

**CENTRAL ECONOMIC DEVELOPMENT AGENCY  
RESPONSE TO THE PRODUCTIVITY COMMISSIONS  
PRELIMINARY FINDINGS AND RECOMMENDATIONS ON IMMIGRATION**

The Central Economic Development Agency (CEDA) has compiled this feedback after consultation and gathering feedback from local councils; Palmerston North City Council (PNCC) and Manawātū District Council (MDC).

We thank the Productivity Commission for the work they have undertaken to date and for providing an opportunity for us as a region to provide feedback on an important piece of work.

We know that COVID-19 has had an impact on immigration across New Zealand and equally so here in Palmerston North and Manawātū. Over the last two years, we have seen a decline in our international student numbers and other various visa holder categories, such as agricultural workers. This has had a direct impact in a number of ways;

- The education sector, having been faced with significant reduction income which often enabled them to invest in capital projects that benefit both domestic and international students, are having to reduce their staffing levels in roles that were directly or indirectly related to international education.
- The absence or significantly reduced presence of other cultures and ethnicities in the classroom has affected educational outcomes for both domestic and international students remaining onshore.
- While tertiary providers have been able to deliver online teaching and learning to offshore international students, these students have not been able to have a true New Zealand living, working, and studying experience. Our communities have also been missing out on the cultural, social, and economic benefits that would usually come with these students.
- While border settings are likely to change to allow international students to return to New Zealand, the numbers of students allowed back is expected to be significantly reduced as we are the last English-speaking country to reopen the border for international students and therefore have lost our competitive edge.
- The international markets have taken our government's approach to the international education reset as a signal of a lack of appetite for student numbers. This perception will take many years for the education sector to recover the sustained losses.
- With the much lower number of international students in the region, there is a flow on effect onto the community and businesses, both socially and economically. Not only are we missing out on the economic contribution through their living expenses and their families and friends' spending on tourism while visiting the region, but we also no longer have this NZ-trained young highly skilled cohort available to our businesses. Even when an international graduate leaves, they become a great champion for the region in various areas of development and soft diplomacy.
- Having international students here exposes our local students to many diverse cultures, adds to the dynamics and benchmarks our education system against other world class standards, and enables our local students to build up their global competence and develop a strong self-identity.
- Similarly, having migrant workers here with their families contributes to the cultural richness of the place and boosts up our productivity.
- Furthermore, migrant owned businesses have contributed to the innovation and economic growth of our region. Regional industry sectors already struggling to attract New Zealand talent in a pre-COVID-19 world, with the current border settings and large scale 'shovel ready' projects being fast-tracked, has impacted on this further. Sectors affected include Technology, Food and Fibre, Health, Professional Services, including lawyers and

accountants, Research and Development, including Scientists, Infrastructure and Construction and Logistics and Distribution.

- We currently have an \$8 billion pipeline of infrastructure and construction projects, and capital works underway and planned in the region across the next 8-10 years, which has seen a significant increase in building and resource consents for both domestic and commercial builds and the infrastructure needed to support the construction of these builds. It was forecast that there would be a need to increase the direct and indirect workforce pre-COVID-19, but currently we are not able to address the workforce challenges without considering migrant workers in the short to medium term, till we can 'grow' more form within the region or through talent attraction from other regions in New Zealand. Even if we can do this, our 'gain', becomes another region's 'loss' in the labour market, creating a perpetual challenge.
- As a region, we currently have a low unemployment rate and an on-going increase in the number of job roles available, across all sectors and all job role levels.
- There are some businesses who rely on immigrants such as the agriculture sector, diesel technicians, tech sector and manufacturing industry professionals, are struggling to get staff. They are not able to get qualified ones from NZ. They are also not happy with fast-track ITO courses either.
- The local, national, and international labour market is becoming highly competitive for some sectors. Examples of this include people working remotely in New Zealand for off-shore companies, staff moving from one business to another 'in region', because of being offered a new Ute, businesses in region using off-shore remote labour and out of region salaries going over \$25k higher than what their current employer offers and, in some cases, can afford.
- While increased wages and salaries and higher skills levels of New Zealanders is important to the country's productivity, this needs to happen across the board. If wages and salaries go up, so too does the pass on costs to consumers of the products and services a business creates.
- There is a gap between what is provided by the education system and the needs of small and medium sized organisations. They are reluctant to employ people who have a qualification but no work experience or work history

As a region to build our productivity we need to build our talent pipeline and investment. While it can be said we should be 'building our own' this is a long-term approach and our current needs across many sectors are for highly skilled and experienced practitioners, now. Additionally, as with the rest of NZ we are in a climate of low birth rates, a population that is increasing, but not at a rate rapid enough to fill all the job roles we have. As a result, we have businesses that are now turning down work, because they know they cannot access the talent and skills they need to deliver their products and services.

## **PART ONE**

### **FINDING ONE**

We agree that immigration makes a significant contribution to New Zealand's productivity and wellbeing. While it can be described as diversifying our human capabilities, we need to be mindful that all levels of 'capabilities' are important and valuable to the productivity of the New Zealand economy. We need people, with appropriate skills and experience, where we need them to do the roles required, whether 'low skilled' or higher skilled levels. This is especially important in tight labour markets or where automation and technology are lacking due to it not being available or sectors/industries or businesses not willing to invest in research and development or expending capital investment in technology and/or automation.

The younger age of immigrants compared with the median age of New Zealand's population has slowed the rate of growth in the median age of our population and reduces the peak impact from future New Zealand Superannuation costs.

Higher migration has reversed population decline in many small rural communities.

## PART TWO

### FINDING TWO

This is the case for some of our regional sectors, especially agriculture, horticulture, and meat processing. Many New Zealanders are reluctant to perform these roles due to the seasonality of work. These industries are heavily reliant on the immigrant workforce to provide the skills needed to drive productivity.

Growth sectors like horticulture and tourism have high levels of seasonality and are not attractive to New Zealanders wanting stability for themselves and their children. The Recognised Seasonal Employment programme has provided additional regular income streams to communities in the Pacific and an important aspect of economic development in those communities, reducing unemployment and developing skills among workers.

In turn, the employment provided to overseas seasonal workers makes an important contribution to the lives of immigrant workers and their families and supports New Zealand's responsibilities under trade and economic cooperation through remittances and labour mobility.

### FINDING THREE

Over the last 3-years in particular, immigrant labour contributes to the productivity of the New Zealand economy with evidence suggesting that if the skills of migrant workers are complementary to the host nation, access to migrant labour will raise wages.

Immigrant labour is often cited as being responsible for the comparatively low wage economy in New Zealand. This does not hold up under scrutiny. Research shows that where immigrant labour has a different mix of skills than the host nation and they are not substituting for local labour (complementarity), then access to migrant labour has the effect of raising the wages of non-immigrants as opposed to reducing wages. This is due to the productivity gains from access to the right range of skills and the lack of substitutability that occurs (Stillman & Mar, Motu, MBIE)

As discussed, New Zealanders are reluctant to accept seasonal work for a number of reasons, choosing to work in other areas of the economy. In addition, immigration data from the 2010's shows a greater number of New Zealanders returning to New Zealand from overseas. Many of these expatriates are not returning to take up employment in the agriculture, horticulture, and meat processing sectors but for lifestyle opportunities with skills most suited to alternative industries.

### FINDING FOUR

We agree with this finding. There is a need for Government departments to work collectively, collaboratively, and cohesively when looking at the 'whole' work system; education, Ministry of Business, Innovation and Employment, Ministry of Social Development, and Immigration NZ. We would also like the Productivity Commission to consider how local vs. Regional (Manawatū region) data and insights can contribute to this. While the RSLGs are in place to address some aspects, there is risk of the 'local' voice being lost, with RSLGs covering such geographically large and diverse areas of New Zealand.

The Tertiary Education Commission has been very slow to fund additional student places in education in response to rising skills shortages.

### QUESTION ONE

**To what extent does access to migrant labour reduce training and upskilling activity by employers?**

This will depend on the sector/industry and individual employers. Compliance training will be provided to all employees, and for some employers this is the minimum that they provide, regardless of whether for the migrant workforce or New Zealanders. Some employers, aside from the 'big end of town', currently do not either set aside specific budget to train or upskill their workforce and many do not have individual development and learning plans in place for their individual workers - some of this is due to the capacity and capability of the employer. There are however examples of SMEs who do put time, effort, resource, and budget into training.

With the excessively tight labour markets of current times, NZ employers are going to have to invest in their workforce or risk not having the resources needed to do business.

**Do effects on training and development by industry?**

We'd suggest it's not so much by industry, but by employer, and relates to their capacity and capability to do so, and the cost involved. Some employers are running their businesses on tight margins and do not have 'spare' money to invest in their workforce's development or upskilling. It is also a skills issue for employers and the lack of an adequate transition between education and the skills required in the workplace.

## Are there areas of the economy in which New Zealand should be training people that are currently disproportionately supplied by migrant workers?

Overall, the training is there for all levels - sub-degree through to PHD. What needs to be looked at is how, where, and when training is provided. While a lot of the migrant workforce employed in New Zealand, are performing 'lower skilled' job roles, many of these roles are not filled by New Zealanders who don't/won't/can't perform them. The training is there for many of them, but New Zealanders aren't interested in this. This could be attributed to 'generational long term unemployed' or unemployment benefits through Work and Income are seen as more attractive than doing low paid jobs, which are often physically demanding, with unfriendly work hours, or mundane tasks that provide little hope of providing longer term increase in economic benefit.

The skilled migrants bring in many specific skills, or expertise and international experience that New Zealand's education system does not provide training for.

### How could Policy best respond?

While this is about immigration policy, there are potentially other areas that could be reviewed in tandem;

- Tertiary Education e.g. TEC / NZQA
  - How could employers be eligible for funding?
  - Alternative delivery models of learning
  - Other mechanisms that encourage employers' engagement in building and developing their workforce through training and upskilling
  - Look at what qualifications are needed that are not being filled by New Zealanders or maybe not even being offered here
  - Have training on offer based on regional need and this is where the WDCs and RSLGs will play a pivotal role
- Ministry of Social Development
  - Look at how work and income potentially 'enables' people to remain long term unemployed as it's a more 'attractive' proposition than some jobs that are being filled by migrants

In relation to immigration policy, we believe that the best response is to potentially put the onus on the employer that if they employ migrants, that migrants must have professional development/training/upskilling as part of their employment agreements and consider this having to be evidenced to Immigration NZ. Additionally, they should have a Workforce and Capability Development Strategy/Plan in place and show how they have set aside money to support training. The benefit of this requirement for employers of migrant labour is that if they are required to provide training/upskilling for migrant labour then they may choose to hire a kiwi where upskilling their skill base would provide the skills required, creating more of an even playing field as such.

### FINDING FIVE

By having fewer and clearer categories in relation to visas/migration and pathways to residency, including the criteria and looking at the system and process that is being used to alleviate the queues of applications. Additionally, ensuring that Immigration NZ is resourced appropriately for the number of applications that are being applied for?

A question would be, should international student numbers be capped at all levels of the education system, whether this is done by provider or looking at where the challenges are to the wider community when there are large numbers of international students, when it comes to housing, work, and infrastructure?

## PART THREE

### FINDING SIX

As mentioned above in relation to Finding Five and international students, should where migrants are working, be aligned not just to where the jobs are, but also where there is housing available? Rapid house prices have been exacerbated since COVID, with internal domestic migration from cities such as Auckland to other regions. Counteracting this as an approach, is that this would not always be consistent with where the skills are needed. It in fact could make matters worse, by taking a rules-based approach.

Other policy decisions, such as the deregulation of the financial sector in 1985, the introduction of the Accommodation Supplement in the early 1990s, the lack of a capital gains tax, past monetary

policy exacerbation of economic cycles and quantitative easing by the Reserve Bank in 2020 have played greater roles in the decline in affordability since 1985. The strongest annual growth in house prices has occurred in the past 12 months when migration has been negligible. Australian policy towards New Zealanders, particularly removing the path towards citizenship and a two-year stand-down for access to the unemployment benefit has played a significant role in the strong population growth in New Zealand over the past 10-years. The negotiations to allow New Zealanders to transfer their superannuation funds to New Zealand has also facilitated greater movement of New Zealanders back to New Zealand. Prior to that changes, New Zealanders were not able to access their Australian superannuation funds if they moved permanently to New Zealand.

#### FINDING SEVEN

Immigration should be considered as a social as well as economic transaction that builds diverse communities and provides opportunities for New Zealanders to build their cultural and global competencies within NZ. Wider benefits are the contribution to communities and workplaces diversifying their networks to other countries that provide export opportunities or complimentary goods and services.

As a country we need our wages/salaries to increase, to not only attract migrants, but to also remain a viable country for New Zealanders to afford to live in. Wage and salaries need to increase for all participants in the housing market, every citizen requires housing whether it be market/subsidised/provided. Business owners need to look at the automation and technology they need to bring in, to increase productivity.

#### FINDING EIGHT

As with some of the other findings, systemically infrastructure in New Zealand has not been seen as a priority to invest in by successive governments. Our population growth has been aligned to increasing productivity over multiple generations and overall New Zealanders infrastructure has not kept up with this growth. It is central and local governments responsibility to work together to address this, especially as population is projected to grow, with kiwis abroad indicating they will return home, as well as New Zealand being an attractive proposition to migrants.

The infrastructure deficit is primarily due to a lack of central and local government investment in maintaining and renewing existing infrastructure. That has not been helped by Statistics New Zealand population projections that continue to under-project the population growth that is occurring in the regions and over-project population growth in Auckland. There has been very little government investment in measuring domestic migration flows within New Zealand. Parts of the Manawatū-Whanganui region are increasing above the Statistics New Zealand high growth projections.

Local Government funding to sufficiently invest to provide for high quality, fit for purpose, future proofed infrastructure is severely flawed (basically, LG collects 8% of revenue and spends 12% through debt funding with Central Government collecting and spending the rest). Hence the inability of many Councils to sufficiently invest to drive productivity.

#### FINDING NINE

We agree with this finding and building on our comments in Finding Eight, and would suggest that the timeliness of this is important, along with looking across all parts of infrastructure simultaneously.

Additionally, when it comes to the various categories and criteria for migration here, it is important regardless of the Visa category a potential migrant is looking at applying to, they have the ability to afford to pay for housing, whether they intend to buy, build, or rent.

#### FINDING TEN

Agree with this finding, although would suggest some aspects for the Productivity Commission to consider;

- International students encouraged to study where the jobs aligned with their major are and offered advantage to find post-study work in a region where there is a need.
- Increase educational numbers of students - domestic and international by making it more accessible to where there is a need e.g. health, trades, engineering etc. and less accessible where there is not a need e.g. theology, arts, philosophy. This could be done through cost incentives and/or attractive post-study pathways to employment and/or residency.
- Cost of capital investment in technology and automation by businesses be supported.

- Dialing up of technology and automation practices, as a way to reduce the reliance on migrant workers.
- Regions need the ability to manage changes to immigration policy in a way that mitigates risks, short, medium, and long term.

## PART FOUR

### FINDING ELEVEN

Some of the commentary we have provided in other sections of the findings has highlighted Finding Eleven, which we agree with, in needing an immigration system that has flexibility through the overall policy, the system, and the settings.

#### RECOMMENDATION ONE

We agree that the Crown should consider New Zealand's capacity to successfully accommodate and settle new arrivals. This should be done at a regional level, with understanding of the regional need for migrants to form part of a workforce so that as a region we can remain productive.

#### RECOMMENDATION TWO

We agree that a Government Policy Statement (GPS) will add value to immigration and suggest that while the GPS can be used to inform other government policy, this should be a considered a 'vice versa' arrangement.

#### RECOMMENDATION THREE

This will need to be managed in the short, medium, and long term and will need to be able to pivot when local, national, or global events occur, where there is a need to be able to proactively address events, such as natural disasters, pandemics, etc.

#### QUESTION TWO

The objectives to include in the GPS;

- Te Tiriti o Waitangi
- Supply and demand needs of migrants to fill work roles - nationally and regionally
- Capacity to absorb migrants when it comes to accommodation and infrastructure - nationally and regionally
- Alignment national and regional sectors of strength, when it comes to economic development; people, place, business, and investment.

### FINDING TWELVE

We agree that Te Tiriti o Waitangi needs to be included in immigration policy and the GPS. This will need to be created by Māori for Māori and to provide benefit to them through the Treaty Principles of; partnership, participation, and protection. The approach could see alignment to the pillars of economic development.

#### QUESTION THREE

Refer to Finding Twelve.

#### RECOMMENDATION FOUR

We recommend that MBIE assess the major visa categories and included in this assessment labour market needs at a national and regional level with consideration given to how this can align with the work that is being undertaken by the WDCs and RSLGs. As mentioned in our response to Question One, other central government functions that need to be part of an assessment would be tertiary education and MSD/WINZ.

#### RECOMMENDATION FIVE

Volumes of these visa types need to be aligned and compatible. This could help address the pressures any form of migration puts on infrastructure and accommodation and may make New Zealand a more attractive proposition for migrants seeking countries that offer residency pathways.

#### QUESTION FOUR

What is important is the alignment to our labour market needs nationally and regionally, also alignment to the outflow of New Zealanders e.g. lose a GP, gain a GP. Student visas need to be aligned to our labour market needs, with the hope that these students will gain post-study work rights and then move on to become residents longer term. Again, we have the potential to balance international student graduates 'staying' and domestic student graduates leaving New Zealand. With the risk of international education visa settings not returning to pre-pandemic settings, then consideration should be given to funding tertiary's or there may be a need to do a full rethink at all education levels and our overall workforce pipeline. Post-study work rights should be aligned to the qualification gained and labour market needs.

Any review of visa settings that also consider working holidays, which are reciprocated by an overseas country, need to be mindful any changes could impact Kiwis being able to do their 'OE' in that country. An analysis of risk and benefit both for the working holiday visa holders in New Zealand and the work they do needs to be considered, but consideration must also be given on the fact, we could have less New Zealanders gaining this international experience and bringing this expertise back to New Zealand, along with possible international networks, global competencies, innovation, new export opportunities, enhanced global competencies, investment opportunities or their financial gain from overseas.

#### RECOMMENDATION SIX

In essence this makes sense, however, while 'what you know', the dollars you can bring, the qualification you have, are important this does not necessarily make them the 'best' to be part of New Zealand. How will the Productivity Commission recommend to Immigration New Zealand the 'people' side of entering New Zealand? Consideration should be given to how well will they fit into our country, how will they fit into their new community, what is their social fit like?.

#### RECOMMENDATION SEVEN

We agree with this recommendation and our views on managing the 'whole of labour market' can be found in Recommendation Four and Question One, with better alignment between data and insights between multiple government agencies, nationally and regionally required.

#### FINDING THIRTEEN

New Zealand had sometimes been considered an 'easy' option in terms of gaining residency and is used as a steppingstone to other countries, often Australia.

Over the last 2-3 years there has been somewhat a reversal in this, many of our work visa holders have given up their residency application in NZ to leave for Australia and Canada where residency is perceived to be easier to obtain. There have been examples of doctors and teachers leaving NZ because they either did not get a decision on their residency application after a long time or were unable to meet the income requirement to sponsor their parents here.

An option to reduce the impact of this could be a requirement for a minimum number of years stay upon receiving residency, or a requirement to work a minimum number of weeks in New Zealand per year, if of working age.

#### QUESTION FIVE

See Finding Thirteen above. Additionally, there could be a limited number of times a person can re-immigrate out of New Zealand. This could be based on their level of investment in New Zealand, business ownership, the work role they perform and the wage/salary they earn. Costs are we are losing part of our workforce, but in return they may come back with new skills, training, experiences that could provide benefit to New Zealand.

#### QUESTION SIX

While Te Reo could be recognised as part of the residence or permanent residence approval process, there are still many migrants whose English language proficiency is not sufficient. An option instead of adding the 'pressure' of learning a third language, a commitment to Te Tiriti o Waitangi, should be more around developing their cultural competencies.

#### RECOMMENDATION EIGHT

We agree with this recommendation.

#### RECOMMENDATION NINE

The Welcoming Communities programme should be expanded out across New Zealand and with MBIE ensuring there is appropriate resourcing. Having iwi involved could support our response to Question Six above.

#### QUESTION SEVEN

Support is sometimes required on a case-by-case basis. While international students overall receive fantastic pastoral care support by the school or provider they are studying with, the same cannot necessarily be said through workplaces. Consideration should be given that where employers are taking on migrants, they have to have some training and provide pastoral care as part of employing migrants. They should have a certain level of cultural competency and be able to provide pastoral care or access to pastoral care for their migrant workers as part of employing migrants.

Overall feedback we have received regionally from employers is that support is needed to provide pastoral care and that there are ongoing concerns with some migrant's English language capabilities. The challenge with both English language and pastoral care is who is responsible, what capacity and capability do workplaces have and overall, who is going to resource it

financially?

Longer term, a migrant employer framework and points system that can be achieved that highlight they are a good employer of migrants, would be a good outcome.

## CONCLUSION

We thank the Productivity Commission for completing this important piece of work and for the opportunity to provide feedback. Our immigration system needs significant review and has become more urgent due to the effects of COVID-19 on labour market conditions. As New Zealand's immigration policies need to keep up with the changing needs of New Zealand.

If anyone needs any aspects of this response clarifying please contact;

Sara Towers

Talent and Skills Manager

CEDA

M: 0274 450 988

E: [sara.towers@ceda.nz](mailto:sara.towers@ceda.nz)