

## Chapter 4

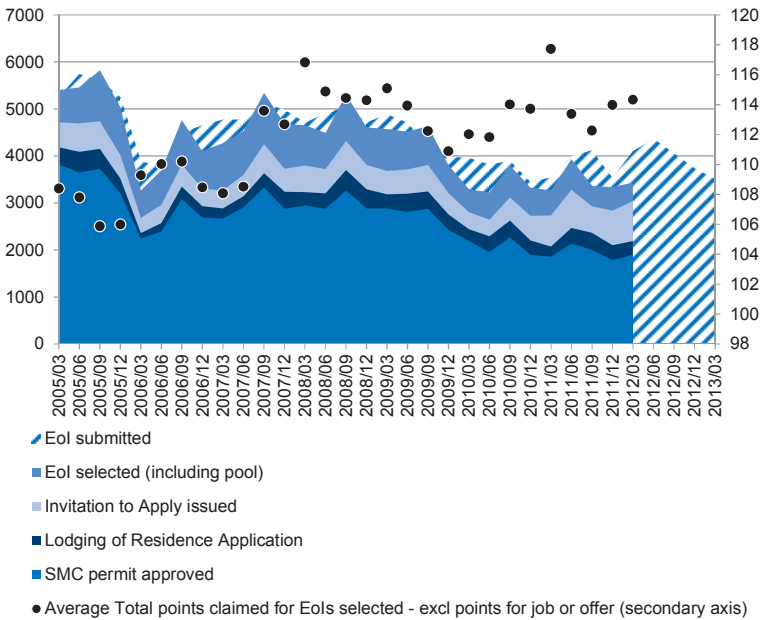
### The attraction to and retention of labour migrants in New Zealand

*In a system that is largely onshore-based and demand-driven, New Zealand's capacity to attract labour migrants depends essentially on labour market conditions. There has been significant effort in recent years to better branding New Zealand abroad and informing migrants and employers about the possibilities available to them. A closely related issue is the retention of migrants. About 75% of the skilled migrants stay in New Zealand beyond the first five years of taking up residence. One factor that seems to encourage this relatively high retention rate is that most migrants who are selected for permanent migration have both already been in the country for some time before they are admitted as skilled migrants and are generally in an employment commensurate with their formal qualification level.*

### Attraction of labour migrants

As already mentioned, the number of admissions under the skilled migrant category has declined significantly over the past four years, raising the question of New Zealand’s attractiveness. Figures 4.1 and 4.2 show the recent evolution of the expressions of interest, the invitations to apply, and the actual transitions to the skilled migrant category. Indeed, a clear trend decline is visible in both the number of expressions of interest and in the actual transitions. The most recent data on expressions of interest suggest that the decline is on-going. However, there has not necessarily been a decline in the “quality” of immigrants selected, as measured by the number of points of those invited to apply.

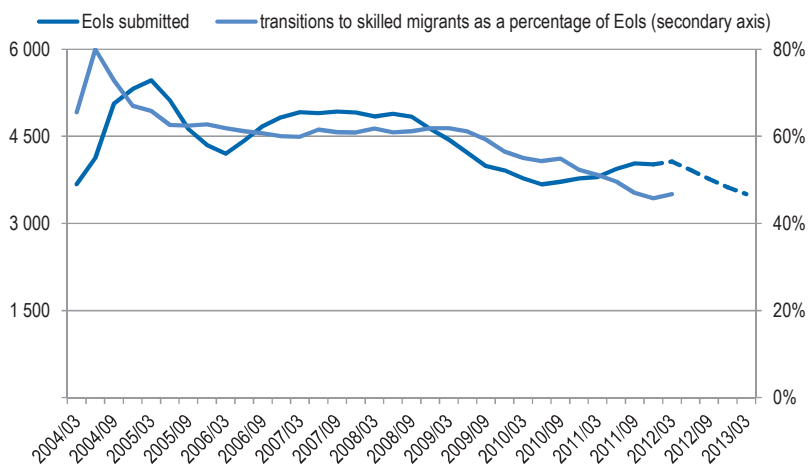
**Figure 4.1. Administrative data on the Expression of Interest (EoI) system**



*Note:* Data after 03/2012 are only available for the EoI (Expression of Interest).

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

**Figure 4.2. Trendline (four quarter moving average) of EoIs and transitions from EoI to skilled migrant**

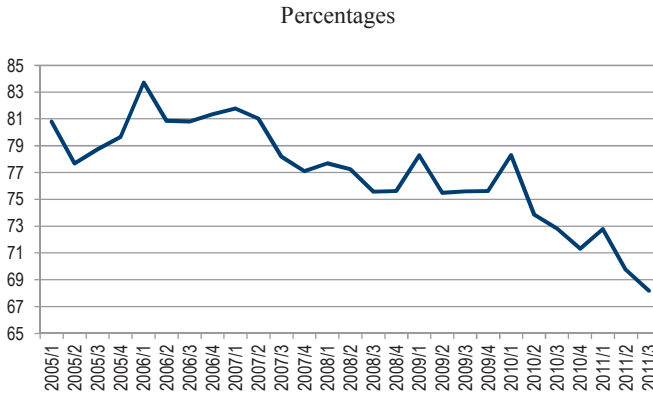


EoI: Expression of Interest.

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

In a system that is largely onshore-based and demand-driven, New Zealand's capacity to attract labour migrants depends essentially on labour market conditions. Labour market conditions determine not only labour demand but also, with a time lag, largely the pool of potential applicants from which permanent labour migrants are chosen. It is thus not surprising that the number of EoI has fallen with some time lag following the decline in admissions for Essential Skills, which is the primary source of permanent labour migration.

Nevertheless, Expressions of Interest have declined more than one would expect on the basis of the decline in the Essential Skills visa numbers. In addition, the transition rates from those selected under the EoI to skilled migrant have also fallen by more than 12 percentage points since 2006, a trend which accelerated since 2009 after which most of the decline occurred (Figure 4.3). About half of the decline since 2009 seems to be due to a shift in part of the application evaluation from the EoI assessment stage to the skilled migrant application stage in 2010, which still leaves a significant decline that remains largely unexplained.<sup>1</sup> This should be monitored closely and, if it persists, action should be taken.<sup>2</sup>

**Figure 4.3. Transition rates from invitation to apply to skilled migrant, by quarter**

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

In practice, however, there are few options to overcome this problem, since labour market conditions – including salary levels, where the gaps notably with Australia are widening – are largely given. One option would be to lower the pass marks, which would nevertheless be associated with a decline in migrant quality. An alternative would be to facilitate the transition for those migrants currently disfavoured by the system, namely migrants who have work experience in a field that is not currently classified as “skilled”, provided that they fulfil other criteria – such as qualifications and language knowledge – that make a lasting integration into the New Zealand labour market likely. Similarly, one could re-adjust the weighting in the system towards the migrants who are most likely to stay. While this would not necessarily raise the numbers, it would increase retention and thus have *de facto* a similar effect. There also seems to be some scope for lowering the cost of transiting for residence for those who are already onshore, which, as seen above, can easily amount to a months’ salary – in particular for those who have family members who are not fluent in English.

Finally, there is the option of better branding New Zealand abroad and informing migrants and employers about the possibilities available to them. In this area, there has been significant effort in recent years which may need some time to fully bear fruit. One important initiative in this respect has been the creation of a web-based database in which persons interested in migrating to New Zealand can register their interest. More than 200 000 migrant candidates have registered for this database which is integrated into the broader “New Zealand Now” portal ([www.newzealandnow.govt.nz/](http://www.newzealandnow.govt.nz/)) that

provides a wide range of information about working, living and studying in the country. Migrant candidates who have registered in the database also receive other information about New Zealand, including on recruitment fairs which are regularly organised by Immigration New Zealand in the main origin countries.<sup>3</sup>

Registered employers have access to this candidate database via the “Skill Finder”. This free service allows employers to search the candidate database by occupation, level of academic qualification, residence and years of experience. They then register their vacancy and submit a request to the Immigration New Zealand marketing team who will work within the following business days with the employer to format a formal request to the candidates in the database they identified as suitable. Recipients can then apply for the position by sending their CV directly to the employer via a special web account set up for this purpose. Only occupations which are either at skill level 1-3 on the Australian and New Zealand Standard Classification of Occupations (ANZSCO), or on one of the skill shortage lists or which meet the requirements for the Accredited Employer “Talent” scheme are eligible. The “Skill Finder” is integrated into the so-called “employer hub” in the Immigration New Zealand web portal which contains also a broad range of other information for employers related to both recruiting immigrants and to integrating them at the workplace.

A similar initiative, the “New Kiwis” ([www.newkiwis.co.nz](http://www.newkiwis.co.nz)), has been set up by the Auckland Chamber of Commerce with funding from Immigration New Zealand and is also free of charge. Its main element is a virtual job market, allowing both employers to post offers and migrants to post their vacancies. In contrast to the Skill Finder, it targets all skill levels and is open to both migrants already in New Zealand and to interested migrants abroad. New Kiwis also provides a range of additional information related to searching for a job in New Zealand, for example on how to write a CV.

## **Retention of labour migrants and outmigration**

A closely related issue is the retention of migrants. This has been relatively well studied. Krasso Peach (2013) found that about 25% of the skilled migrants leave New Zealand within five years of taking up residence, a figure that does not appear to be high compared with other OECD countries (see OECD, 2008 for an overview). One factor that seems to encourage this relatively high retention rate is the fact that most migrants who are selected for permanent migration have both already been in the country for some time before they are admitted as skilled migrants and are generally in an employment commensurate with their formal qualification level. They are thus familiar with New Zealand upon and generally well

integrated into its labour market initially – and this tends to be a strong determinant of longer-term success as well. These factors are positively associated with retention. Indeed, enhancing retention seems to have been one of the objectives behind the strong focus on skilled employment and with the facilitations of onshore status changes as intended e.g. by the work-to-residence visa (see Merwood, 2008).

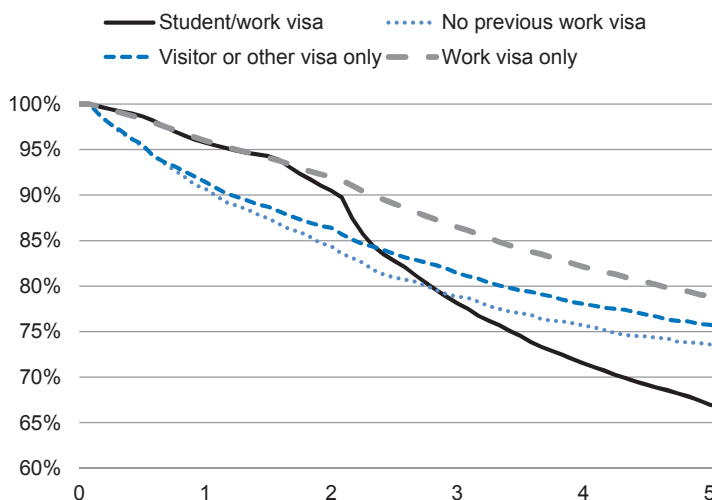
Retention varies along with migrant characteristics. McLeod, Henderson and Bryant (2010) found that four years after taking up residence, 30% of the skilled migrants who had an advanced qualification – defined as a master’s level and above – had left the country, but only 20% of migrants with basic or no qualifications. The most qualified migrants are thus the ones most likely to leave the country. One factor that may explain this is the fact that the wage premia for higher qualification levels in New Zealand are among the lowest in the OECD (OECD, 2012).<sup>4</sup>

Krasso Peach (2013) shed some further light on the determinants of outmigration. He finds that the risk of outmigration is highest two years after taking up residence. This is the point at which migrants can transform their visa into permanent residence, which provides them with the indefinite right to return to New Zealand. Most other OECD countries, including Australia and Canada, do provide this right only to citizens. The acquisition of citizenship, in contrast, is generally only possible after about five years of residence in New Zealand.

A further finding is that migrants who have been admitted onshore have a higher retention rate, as expected. Interestingly, however, the retention rate of migrants who had a student permit declined relatively rapidly after two years and, after five years, was the lowest of any group. Among the main origin countries, migrants from the United States were most likely to leave New Zealand, followed by migrants from China. In contrast, migrants from the Pacific, the Philippines and South Africa were least likely to leave the country.

Some further information on possible drivers of outmigration is also available from the 2012 Survey of Employers in New Zealand. About 40% of employers who recruited a recent migrant reported that he/she left the company again in the last 12 months.<sup>5</sup> When asked for the reason, about 14% mentioned that the migrant returned to his/her country of origin, and 7% stated that the migrant moved to Australia (Figure 4.5).

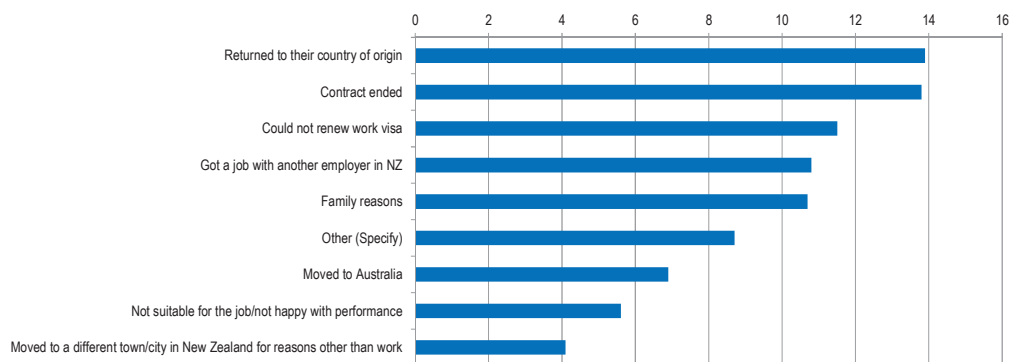
**Figure 4.4. Percentage of skilled migrants still resident in New Zealand, by number of years since taking up permanent residence**



*Note:* Includes all principal applicants admitted between 30 March 2004 and 31 March 2011.

*Source:* Adapted from Krassoi Peach, E. (2013), “How Permanent Is Permanent Migration? Identifying the Determinants of Remigration for Skilled Migrants in New Zealand”, Ministry of Business, Innovation and Employment, Wellington.

**Figure 4.5. Reasons for migrants leaving the employer**



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

Indeed, an analysis of data from arrival and departure cards (Ministry of Business, Innovation and Employment, 2012) has shown that the main destination for those outmigrants who do not return to their origin country has been Australia, in particular for migrants from the English-speaking countries of South Africa and India for whom 65% and 47% of all outmigration was towards Australia.<sup>6</sup>

While the outmigration within the first five years is relatively well-researched, little is known about outmigration beyond that date. Although most studies in other OECD countries suggest that the bulk of outmigration occurs within five years (OECD, 2008), Figure 4.5 above does not show strong indications of flattening out around this date. Indeed, it seems that the retention rate declines further to less than two thirds after about nine years, suggesting that outmigration continues at significant pace even after five years.<sup>7</sup> Clearly, this is an issue which merits further study, including the potential role of citizenship take-up and the facilitations which it conveys for Trans-Tasman mobility.



## Notes

1. Note that there may also be a lag between the invitation to apply and the actual filing of the application as well as its subsequent treatment. However, this can only be a partial explanation, as the decline is on-going already since 2005/06.
2. It is not entirely clear why a candidate who invested resources into the EoI would not take advantage of a subsequent invitation to apply, and why this link may have weakened, as the above indications of declining transition rates seem to suggest.
3. Such recruitment fairs allow interested candidates for migration to New Zealand to clarify visa queries and to obtain information about living and working in New Zealand. Employers representatives are also often present at these events.
4. The  $n$  premia associated with higher qualifications seem to be even lower for immigrants. Grangier, Hodgson and McLeod (2012) found that three years after taking up residence, immigrants with a masters or higher degree earned only about 20% more than migrants with a vocational education, and only 33% more than those without any qualifications. However, in most countries the return to education tends to be lower for immigrants (see OECD, 2008).
5. Note, however, that this figure considers all recent migrants.
6. Note, however, that the overall retention of immigrants from South Africa is rather high.
7. A report by the Ministry of Business, Innovation and Employment (2012) shows that about half of the migrants who have been in New Zealand for nine years or more have left the country at least once for more than six months. Of all migrants who leave for such a period, about one in four eventually returns to New Zealand.

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