data availability have been associated with a comparatively comprehensive research on labour migration issues that appears to be better linked with migration policy than in most other OECD countries. In addition to the main Universities, Economic Research Institutes such as the Motu Economic and Public Policy Research have also conducted a lot of research on this issue. A large part of the policy-oriented research is done within the Ministry of Business, Industry and Employment itself, through its research department. The ministry also funds an annual research conference on migration issues, the Migration Pathways conference, organised by academic institutions and providing for an exchange platform between the research community and policy makers.

The Market Services Group oversees the regulation of a number of professional groups, including immigration advisers. The *Immigration Advisers Authority* (IAA) is the regulatory body for immigration advisers.

The Immigration Advisers Authority was created in May 2008 and is responsible for granting licences to immigration advisers offering services to New Zealand's potential migrants. From 2009, all New Zealand immigration advisers, bar certain excepted groups, were required to hold a licence. The same licensing requirement was extended to overseas-based advisers in 2010.

Immigration advisers are important actors in the migrant application process (see Box 3.3 below). In 2011/12, they were involved in 39% of residence applications for permanent labour migration. Advisers were used less often for temporary labour migrants with only 15% of these applicants applying with the help of an adviser. Overall, according to data from Immigration New Zealand, one in six labour migrants, both permanent and temporary, applied with the support of an immigration adviser.

As will be seen in further detail below, an important tool in migration management are the so-called “Essential Skills in Demand lists” which are used to assess work visa applications and assign points for applicants to its Skilled Migration residence stream. In order to align migrant selection with New Zealand's labour market needs, the MBIE carries out periodic reviews of these lists. Industry and occupation groups are invited to nominate occupations for review, and submit evidence to support their claims. Contributors usually include trade unions or their representative body, i.e. the *Council of Trade Unions*; employers groups such as *Business New Zealand* and the *Employers and Manufacturers Association*; and industry training bodies. The unions are also consulted in the accreditation process for employers which is needed for the seasonal worker scheme and for fast-

tracking of applications in the Essential Skills visa (see below). Apart from this, the social partners are not directly involved in the policy setting.

Since immigration policy is closely related with international relations, the MBIE maintains a close relationship to the *Ministry of Foreign Affairs and Trade*. This latter ministry has a role in developing New Zealand's bilateral Working Holiday Schemes and offers some immigration support through its world-wide diplomatic outposts, generally by providing information whereas the processing is done at the MBIE. In addition, the Ministry of Foreign Affairs and Trade is the lead ministry negotiating New Zealand's free-trade agreements, some of which, for example the one with China, included provisions offering a limited number of work visas to citizens of participating nations in specific occupations.

The MBIE is a member of the *Border Sector Governance Group*, a collaboration of agencies with a stake in border affairs. Operating since 2007, this group investigates ways to streamline border processes to better fulfil import/export requirements, identify various immigration and security risks, and share agency information. The other participating agencies are the Ministry for Primary Industries, the New Zealand Customs Service, the Ministry of Transport, and the Department of Internal Affairs.

For migrants who wish to receive points based on their foreign qualifications, Immigration New Zealand requires pre-recognition. The entity in charge of this is the *New Zealand Qualifications Authority* (NZQA), an agency that reports to the Minister of Education. In addition to providing recognition services, it also monitors the non-university tertiary education sector, maintains New Zealand's National Qualifications Framework, and administers the National Certificate of Educational Achievement, which is the official secondary school qualification in New Zealand. The NZQA also helps Immigration New Zealand to maintain a list of qualifications that are exempt from pre-recognition or are recognised exceptions to certain visa requirements.¹⁸

The MBIE connects migrants with local settlement services through its *Settlement Support New Zealand* (SSNZ) brand. SSNZ acts as the interface for local organisations which co-ordinate their activities from eighteen offices across the country. These organisations are generally either non-governmental organisations or are part of the local civic administration. While some of these organisations operate nation-wide, the variation in the number and type of local organisations, as well as their co-ordination approach, means settlement support varies from region to region. The settlement support given to labour migrants and their families includes information on local services and community support organisations that host events to help integrate new migrants. Some business associations, such as

the Auckland Chamber of Commerce, are funded to provide support to both labour migrants and their employers.

The *Department of Internal Affairs* is responsible for granting New Zealand Citizenship. Migrants who hold permanent residence visas for at least five years and meet the language and character requirements may apply for New Zealand citizenship. The Department is also in charge of promoting multiculturalism and it does so through the *Office of Ethnic Affairs*.

The *Ministry of Social Development* is New Zealand's largest ministry and responsible for social policy and providing social services. Through its *Work and Income* offices, it provides job search and income support to persons not in employment. A significant part of temporary labour migration passes through a labour market check, and Immigration New Zealand consults Work and Income as part of the application review process. Work and Income also provides advice to Immigration New Zealand on how many seasonal visas should be issued in each region.

In contrast to federal countries, such as Canada and Australia, New Zealand's *sub-national governments* do not have the power to directly influence immigration policy. This means that policy-setting is centralised in New Zealand and that national immigration policy is, at least in principle, applied without distinction in all of its regions.

Notes

1. In the mid-2000s, New Zealand developed skill-shortage measurement using a combination of published job vacancies, surveys of employers who recently advertised positions, and in-depth occupational reporting to identify occupations in shortage. This monitoring work was part of a “Skills Action Plan” which was disbanded in 2008 and seemed out of date with the financial crisis. Nevertheless, there is a job vacancy monitor system that includes analysis of job advertisements in online vacancies (see Wall and Fale, 2011 for a discussion).
2. Out of the total number of employers surveyed, around 64% had a vacancy during 2011/12 (that they could fill or not).
3. The definition of skill levels follows the OECD definition based on the International Standard Classification of Occupations (ISCO) classification into high, medium and low-skilled occupations matching the ANZSCO to the extent possible. Since the survey provides only information on sub-major or major groups a classification following the national five-level skill definition was not possible.
4. Note that this refers to all hires of recent migrants, not only labour migrants.
5. This is particularly visible in the health sector, where outmigration to Australia is significant. In total, Dumont and Zürn (2008) estimate that around the year 2000, 23% of New Zealand-born nurses and 29% of doctors were working in another OECD country in their occupation, of which about 71% and 57%, respectively, were in Australia.
6. In a number of European OECD countries, Figure 7 does not include temporary labour migration from free mobility countries. However, this concerns countries where temporary labour migration is much lower than in New Zealand.
7. “Overqualification” is defined as persons working in jobs that require only a skill level that is below their formal education level. The data in OECD (2012) refer to the highly-educated.
8. For a comprehensive discussion of the history of immigration to New Zealand, see for example Spoonley and Bedford (2012).
9. Maori currently account for around 15% of New Zealand’s total population.

10. The first migrants assisted in this way were brought from England in 1840 by the New Zealand Company, a private commercial venture. Between 1840 and 1852, almost 18 000 migrants had come to New Zealand through these schemes accounting for 75% of all migrants (Statistics New Zealand, 2010). By 1854, migration became the responsibility of New Zealand's provincial governments which continued assisted migration schemes funded from local land revenues (Phillips, 2009). These first schemes were strictly for British and Irish-born emigrants selected partially by age, gender, and occupation. From 1853 to 1870, New Zealand's non-Maori population rose from under 30 000 to close to 250 000 with over two-thirds of the increase coming from migration (Statistics New Zealand, 2010). In 1870, responsibility for immigration policy shifted one last time to the national government where it remains to the present day. With a vision to expanding the domestic economy through increased migration, the government extended previous assisted migration programmes and offered free passage to New Zealand. In addition to British and Irish nationals, small numbers of northern Europeans from Norway, Sweden, and Germany were also accepted. From 1870 to 1881, New Zealand's non-Maori population doubled with over half of the change coming from migration. In total, over 100 000 migrants came through assisted migration schemes between 1870 and 1881. This represents almost half of all arrivals to New Zealand at this time.
11. The Immigration Restriction Act 1899 prohibited the entry of migrants lacking British or Irish heritage unless they could fill out an application in a European language. Ships carrying Chinese immigrants could only carry one Chinese for every 100 tons of freight. Chinese were also subject to a GBP 100 poll tax.
12. Immigrants through these programmes were bonded for two years in exchange for free passage to New Zealand, a job, and temporary accommodation upon arrival. In addition to British migrants, over 6 000 Dutch were offered assistance between 1950 and 1954 as well as between 200 and 300 migrants from Austria, Germany, Denmark, Switzerland, and Greece.
13. As of the latest Census in 2006, there were 265 974 people of Pacific Island ethnicity representing 7% of the total population.
14. Prior to 1973, New Zealand had special access to British agricultural markets from a commonwealth free-trade agreement negotiated at the British Empire Economic Conference in 1932. Despite efforts to diversify New Zealand's trading partners, the United Kingdom was still purchasing almost a third of all of New Zealand's exports in 1972 (Dalziel and Lattimore, 1996).

15. The term “skilled migrants” refers to labour migrants who have been admitted for residence, i.e. what is referred to as permanent labour migration.
16. Research commissioned by the former Department of Labour (1998) suggested that the bond acted as a disincentive to apply for residence, particularly for migrants from North Asia. Logistical difficulties in attaining the required level of English within the specified timeframes meant that obtaining a refund of the bond was often not possible for many migrants. In addition, the English language bond was widely perceived as being discriminatory because it provided a stronger barrier to entry for migrants from lower-income countries.
17. Note that active labour market policy is handled by the Ministry of Social Development.
18. “Exempt from pre-recognition” means the qualification is already recognised by the NZQA and is easily connected to the occupation the applicant is using to claim points. “Recognised exceptions to visa requirements” are qualifications that would not normally fit well into the New Zealand structure and are awarded points as exceptions, usually as the result of an agreement with individual countries.

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