

## *Executive summary*

New Zealand has a longstanding history of immigration and depends like few other OECD countries on foreign labour. More than one out of four persons in the workforce are foreign-born, and both temporary and permanent labour migration flows are among the largest 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. 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 single largest component of temporary flows are Working Holiday Schemes. 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. There is a clear negative correlation between the part of the stay devoted to “work” and the income level of the country of origin. In 2012/13, almost 49 000 individuals were admitted as Working Holidaymakers, adding almost 2% to the working-age population and even 8% to the youth population in the same age-range.

Traditionally, the main category of admission for temporary labour migration has been the Essential Skills 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 Essential Skills visa can be seen as the cornerstone of the current immigration system in New Zealand, as more than half of new permanent labour migrants had such a visa at some stage.

One key shortcoming for the management of labour migration is the lack of solid knowledge about vacancies and jobseekers. To ensure that priority is given to the domestic workforce while swiftly responding to employer needs, New Zealand has established a rather elaborate system through a labour market test with numerous exemptions, including shortage lists and employer accreditation procedures. 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.

A further important component of temporary flows is international students, who are not considered labour migrants but have some work rights. Considering both 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. More than 30% of the international students stay in New Zealand after their studies to work.

The bulk of temporary flows goes into low-skilled occupations, mainly through the Working Holiday Schemes and international students. 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 seasonal employment scheme, both of which see close examination of occupations, wages and working conditions. Thus, there seems to be some need for strengthening control in the lower-skilled occupations where competition with New Zealanders is most likely. Although to date there is little which suggests that there has been a negative labour market impact on the native-born, this should be continuously monitored, as both unemployment – in particular of low-educated native-born youth – and the numbers of both Working Holidaymakers and of international students remain high.

A distinguishing feature of permanent migration to New Zealand is that it predominantly concerns migrants who are already in New Zealand, most of whom are 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. About 92% of migrants who are admitted score on this criterion. However, only a select set of occupations provides 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 the required level.

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 proficiency of the host-country language is associated with better labour market outcomes.

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. It should be considered to link the target with labour market conditions, or to remove it altogether and possibly replace it with a cap at a higher level.

### **Summary of the main recommendations**

#### **A. Improve the infrastructure for migration management**

- Better link the target levels for permanent labour migration with labour needs, and enhance flexibility in meeting the goal.
- Improve information on vacancies and jobseekers, as well as the tools for forecasting of skills needs, including by a possible nationwide extension of the model of the Canterbury Skills Hub.
- Better link shortage lists with overall skills development plans.

#### **B. Aim for a better balance in the management of temporary labour migration**

- Consider excluding high-skilled occupations above a certain salary threshold from the labour market test in the Essential Skills visa.
- Investigate the labour market impact of international students with a specific focus on those not in university-level studies; and strengthen controls of their working conditions.
- Continue to closely monitor the labour market impact of Working Holidaymakers.
- Consider to streamline the number of temporary work visa categories.

#### **C. Adjust the admission criteria for permanent labour migrants**

- Consider to provide a pathway for permanent residence for well-integrated temporary migrants who have been in New Zealand on a temporary visa for many years.
- Give additional points for migrants with high levels of English language mastery.
- Consider abolishing or lowering the bonus points for New Zealand qualifications.

#### **D. Strengthen the tools for attracting and retaining immigrants**

- Better inform international students at the tertiary level about labour needs and work opportunities in New Zealand.
- Align the duration-of-residence requirements for the indefinite right of return with those of citizenship (five years).
- Consider replacing the pre-paid English language training for secondary applicants who lack English language mastery with a bond refundable after having achieved the required level.





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