

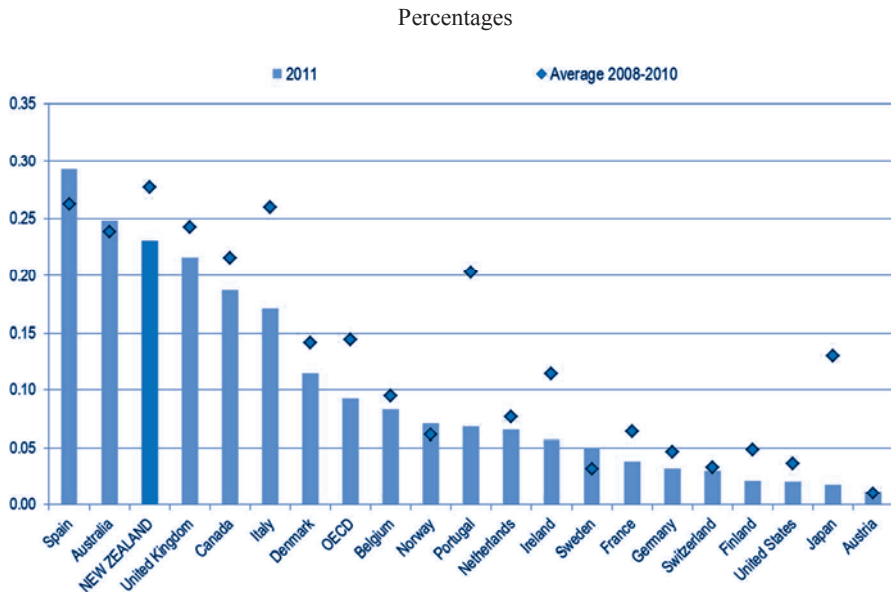
Chapter 3

Permanent labour migration to New Zealand

A distinguishing feature of permanent migration to New Zealand is that it predominantly concerns migrants who are already in New Zealand, most of whom have 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. However, only a select set of occupations provide points, making it essentially an “all or nothing” approach. 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, by rewarding higher levels.

Relative to its population, New Zealand has one of the largest inflows of permanent labour migrants among all OECD countries (Figure 3.1).¹ This is longstanding and indeed, particularly in the late 2000s, New Zealand had proportionately the highest discretionary labour inflows of any OECD country.

Figure 3.1. Inflows of permanent labour migrants in relation to the population, 2011 and average 2005-10



Source: OECD International Migration Database.

Admissions for permanent residence

On average over the last decade, about 45 000 individuals obtained permanent residence annually under the New Zealand Residence Programme (see Table 3.1). Around half of the total annual numbers admitted are labour migrants and their families who obtained permanent residence under economic categories, that is, the business and skills stream. Within this stream, about 90% – more than 18 800 individuals in 2011/12 – entered through the points-tested Skilled Migrant Category (SMC). About 1 000 migrants entered via the work-to-residence category which is not subject to the points system. A further 600 entered under the entrepreneur and investor categories.

There has been significant variation in the admissions of skilled migrants in the SMC over the past decade. A peak was reached around 2005, at a time when New Zealand had – together with Korea and Iceland – the lowest unemployment rate in the OECD. Admissions in 2011/12 were the lowest in a decade, apart from 2003/04 which was an exceptional year due to the comprehensive changes in New Zealand's immigration system that were introduced at that time. The number of SMC has declined in 2010/11 and further in 2011/12, both due to a decrease in the number of applications and a parallel increase in the rate of rejections which increased more than twofold since 2007/08, from 9.6% to 19.5%. The increase in the rejections is partly due to an increase in the share of applications from non-OECD countries, for which rejection rates tend to be higher.

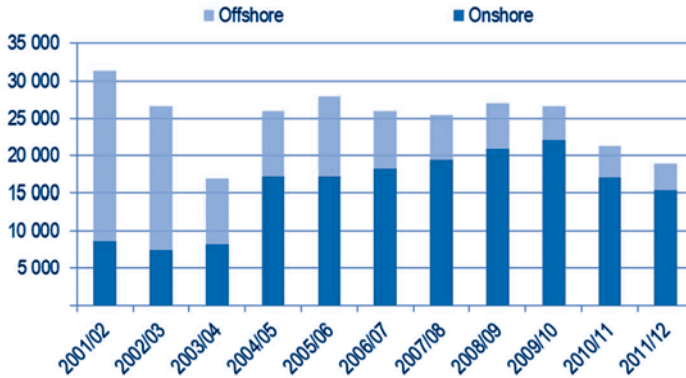
Table 3.1. New Zealand's Residence Programme approvals, primary and secondary applicants, 2001/02-2011/12

		1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Business / Skilled	Entrepreneur Category		1	28	60	77	256	1 600	2 132	2 902	1 128	602	380	315	359	404
	General Skills	12 706	13 142	16 699	23 223	31 359	26 650	16 270	2 089	362	92	12	11			
	Investor Category		37	237	2 308	4 394	3 494	2 101	1 361	538	129	87	33	56	128	184
	Other	129	181	70	37	46	43	12	8	2	9	5	15	4	14	27
	Skilled Migrant Category							613	23 854	27 539	25 885	25 434	27 011	26 652	21 212	18 843
	Work to Residence								382	527	897	1 163	1 097	1 446	1 432	973
	TOTAL	12 835	13 361	17 034	25 628	35 876	30 443	20 596	29 826	31 870	28 140	27 303	28 547	28 473	23 145	20 431
International / Humanitarian	Other	1 301	1 841	2 402	2 084	1 662	3 592	4 026	2 067	1 955	1 814	1 819	2 022	1 531	1 437	1 562
	Pacific Access						139	292	1 491	1 114	1 199	1 117	360	357	423	366
	Samoa Quota	884	1 060	1 056	1 233	1 042	463	641	1 482	1 330	1 106	1 202	1 122	788	906	874
	TOTAL	2 185	2 901	3 458	3 317	2 704	4 194	4 959	5 040	4 399	4 119	4 138	3 504	2 676	2 766	2 802
Parent Sibling Adult Child Stream		6 184	5 438	6 521	6 988	7 075	5 055	5 156	4 549	5 876	5 409	5 177	5 100	4 708	5 229	5 708
Uncapped Family Sponsored Stream		7 309	6 693	7 673	7 558	7 201	8 846	8 306	9 400	9 091	9 296	9 459	8 946	9 862	9 597	11 507
Grand Total		28 513	28 393	34 686	43 491	52 856	48 538	39 017	48 815	51 236	46 964	46 077	46 097	45 719	40 737	40 448

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

The number and share of individuals obtaining the permanent residence onshore has been increasing in the last years, from 27.5% in 2001/02 to over 81% in 2011/12. This has been associated with the shift away from supply-driven migration – i.e. where migrants are admitted without having job – to a system that is largely demand-driven. Indeed, 92% of the principal applicants admitted in 2011/12 either already worked in New Zealand or had a job offer, and the best of to have a job is to be in New Zealand already.

Figure 3.2. Migrants under the skilled migration category approved by approval location (onshore/offshore), primary and secondary applicants, 2001/02-2011/12



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

New Zealand, like Australia and Canada, has a target planning range for its migration programme. Australia and Canada have annual targets. Until 2010/11, New Zealand also had an annual target which was set at the level of 45 000 ($\pm 5\ 000$). The 45 000 target level was set in 2001/02, and the tolerance of 5 000 was added two years later. Since 2010/11, New Zealand has a three-year range, and the current target for the total period 2011/12 to 2013/14 is 135 000 to 150 000, i.e. at the same average annual level as previously.² Indeed, in contrast to Australia and Canada, where target levels are adjusted annually, apart from the mentioned modifications, there has been no variation in the average annual target level for more than a decade, in spite of a more than 50% variation in actual annual admissions between the 2005/06 peak and the current immigration.

The three-year range currently in force is deemed to provide additional flexibility in the migration programme. About 60% of the target are allocated to the business and skilled categories, with the range for the current three-year period being 80 700 to 89 925. This results in an average annual level of 26 900 to 29 975; i.e. well above the 2011/12 figure. Indeed, in a system that is largely demand-driven, such target levels can become a challenge (see Box 3.1).

Box 3.1. Migration planning via target levels

Labour migration policy in traditional “settlement” countries such as Australia, Canada, New Zealand and the United States is based on targets or ranges of the number of immigrants to be admitted. These targets are generally set to respond to longer-term objectives, either population-related and/or longer-term economic needs. Communicating on these planning numbers is also intended as a way of showing that migration policy is non-discriminatory to those candidates satisfying the criteria. The numbers also signal to the domestic population that the government is in control of the situation and that fears about unlimited numbers are unfounded (OECD, 2006). While target numbers or ranges are not binding for the immigration authorities, a substantial deviation from these would generally be seen as an immigration management failure.

In a supply-driven system, in addition, target numbers for permanent migrants tend to be a precautionary tool to avoid unrestricted inflows of migrants that obtain permanent residence upon entry into the country. In a demand-driven system, however, target numbers can be a challenge since the numbers admitted largely depend on labour needs and employer willingness to hire migrants to meet such needs. Determining, even if only within certain limits, in advance the likely level of actual labour needs is difficult. In a country like New Zealand where there are few skills forecasting tools in place, this is virtually impossible. The overwhelming majority of immigration to New Zealand is demand-driven, as 92% of migrants under the skilled migration category are admitted thanks to a job or a job offer. This puts limits on the steering capacity of the government to meet target levels, unless the pass marks are adjusted to meet the target. This, however, would have potentially counter-cyclical effects: under favourable labour market conditions, it would be more difficult to enter into New Zealand than under less favourable conditions.

An alternative would be to adjust the numbers on a regular basis. Australia and Canada adjust their targets annually, partly with a view to account for varying labour market conditions. New Zealand has a three-year target, which intends to provide some flexibility in the admission numbers if the variation were of a short-term cyclical nature. Nevertheless, under less favourable labour market conditions that have been rather long-lasting, as it is currently the case, this does not seem to have been sufficient, particularly since the average annual target number to be admitted has remained unchanged for more than a decade.

The current difficulties in meeting the target ultimately raise the question about the underlying rationale of the target number system. In the case of New Zealand, this is not entirely clear, although the rather constant number suggests that it is mainly driven by demographic considerations, with a view of having a stable inflow of immigrants. This would then imply that the admission criteria need to be changed or relaxed, in spite of the possible counter-cyclical effects mentioned above. If the objective is merely to assure public opinion that there will not be “unlimited” or excessive migration to New Zealand, then the target could even be raised and transformed into a cap that is to be reviewed from time to time. This of course assumes that public opinion would be accepting a cap higher than the current target level, as long as there is no “unlimited” migration. An alternative for New Zealand would be to introduce a link between labour needs and admissions. This would be a formal acknowledgement of the strong linkage between the two that is already implicit in the system. A further option would be to abandon the target altogether, since the current system accounts for a quasi-automatic adjustment of the numbers along with business conditions. In any case, some additional flexibility in the target number system may be warranted, including by wider tolerance margins and a more regular adjustment of the target number itself.

Clearly, not only labour migrants and their family add to the domestic workforce. This is also the case for most migrants under the uncapped family and the parent and sibling stream. However, these migrants are admitted without any link to the labour market. The situation is somewhat different in the International and Humanitarian stream. Within this stream, there are two categories for whom a job offer is required, namely migrants admitted under the Pacific Access and the Samoa quota (see Box 3.2).

Box 3.2. Immigration of Pacific Islanders

New Zealand has a number of specific preferential migration regimes for its Pacific neighbours. Several thousand Pacific islanders come every year to work temporarily under the Recognised Seasonal Employer (RSE) programme. In addition to this temporary labour migration, Pacific islanders enjoy another route that gives them permanent residence in New Zealand through the Samoan Quota and the Pacific Access Category.

Individuals entering to New Zealand through these categories receive permanent residence upon arrival. Both are considered part of the international / humanitarian category, although they have a labour migration component as in order to get a visa individuals need to have a job paying at least around the median wage in New Zealand.

Citizens of Samoa can access the Samoan Quota, established in 1962 after Western Samoa gained its independence from New Zealand. In total, 1 100 places are allocated every year under the quota. Not all places have been filled in recent years, partly due to the more difficult labour market conditions in New Zealand and declining migration pressure in Samoa.

Citizens from Tonga, Kiribati and Tuvalu can migrate under the Pacific Access Category. This was established in 2002 and currently 250 places per year are allocated to citizens from Tonga, 75 places to citizens from Kiribati and 75 places to citizens from Tuvalu. The number of visas under the Pacific Access Category is not related to the population size of the islands. Tonga has a quota of 250 for a population of over 100 000, while Kiribati and Tuvalu have both a quota of 75 for a population of over 100 000 and over 10 000 respectively. There tend to be many more applicants than places available, and lotteries are drawn every year among all applicants.

Approvals under the Pacific Access and Samoan quota

		1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Pacific Access	Fiji							152	306	127	201	92	34			
	Kiribati					1	14	78	37	124	86	99	42	88	90	
	Tonga					129	106	443	234	294	284	152	260	258	217	
	Tuvalu					9	20	27	22	76	77	75	55	77	59	
	PAC Residual Places							637	694	504	578					
	Pacific Access Total					139	292	1 491	1 114	1 199	1 117	360	357	423	366	
Samoa Quota	Samoa	884	1 060	1 056	1 233	1 042	463	641	1 091	895	991	1 120	1 121	788	906	874
	Samoa Residual Places								391	435	115	82	1			
	Samoa Quota Total	884	1 060	1 056	1 233	1 042	463	641	1 482	1 330	1 106	1 202	1 122	788	906	874

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

Skilled Migrant Category (SMC) visas

The top source country for permanent workers under the Skilled Migrant Category in 2011/12 was India for the first time (17.5% of the total), closely followed by United Kingdom (17% of the total), which has traditionally been the main source country. Admissions from United Kingdom are now only one third of the 2005/06 levels. Approvals from India have been steadily increasing since 2008/09 and their number has doubled since. Other main origin countries are the Philippines (13%), China (8%) and South Africa (7.5%).

Table 3.2. Number of permanent (SMC) workers approved by year, primary and secondary applicants, total and top ten source countries in 2011/12

Source country	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
India	6 244	1 690	1 913	1 646	1 553	1 470	1 606	2 215	2 816	3 291
Great Britain	4 079	5 171	11 848	11 238	9 042	6 871	6 006	4 903	3 708	3 183
Philippines	1 058	508	566	864	2 405	3 233	2 949	3 357	2 478	2 407
China	3 866	1 999	1 647	3 060	2 934	3 348	3 754	2 781	1 723	1 540
South Africa	2 174	2 061	2 881	3 291	3 069	3 399	4 763	4 588	2 593	1 407
Fiji	1 208	694	823	777	1 163	1 478	1 899	2 120	1 712	1 259
South Korea	1 596	542	455	569	426	370	491	554	763	762
United States	506	360	945	1 136	876	718	599	646	590	538
Malaysia	862	321	270	485	459	489	455	433	472	499
Germany	174	187	409	505	489	527	452	533	334	292
Total	26 650	16 883	25 943	27 901	25 977	25 446	27 022	26 652	21 212	18 843

SMC: Skilled Migrant Category.

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

Selection procedure for permanent migrants under the SMC

Since 2004, the SMC operates via a two-step application process, which is illustrated in Figure 3.3. Migrants first submit their Expression of Interest (EoI) for a permanent residence permit to the SMC pool. This can be done either by paper or online, although the vast majority chooses the latter option which is also cheaper in terms of the fees involved (NZD 650 vs. NZD 510). No supporting documents are required at this stage. Applicants are then ranked in the pool based on points accorded to characteristics such as skills, age, qualifications, work experience and whether they have a job offer; these criteria are discussed further in the next section. A selection from the pool is done every two weeks. The candidates are currently ranked in seven groups.³ Those who have 140 points or more will be automatically selected from the pool. Those with offers of employment or current employment and who have claimed between 100 and 140 points will be ranked subsequently

and selected according to the class priorities, within the target numbers. If places are still available, candidates claiming 100 points or more without job offers may be selected and invited to apply based on further criteria issued by the Minister of Immigration every six months.

The EoI system provides flexibility to the authorities in the admission process and allows for a prioritisation in the selection of labour migrants according to labour market or other needs. In particular, the system gives in principle flexibility to adapt the pass mark depending on the labour market conditions, etc. The system reduces as well the overhead and allows faster processing of applications, as only those with certain amount of points will be considered. As the expression of interest is not considered to be an actual visa application, it also greatly streamlines the administrative process since candidates who are not invited to apply do not have the right to appeal. Such candidates also do not get a refund of their fees already paid.

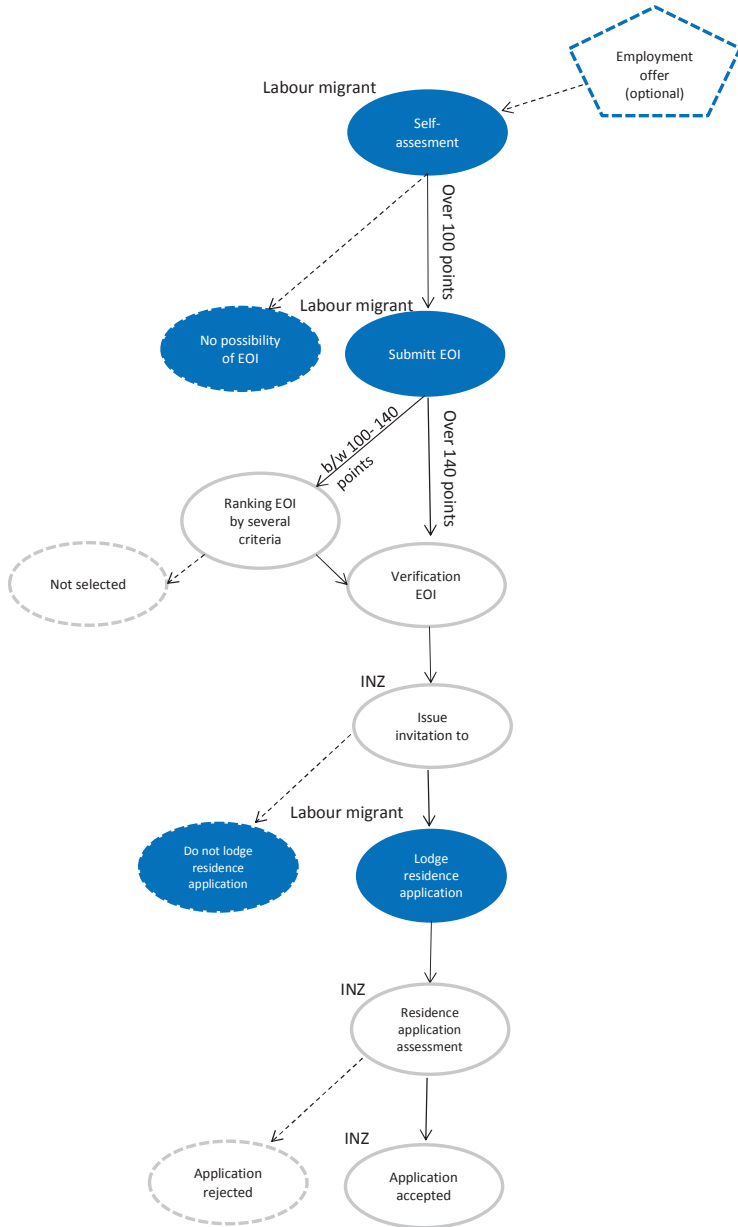
Following the automatic selection, the application is then verified by Immigration New Zealand which subsequently issues an “invitation to apply”. If the migrant decides to further pursue the application, he/she must send, in addition to the formal application, the documents to prove he/she meets the requirements at this stage. The applications by the migration candidates who respond favourably to the invitation to apply are then reviewed by Immigration New Zealand.

While applicants may have successfully qualified for enough points to be invited to apply, to be ultimately successful they must demonstrate their “ability to successfully settle and contribute to New Zealand”. This is automatically met by having a skilled job or job offer in New Zealand, or having studied in New Zealand for at least two years and being awarded a Doctorate or Master’s degree. Applicants who cannot meet one of these two options are interviewed to determine whether they can successfully settle and contribute. The interview is focused on establishing their skilled employment prospects, familiarity with New Zealand and preparedness for settlement, and their linkages and support in New Zealand.

The interview leads to one of three outcomes:

- The applicant demonstrates their ability to successfully settle and contribute, in which case they are granted residence.
- The applicant does not demonstrate their ability to successfully settle and contribute, but the immigration officer assesses that they have the potential to successfully settle and contribute, in which case they are granted a nine-month “job search” visa (converted to residence once the applicant has skilled employment).
- The applicant demonstrates neither, and their application is declined outright.

Figure 3.3. The application process for admission as a skilled migrant



Note: INZ refers to Immigration New Zealand.

Source: OECD Secretariat.

Applicants who obtain residence based on a skilled job offer in New Zealand then need to present evidence that they have worked in that skilled job for three months following the granting of their resident visa. If he/she is not able to present such evidence within seven months, their resident visa may be revoked. Migrants who have initially been selected through the system without a job offer only get granted residence directly in about half of the cases. The remainder are either declined or get a job search visa for nine months, which allows them to come to New Zealand and to find skilled employment. If they found skilled employment within that period and subsequently worked for three months in this job, they will obtain their resident visa. In 2011/12, only about 52% of those 630 migrants selected under the points system who initially only got a skilled job search visa ultimately obtained a residence permit.

Other countries have introduced a similar two-step system with an Expression of Interest or are considering doing so. Australia introduced a so-called “Skill Select” two-step procedure for both skilled and business migrants in July 2012. In contrast to the New Zealand system, however, the Australian system works as a pool from which candidates can be nominated for skilled visas by Australian employers or state and territory governments.⁴

The application fee for the skilled migrant category visa – which includes both the principal applicant and his/her family – has seen a significant increase in 2009 and currently stands at NZD 1 810 for onshore applications and NZD 2 400 for most offshore locations. This adds on to the NZD 510-650 fee for the Expression of Interest. In addition to these, a so-called “migrant levy” applies which amounts to NZD 310 for each skilled migrant and each family member; with half the fee applying to children below the age of five.⁵ In addition, for those with foreign qualifications that need to be recognised, an additional fee of at least NZD 746 applies. Everything considered, the total administrative fees involved may thus easily sum up to NZD 3 000 or more. For migrants using immigration advisers, a further cost of about NZD 3 500 has to be added on to this. This is often the case, in particular for the many immigrants from China (see Box 3.3). Although partners and children do not add to the visa fee, additional costs apply for those who do not have a minimum level of English. Depending on the person’s English mastery, such secondary applicants may be required to pre-purchase English tuition from New Zealand’s Tertiary Education Commission. Costs of tuition may vary from NZD 1 735 to NZD 6 795. Estimates suggest that about one third of the pre-paid courses are not being taken up by the migrants concerned, for reasons which are not entirely clear.

Box 3.3. The role of immigration advisers in labour migration to New Zealand

Immigration advice in New Zealand is offered by a range of actors including professional immigration consultants, lawyers, education recruitment advisers, not-for-profit organisations, and informal personal contacts. Since 2009, all immigration advisers, except those exempted (see below), are required to hold a licence. At 20 September 2013, there were 613 licensed advisers, 439 in New Zealand and 174 overseas (Immigration Advisers Authority, 2012).

Immigration advisers are involved in the application process of many labour migration visas in New Zealand. In the 2011/12 financial year, 39% (4 748) of all business/skilled residence visa applications were filed with the assistance of an immigration adviser. Temporary labour migrants used their services less frequently, with only 15% (18 079) of temporary work visa applications submitted with the help of an immigration adviser. Within the temporary work visa group, it is mainly the applicants for a long-term business visa (79% in 2011/12) and for the discretionary section 61 visas (31%) who use an adviser. 17% of Essential Skills applicants also use an adviser. This is a relatively high figure considering that this includes renewals, where use of the services of an adviser will tend to be less likely; indeed a full 34% of first applicants make use of an adviser.

There is also great variation with respect to the nationality of the applicant. Whereas only 11% of applicants from United Kingdom use an adviser, this is the case for more than half of the Chinese and about a third of the applicants from India, the Fiji and South Africa. Among those applying from overseas, 21% used the help on an adviser, down from 41% in 2001/02. Onshore migrants used advisers more often. 31% of onshore applicants used an adviser, a number that has remained fairly consistent over the past ten years.

The cost of immigration advice varies depending on the expertise and experience of the immigration adviser and the complexity of the application.

Prior to 2007, there was no formal regulation of immigration advisers with limited self-regulation through two main voluntary industry associations – the New Zealand Association of Migration and Investment and the Migration Institute of New Zealand.

It was often claimed that the lack of regulation in the sector at the time was harmful to migrants who sometimes received incomplete or inaccurate information and support. These concerns prompted the government to pass the first legislation regulating the sector in 2007. The Immigration Advisers Licensing Act 2007 made it illegal to provide immigration advice in New Zealand without a licence but provided exceptions for several groups including individuals offering informal advice at no charge, lawyers with a current practicing certificate, and employees of community law centres (Parliamentary Council Office, 2011).

Although the act was passed in May 2007, it has been implemented in stages over the following years. By 2009, all domestic immigration advisers were required to hold an IAA licence; a similar requirement for overseas advisers applies since 2010. However, there is an exemption of licensing requirement for student visas from offshore. There is anecdotal evidence that this has been associated with some abuse, although the scale and scope is unknown.

While hiring an immigration adviser can greatly reduce the work for the applicant and helps to identify the best visa category, applications submitted with the assistance of an adviser do not necessarily have higher acceptance rates than those applying without one. Both for temporary labour migrants (93% compared with 94%) and applicants for permanent residence through the business/skilled stream (80% compared with 85%), applicants who used advisers had in fact even slightly lower acceptance rates. However, this may be due to negative self-selection, i.e. migrants who are confident that their application passes tend to be less likely to use an adviser.

While this pre-paid right to free English language tuition may be fiscally advantageous compared with the language bond which applied from 1995 to 1998,⁶ from the perspective of the migrant the former is probably preferred since it provides him/her with the choice by which means he/she acquires the required English language, as well as with the incentive to recoup the bond if the level is obtained. One would thus also expect for those in need that the incentives to learn English post arrival were stronger under the language bond.

It is not clear to which degree these costs may prevent prospective migrants from going to New Zealand, and which migrants may be concerned by this. If high-potential migrants are deterred by these fees, one could consider, for example, returning towards a bonding system for those secondary applicants with lack of sufficient language skills.⁷

Selection criteria under the points system

The central component of the admission process for permanent labour migrants in New Zealand is the points system. Such a system attributes a number of points to characteristics which are expected to enhance prospects for a lasting integration into New Zealand's labour market and society and to maximise the economic contribution of labour migrants. By providing points to a large set of different criteria, such a system has the advantage over other means of selection to allow a trade-off between, for example, a higher qualification and more work experience. Table 3.3 shows how the different criteria in New Zealand are weighted against each other and how these have evolved over the past decade. These will now be discussed in turn.

Table 3.3. Evolution of the relative weights (as a percentage of the automatic pass mark) of different characteristics in New Zealand's points system for skilled migration since 1992

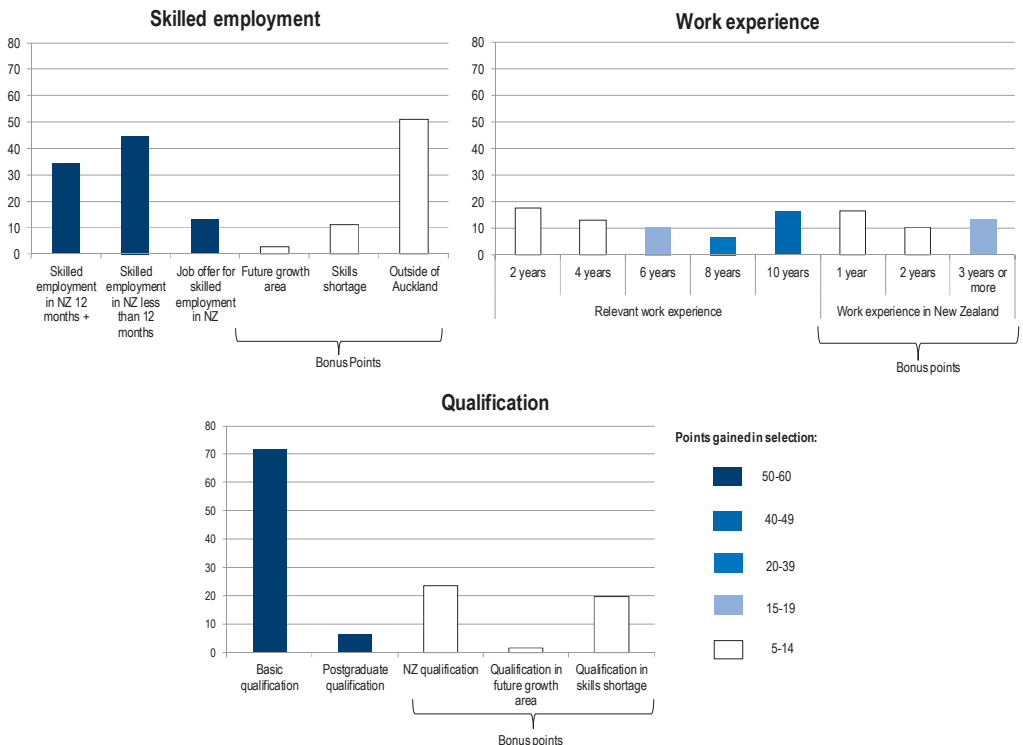
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12		
Skilled employment (%)	12	11	10	16	19	20	20	21	21	19	17	54	61	61	61	64	64	64	64	64		
Work experience (%)	38	36	41	39	46	48	48	50	50	44	41	32	50	50	50	54	54	54	54	54		
Qualifications (%)	58	54	41	39	46	48	52	58	58	52	48	50	57	57	57	64	64	64	64	68		
of which for NZ qualification (%)	0	0	0	0	0	0	4	8	8	7	7	7	7	7	7	7	7	7	7	11		
Partner points (%)	0	0	7	6	8	8	8	8	8	7	7	14	14	14	14	29	29	29	29	29		
Age (%)	38	36	34	32	38	40	40	42	42	37	34	21	21	21	21	21	21	21	21	21		
Settlement funds (%)	8	7	7	0	0	0	8	8	8	7	7	0	0	0	0	0	0	0	0	0		
Family sponsorship (%)	12	11	10	10	12	12	12	13	13	11	10	0	0	7	7	7	7	7	7	7		
English language (min. level obligatory) (%)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Minimum points to be selected EoI	19 From 1995 to 2003 the pass mark was changed every month but did not go below 24 points.												100	100	100	100	100	100	100	100	100	100
Automatic Pass Mark	26	28	29	31	26	25	25	24	24	27	29	None	140	140	140	140	140	140	140	140		

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

Skilled employment

The most important characteristic of New Zealand's points system is the heavy weight placed since the introduction of the new immigration system of 2004 on either on-going skilled employment in New Zealand or the offer of such in the system. Almost two-thirds of the points needed to file an EoI can be gained solely by meeting this single criterion. In addition, as seen above, candidates with a skilled job or job offer are also given priority in the EoI selection process and those do not have a skilled job/job offer generally only obtain a job search permit for finding one. Not surprisingly, about 92% of migrants who got selected scored points by this criterion. The vast majority of migrants scoring points for skilled employment were already employed, although most of these for less than year (see Figure 3.4).⁸ The high proportion of migrants with a job or a job offer implies that skilled migration to New Zealand is now largely demand-driven, with employers playing a key role in the selection process in addition to the administration.

Figure 3.4. Percentage of principal applicants scoring points, by major category and individual characteristic, and points attributed to the characteristics



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

By means of comparison, about 34% of skilled migrants admitted in Australia in 2011/12 are Employer sponsored. The General Skilled Migration programme does not give any points for a job offer.⁹

Occupations are considered to be “skilled” if they are listed as skill levels one, two or three on the Australian and New Zealand Standard Classification of Occupations (ANZSCO). To be acceptable, the current job or job offer must be full-time and of indefinite duration, or of at least of 12 months duration and renewable. In addition, the applicant must have either a recognised qualification relevant to the job or relevant work experience.

The large weight of skilled employment has a number of implications. First, and obviously, it ensures that the vast majority of labour migrants will be in employment after admission. Indeed, the employment rates of skilled migrant principal applicants in New Zealand after arrival have tended to be higher than those in Australia and Canada where this criterion has been less strongly valued (see Hawthorne, 2011). Second, it also implies that the vast majority will be in a job in line with their formal qualifications, thereby limiting the incidence of “overqualification” which is much more common among immigrants who arrive without a job offer (see e.g. OECD, 2012).

The downside is that migrants with any job not meeting the criteria will have little chances of being accepted for residence in New Zealand. For example, truck drivers have been on the immediate shortage list under the Essential Skills visa for many years. Since the skill level of the occupation is classified as category 4, it does not score any points under the skilled migration programme. The skilled occupation list is also updated rather infrequently, and has not been primarily prepared for migration purposes.

Migrants can get ten bonus points if their job or job offer is in a sector that is deemed particularly important for future growth in New Zealand. This currently concerns the sectors of biotechnology, information communications technology, and creative industries. Bonus points are also available for jobs on the Long Term Skill Shortage List, as these are considered to be in “absolute” skills shortage.

Work experience

A second, and closely linked, component of the points system is work experience. This criterion is associated with ten points for two years of work experience and a further five points for each additional two years, up to a maximum of 30 points for ten years. The requirement is work experience in the area of qualification or in the field of job/job offer, to ensure that it is associated with either of these two characteristics. In essence, this implies that the work experience must have generally been in a job at the

ANZCO skills level 1-3. If the points are claimed for work experience from abroad, this must be in a “comparable labour market”. This group of countries includes most high-income OECD countries and a number of important origin countries for migration to New Zealand such as Malaysia, the Philippines, and South Africa. The restriction to “comparable labour markets” is motivated by evidence that work experience obtained in lower-income countries tends to be greatly discounted in the labour markets of OECD countries (see e.g. OECD, 2008).

There are two cases in which work experience from “non-comparable” labour markets is considered. The first is for employment in a multinational enterprise hosted in one of the countries with a “comparable labour market”. The second is for experience in a job on the Long Term Skill Shortage List, which also provides bonus points. Bonus points are also available for New Zealand work experience and for work experience in a future growth area.

About two thirds of the approved applicants under the skilled migration category obtain points for work experience, and the majority of these also get bonus points for New Zealand work experience. In practice, this criterion thus further increases the strong links with the domestic labour market inherent in the system. It also exacerbates the importance of jobs that are considered as “skilled”, since in general only these will gain points under this criterion. Within that category of “skilled” employment, no distinction is, however, made regarding the skills level. Likewise, the bonus points are given according to shortage indicators rather than skills.

Qualifications

The third main element in the points system is qualifications. For a qualification to be considered, it must generally have been assessed by the New Zealand Qualifications Authority (NZQA), which establishes its formal equivalence with respect to a qualification in the New Zealand qualification framework.¹⁰ Immigration New Zealand also operates a list of qualifications exempt from assessment by NZQA. For regulated professions for which registration with a New Zealand professional body is required for working in the field, a full or provisional registration is also required.

The points attributed to formal qualifications vary according to the level, with a trade certificate scoring 40 points and a post-graduate degree scoring 60 points. Academic degrees thus provide relatively little additional points over a post-secondary non-tertiary degree. Ten bonus points are again available for qualifications in occupations of future growth or on the long-term shortage list.

In addition, up to 15 bonus points are available for New Zealand qualifications at bachelor's degree level or above; about one in four skilled migrants has such qualifications. Many other OECD countries also favour domestic qualifications in their admission systems. The underlying rationale is that domestic qualifications in general tend to be associated with better labour outcomes, since employers have generally no difficulties in judging their value. Indeed, in most OECD countries, migrants with host-country qualifications have higher employment rates and when employed, are more likely to be in jobs commensurate with their formal qualification level (OECD, 2012).

Recent empirical evidence suggests that this is not necessarily the case in New Zealand. Grangier, Hodgson and McLeod (2012) have shown that New Zealand qualifications are less rewarded in the labour market than foreign degrees. Of course, immigrants with overseas qualifications are more likely to come from high-income OECD countries, while those with New Zealand qualifications tend to be from lower-income countries whose qualifications are often discounted on the labour market – in New Zealand as elsewhere (see e.g. Damas da Matos and Liebig, 2014). However, the above finding holds independently of the origin country. This is somewhat surprising at first. However, several elements in the New Zealand system tend to weaken the link between domestic qualifications and labour market outcomes. First, immigrants are required to have their foreign qualifications recognised. Second, as seen in the previous section, international students do not necessarily seem to study in the fields where the labour needs tend to be. Finally, given the large importance placed on employer selection via the strong weight on skilled employment and previous employment experience in New Zealand, it is not clear what additional value the domestic qualification will have for persons who are already either in skilled employment or have a job. The current bonus given to New Zealand qualifications is also put into question by research suggesting that immigrants with New Zealand qualifications are most likely to leave the country after a few years (Krassoi Peach, 2013).

Age

To be able to apply, applicants must be under 55 years old. Age weighs relatively strongly in the system, providing 30 points for applicants aged 20-29 and declining for older migrants. The weight provided to this criterion is justified by the importance of this factor in determining immigrants' life-cycle fiscal contribution (see Liebig and Mo, 2013).

Partner characteristics

The characteristics of the partner are taken into account in several elements of the admission system. There are 20 bonus points if the partner

has also a skilled job/job offer in New Zealand, and up to 20 further bonus points for the partner's qualifications. Considering both elements, partner characteristics thus weigh more heavily than in Australia and Canada. Although little is known about the role of specific partner characteristics on settlement outcomes and retention of migrants, recent research suggests that having a partner increases the likelihood that a migrant stays in New Zealand (Krassoi Peach, 2013).¹¹

In addition to the partner characteristics, there are also ten bonus points available for persons with close family in New Zealand. This characteristic is seen both as facilitating the lasting integration into the country and is also positively associated with the probability of retention in New Zealand (see e.g. McLeod et al., 2010).

Regional elements

A growing number of OECD countries, including Australia and Canada, have introduced regional schemes in their systems of labour migration (see the overview in OECD, 2011). These schemes aim both at ensuring that immigrants go to areas where they are most in need and at achieving a more equal distribution of immigrants across the country.

In New Zealand, about 50% of all skilled migrants settle in Auckland, although this area accounts for only 30% of the country's population. To provide for a more equal geographical distribution, ten additional points are given for migrants who have a skilled job or job offer outside of Auckland. This is not a strong incentive to settle outside of that region and thus does not seem to contribute a lot to achieving a more equal distribution of immigrants. However, it is also not clear if this should be desired, since reported labour shortages are strongest in Auckland. The current ten bonus points can thus be seen as a compromise between the objectives of achieving a more equal distribution while not preventing migration to go where the needs are.

English language knowledge

One of the most important predictors of immigrants' labour market success is knowledge of the host-country language (see Damas de Matos and Liebig, 2014). As a result, most criteria-driven migration systems value knowledge of the host-country language. New Zealand is no exception in this respect and requires from migrants under the skilled migrant category to have a certified English language proficiency level of at least 6.5 according to the standard of the International English Language Testing Systems (IELTS).¹² No such proof is required for persons who have either a recognised qualification from a course taught entirely in English or who have had on-going skilled employment in New Zealand and have been in employed in the job for the last 12 months. Other evidence that the applicant

is competent in English may also be considered, such as a degree from an English-speaking university (abroad or in New Zealand). Evidence from the Longitudinal Immigration Survey New Zealand (Plumridge et al., 2012) suggests that many migrants who used previous study to fulfil the English requirement often reported rather low English ability and also dispatched little improvement in their ability over time. As mentioned above, partners and children are expected to have a minimum level of English, but may pre-purchase English tuition as an alternative.

Higher levels of English may be required for certain occupations by professional bodies, but are not otherwise rewarded through higher points in the system, in spite of evidence suggesting that higher levels above that threshold are also associated with better labour market outcomes (Grangier et al., 2012).

Summary

In summary, the New Zealand point system strongly favours links with the New Zealand labour market, by putting more weight on having a job or job offer than other points systems. As a result, the system is now essentially a demand-driven one. However, only occupations considered as “skilled” gain points, making it essentially an “all or nothing” system in this respect. Because of the high weight of skilled employment, the value added from higher qualifications, in particular New Zealand ones, seems limited in terms of better labour market outcomes. Another striking feature of the admission system is the lack of reward for higher English language knowledge above a minimum threshold, in spite of the links with better labour market outcomes that this appears to convey.

Business migrants

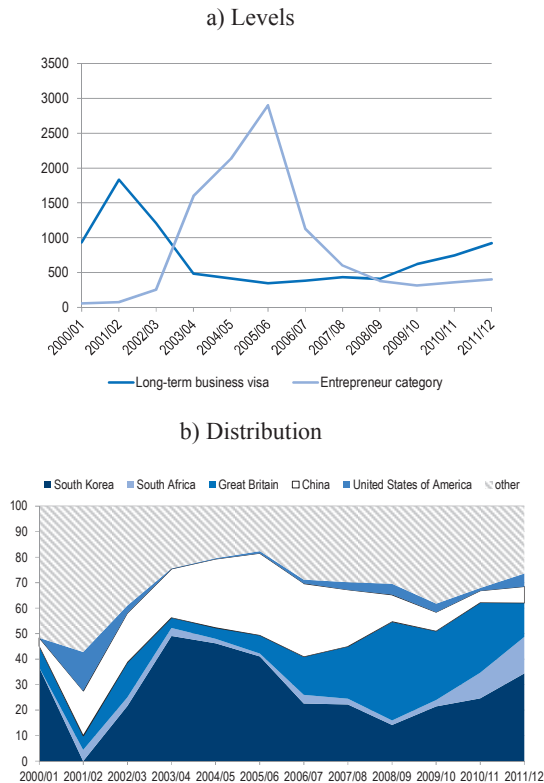
Although numerically much less important than the SMC, qualitatively of non-negligible importance to New Zealand are also two other categories in the business stream, i.e. the migrant entrepreneur and investor categories. Most other OECD countries also have specific pathways for such migrants. As will be seen, a specificity of New Zealand is that both the entrepreneur and the investor visas lead only to permanent residency after an evaluation several years down the line.¹³

In New Zealand, a specific Entrepreneur and Investor policy has been first introduced in 1999 as a result of a larger business immigration review. Since then, the business visas have undergone successive policy changes, leading to the current visa policy introduced in July 2009.

Entrepreneurs

There are two visa categories for migrant entrepreneurs under the current policy – an “Entrepreneur” category, which accounts for the bulk of admissions, and a relatively small “Entrepreneur Plus” category. For both, the migrant must establish or purchase a business that is of benefit to New Zealand, have sufficient English language skills, and have been in New Zealand for at least two years prior to the visa application, either as self-employed or under a long-term business visa (LTBV).¹⁴ Most entrepreneurs go the latter route, which is indeed required for the Entrepreneur plus category. As a result, admissions under the entrepreneur category have followed the LTBV issuances with a time-lag of 2-3 years (see Figure 3.5a).

Figure 3.5. Issuances of long-term business visas for principal applicants (including interim visas) and Entrepreneur category visas issued



Note: On average, about half of the long-term business visas issued since 2009 for principal applicants are interim visas.

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

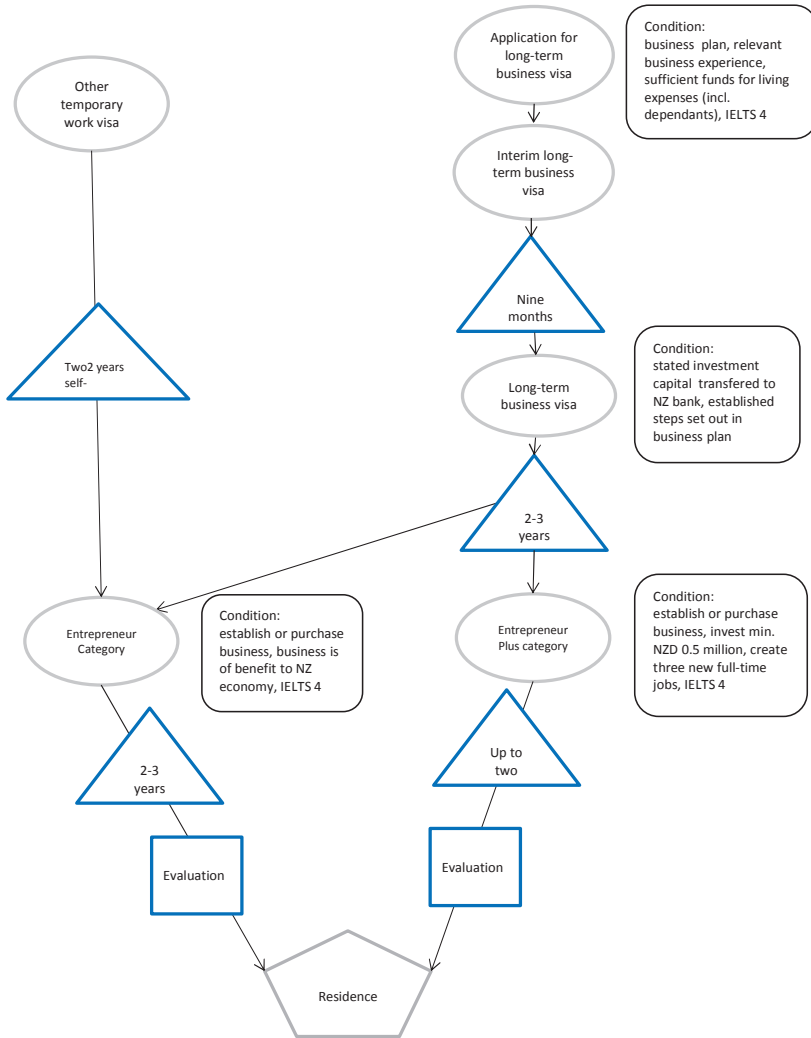
Conditions for obtaining a LTBV include a business plan, relevant work experience, sufficient funds and language requirements. The LTBV is issued in two phases. First, an interim visa is issued for nine months, which is extended for a period of two to three years if the investment capital stated in the business plan has been transferred to New Zealand.

In the initial phase, following high demand for the LTBV and subsequently for the entrepreneur visa, there were concerns that the entrepreneur policy was not delivering quality business migrants and that especially language requirements were too low. Since then, requirements for the business migrants have become more restrictive, and English mastery at IELTS level 4 is now required. This policy change first resulted in declines in the number of LTBV issued and later in admissions under the Entrepreneur category (see Figure 3.5a). This had also an effect on the composition of migrants under this category, with greater shares of British and South African citizens compared to the non-English-speaking Chinese and Koreans who were the two main groups prior to the change (see Figure 3.5b).

The Entrepreneur Plus category, introduced in 2009, offers a faster path to residence for entrepreneurs creating at least three full-time jobs and investing a minimum of NZD 0.5 million in their business. For this category, two years self-employment are not accepted as meeting the conditions and a prior temporary long-term business visa is thus necessary. The Entrepreneur Plus Category is a small visa category. Altogether, only 34 visas were issued under the Entrepreneur Plus Category in 2011/12.

In the case of the Entrepreneur Category visa, an evaluation is undertaken three years later after issuance of the visa; in the case of the Entrepreneur Plus visa this is done after two years. Only if all conditions of the initial Entrepreneur visa are still met, a residence permit will be granted. An overview of the entrepreneur visa process and the conditions is provided in Figure 3.6.

Figure 3.6. Issuance process from entrepreneur visa to residence permit



Source: OECD Secretariat.

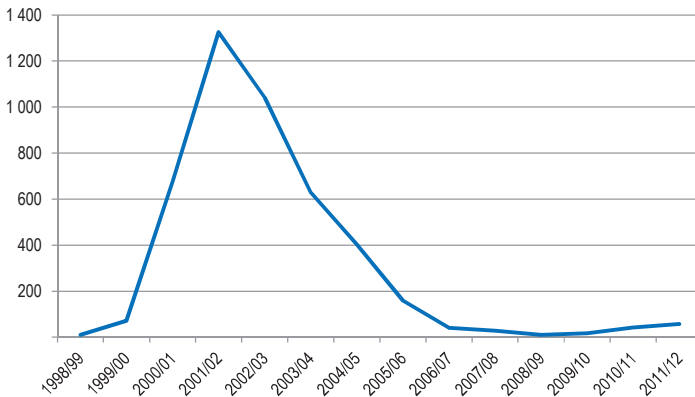
Investors

For migrants planning to invest in New Zealand, there are again two categories, an “Investor” category and “Investor Plus” category.¹⁵ Similar to the entrepreneur category, the investor category also saw a decline in

numbers following the introduction of higher language skill requirements in 2002 and further in 2009, when an annual cap of 300 visas was introduced. In 2011/12, only 178 Investor visas were issued (see Figure 3.7) and only six Investor plus visas.

The minimum investment for the Investor category is NZD 1.5 million in four years.¹⁶ If the migrant is under 65 years old, has a minimum of three years business experience and has sufficient additional settlement funds of NZD 1 million, he/she can submit an Expression of Interest (EoI), which is valid in the pool for six months. Based on a specific points-based selection system for investors, an invitation to apply is sent out. Within the cap, investor visas are then issued for those further pursuing their applications under an “approval in principal”. If, following the approval, the migrant transfers the investment to New Zealand within 12 months, spends 146 days per year in New Zealand in year two, three and four after the approval and retains the investment during that period, a residence permit is issued after four years following an evaluation.

Figure 3.7. Investor category visas issued

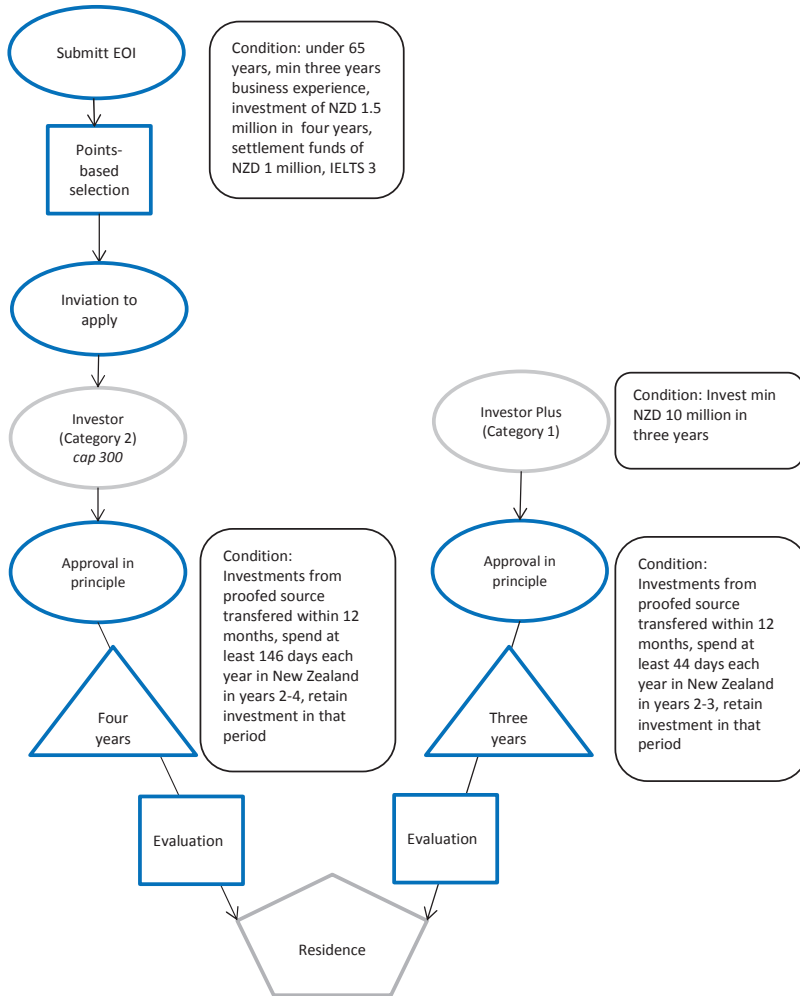


Source: OECD Secretariat calculations on the basis of data from Ministry of Business, Innovation and Employment.

Similar to the Entrepreneur Plus category, the Investor Plus category offers a faster way to residency, as a counterpart to a higher investment (at least NZD 10 million in three years). An investor migrant eligible for the Investor Plus category is granted a visa under an approval in principal and apart from the sum and duration of the investment does not have to fulfil further conditions. If the migrant fulfils the condition of transferring the investment from a proved source to New Zealand within 12 months, spends 44 days per year in New Zealand in year two and three after the approval

and retains the investment in that period, a residence permit is issued three years later following an evaluation. An overview of the investor visa process and its conditions is given in Figure 3.8.

Figure 3.8. Issuance process from investor visa to residence permit



Source: OECD Secretariat.

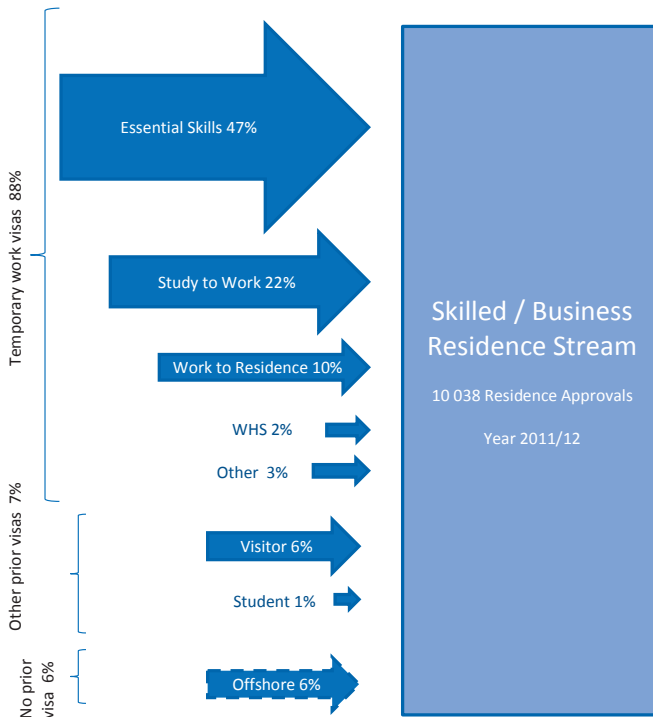
The total level of investment by Investor and Investor Plus migrants in 2011/12 was NZD 114.5 million. This suggests that most investment has been rather close to the minimum threshold.¹⁷

Transitions to residence

A specificity of the New Zealand immigration system is that the overwhelming majority of labour migrants admitted for residence are already in New Zealand. In 2011/12, 94% of these were already in New Zealand. This is a much higher figure than in Australia, where in the same year about half of the admissions were onshore, or in Canada, where in 2010 about one third of the admissions were to persons already in the country.

Figure 3.9 shows the transitions to the skilled migrant category, by prior visa held. Most transitions are from prior work visa, which is not surprising given the strong weight placed in the admission system on having a (skilled) job or job offer in New Zealand and prior work experience in the country. The main transition pathway is the Essential Skills visa. Almost half of all new admissions in the skilled migrant category have this prior visa.

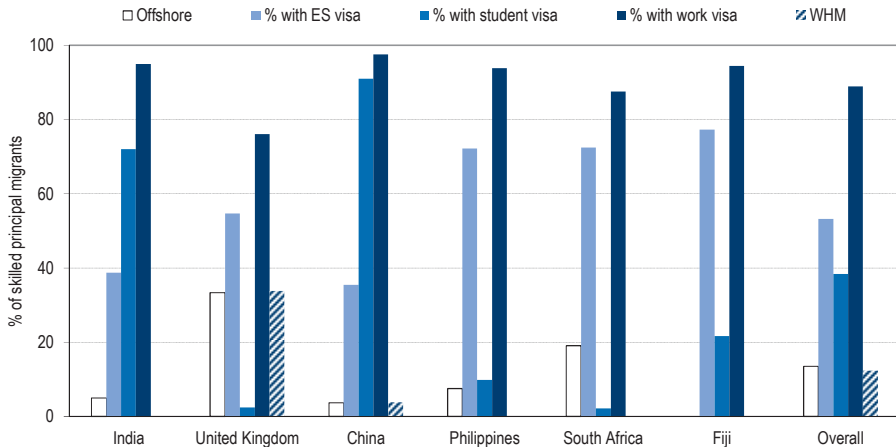
Figure 3.9. Visa prior to residence for principal migrants under the Skilled/Business Residence Stream, 2011/12



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

Note that Figure 3.9 includes only direct transitions. Thus, a student who subsequently took an Essential Skills visa before taking residence will not figure as a student, but as an Essential Skills visa holder. Figure 3.10 shows, for the main origin countries, the percentage of skilled migrants who previously held one of the main temporary visa categories at any time. Overall, more than half of new skilled migrants had at some stage an Essential Skills visa, and 38% had a student visa. Whereas the Essential Skills visa is a main pathway for all major origin countries, there are strong differences regarding student visa. 91% of the Chinese and 72% of the Indians had a New Zealand student visa at some point, but only 2% of the UK and South African nationals. In contrast, 34% of the UK nationals had a visa under the Working Holiday Scheme at some stage.

Figure 3.10. Percentage of principal skilled migrants who had a previously held a temporary visa, overall and five main countries of origin, by visa type



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

One important question in this context is whether the Essential Skills visa is in many cases mainly a sort of “bridging visa” for persons with a job offer who have already filed an expression of interest or are about to do so, so that they can start working immediately while waiting for their application to be treated. Indeed, 48% of principal migrants in the Skilled/Business Stream in 2011/12 who held an ES visa before admission had it for less than a year. Among the 20-29 year old, this share reaches 62%; in particular Indians (68%) and Chinese (56%) had only short spells below a year prior to transition to residence.¹⁸

Notes

1. In many European OECD countries, in addition to labour migration, there is also significant migration for employment within the free-mobility zone. This type of migration exists also in New Zealand (see Box 1.1), but is relatively small.
2. Immigrants from Australia, New Zealand territories and New Zealand passport holders do not require a visa to immigrate to New Zealand and are thus not counted in the above target.
3. *Class 1*: migrants claiming 140 points which includes an offer of skilled employment; *Class 2*: 140 points which does not include an offer of skilled employment; *Class 3*: 100 to 135 points which includes an offer of skilled employment; *Class 4*: at least 100 points which includes a claim to at least six years of work experience in an area of absolute skills shortage; *Class 5*: at least 100 points which includes a claim to two to six years of work experience in an area of absolute skills shortage; *Class 6*: at least 100 points which includes a claim to a recognised qualification in an area of absolute skills shortage; *Class 7*: all other candidates with at least 100 points.
4. Candidates may be also invited by the Australian Government to lodge a visa application, in which case the system will resemble the New Zealand one.
5. The migrant levy is earmarked for integration services.
6. Under the language bond system, secondary applicants who did not have the required English language level were required to pay a certain amount that was reimbursed if these managed to acquire the required level within twelve months after arrival.
7. Note that the bond that applied between 1995 and 1998 was much more expensive than the current pre-purchased language training, which was probably one of the reasons why it was deemed to deter potential migrants. The price of a new bond should thus be set at roughly the same level as the current fee.
8. A full list of the characteristics for which migrants scored points, their evolution since 2007/08, and the number of points attributed to each characteristic, is provided in Annex F.

9. Since the Australian Skilled Migration Points test does not take job offers into account, one can thus assume that the only people who arrived with a job offer were those under employer sponsored categories.
10. For a number of key origin countries, there are exceptions from this requirement, namely for trade and apprenticeship certificates.
11. The forthcoming link between the Longitudinal Survey of Immigrants and the Integrated Data Infrastructure will provide an opportunity for an in-depth study of the important issue of specific spousal characteristics on the family's economic success in New Zealand and on retention.
12. This corresponds to a level between B2 and C1 in the Common European Reference Framework for languages.
13. Following the New Zealand model, Australia introduced a similar business migrant policy in 2012, offering a two-stage visa for entrepreneur and investor migrants with an initial temporary visa and permanent visa after fulfilling the conditions. The conditions and duration of transition periods are similar, but in the case of Australia, an additional regional element is included. The Australian "Business Innovation and Investment" visa is a state/territory nominated programme enabling regions to attract the kind of business migrants needed for the regional economic environment. In addition to this visa, Australia also offers a business talent visa, which offers a direct permanent entry to high-calibre entrepreneurs and investors under restrictive conditions.
14. Access to self-employment is only available for very few temporary labour migrants, since most visas are for paid employment only.
15. Prior to 2009, there were three distinct Investor categories.
16. All forms of investment are accepted, except property.
17. Note that the admission figures include both primary applicants and their accompanying families.
18. This suggests that many students may take this route rather than going through the study-to-work visa which is designed for that purpose.

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