

THE NEW NEW ZEALANDERS

WHY MIGRANTS MAKE GOOD KIWIS

RACHEL HODDER

JASON KRUPP

FOREWORD BY MENG FOON



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The New Zealand Initiative is an independent public policy think tank supported by chief executives of major New Zealand businesses. We believe in evidence-based policy and are committed to developing policies that work for all New Zealanders.

Our mission is to help build a better, stronger New Zealand. We are taking the initiative to promote a prosperous, free and fair society with a competitive, open and dynamic economy. We develop and contribute bold ideas that will have a profound, positive, long-term impact.

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DISCLAIMERS

Access to the data used in this study was provided by Statistics New Zealand under conditions designed to give effect to the security and confidentiality provisions of the *Statistics Act 1975*. The results presented in this study are the work of the author, not SNZ.

The results in this report are not official statistics, they have been created for research purposes from the Integrated Data Infrastructure (IDI), managed by Statistics New Zealand. The opinions, findings, recommendations, and conclusions expressed in this report are those of the authors, not Statistics NZ.

Access to the anonymised data used in this study was provided by Statistics NZ in accordance with security and confidentiality provisions of the *Statistics Act 1975*. Only people authorised by the *Statistics Act 1975* are allowed to see data about a particular person, household, business, or organisation, and the results in this report have been confidentialised to protect these groups from identification.

Careful consideration has been given to the privacy, security, and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the Privacy impact assessment for the Integrated Data Infrastructure available from www.stats.govt.nz.

FOREWORD

I come to a premise that we are all immigrants to this beautiful country of New Zealand and we are here to make this country a great place to live, play, work and call home.

My Dad is from Taishan, Guangzhou, whose family saw the Japanese invading China; he could hear the cannons going off near Taishan.

Soon after, they moved to Hong Kong to seek refuge. It was an easy decision as they had heard so much about the cruelty of the Japanese invasion.

Mum was born in Hong Kong. An only child, she was brought up by her auntie. My auntie, my dad's oldest sister, immigrated from China to Gisborne in 1937. She married and they started a market garden cooperative with other Chinese people.

We all worked hard. I remember we did a bit of work before school. Dad picked us up in his Bedford truck at noon from school, we ate lunch in the truck, and did some work till 1pm when Dad took us back to school. Bang on 2.30pm, he was waiting for us and we would work to about 10pm.

I was driving the tractor at 8 years of age. When Principal Pax Kennedy said we needed to be 12 years of age to drive a tractor, Dad's response was that he didn't know what he was talking about.

So you can see that we worked in our family business helping our parents. We were told to work towards no work. Hence, whenever we saved some money we would buy property and land.

This was our life – save hard, invest wisely.

We bought a shopping centre called the Kaiti Mall in 1988, and built some more buildings on the 5-acre lot.

We also rented land to the police – they built a community police station on it and there I met Detective Hikawai. To cut a long story short, he said it would be a good idea I go for Council. I didn't have a clue about local politics, but he said lunch was good.

Councillor Owen Pinching was retiring and said he would mentor me, and so off we went to have a look

at roads, rivers, streams and flood ways. I got a good perspective and understanding from Owen.

I was duly elected in 1994 and did two terms as a councillor. I ran for Mayor after my second term on the council and lost by only a few votes – I thought I did well under the circumstances. I was elected as Mayor of Gisborne in 2001 and have been the Mayor ever since.

I was keen on learning languages and Māori was no exception. I had also learnt some Welsh, Irish and Italian from my customers – I was fascinated with the dialects and tongue twisters.

Māori was my passion. Fifty percent of our customers were Māori – coming from the East Coast, Turanga flats and Wairoa. Most of them spoke to me in their dialect.

This gave me a great foundation for the role I have today. I didn't plan to have this extra string in my bow, it just happened because of my interest in languages.

Being 50% Māori, my Te Reo has definitely helped our whole community in participating, acknowledging and understanding issues from a Western, Eastern and Māori world view.

Having been in business also gives me the ability to manage the finances well for our community.

Gisborne has given our family a great opportunity to participate in all aspects of life – there are no boundaries in what area one wants to make a contribution to.

As I know from first-hand experience, and as this report shows, migrants come here, contribute to our economy and, most importantly, become part of our community. I welcome The New Zealand Initiative's contribution to the debate on New Zealand's immigration policy. I hope the authors' optimistic and positive message of migration gets heard.

We live in paradise, even in Auckland.

Meng Foon
Mayor of Gisborne

EXECUTIVE SUMMARY

When it comes to immigration, a natural but complicated question to ask is: “Is immigration good for New Zealand?” There are a number of ways immigration affects New Zealand and New Zealanders, and a number of concerns and fears New Zealanders have about immigration.

This report analyses the effects of immigration and how these effects should be considered in the immigration debate. It is a timely contribution given immigration is becoming a significant issue in the 2017 election.

Due to the subjective nature of how many of the effects are viewed, this report cannot definitively say immigration is good for New Zealand. However, many popular concerns about immigration are overblown and benefits under-represented. Any policy change must be sensible and not reactionary.

WHAT DOES MIGRATION LOOK LIKE?

With all the talk about immigration, misunderstanding is rife about what the flows look like and what is causing the sudden uptick.

- Permanent and Long-Term (PLT) arrivals and departures indicate who is arriving or departing New Zealand for an intended stay of at least 12 months. In 2015–16, annual arrivals rose to 125,000, and net migration rose to a record high of 69,000 (arrivals minus departures).
- Much of this was due to movements of New Zealanders. As the economy has been performing relatively well, more Kiwis are returning from overseas and fewer Kiwis are leaving. New Zealand and Australian citizens represent 29% of arrivals.
- The number of foreign migrants has been rising, but the PLT figure does not tell us how many are being added to the population on a permanent basis. Official figures show 58% of arrivals are temporary work, student, or visitor visas, of which fewer than one in five are expected to gain permanent residency.

CULTURE SHOCK

News of violent extremism committed by migrants in Western countries stokes fears among some that New Zealand is risking importing terror through the immigration system. Others fear that even without violent extremism, immigration may threaten New Zealand’s social cohesion and ignite unrest, opening the door to unpredictable backlash – as seen in the 2016 US presidential election. Another concern is that increasing flows of people from overseas dilutes our national identity.

- It would be naïve to think New Zealand is immune from terror threats. However, there is little reason to believe the immigration system is an effective way to minimise this risk.
- Evidence suggests social unrest and extremism stem from social isolation and economic despair. New Zealand’s record of migrant success in the labour market goes a long way in promoting cohesive integration into the broader society – a success that flows to the second and subsequent generations.
- New Zealand has relatively little ethnic or migrant clustering. Where concentrations of migrants do occur, there is no indication of high unemployment or European-style migrant ghettos.
- Survey data reveals migrants integrate well in New Zealand (87% of migrants say they feel they belong to New Zealand) and exhibit relatively high mental and physical health and life satisfaction.
- While most New Zealanders embrace the diversity migrants bring to New Zealand, there is concern about the impact of migrants on national identity, particularly among Māori.

BURSTING AT THE SEAMS

A prominent concern about immigration relates to the more general impacts of a larger population. Historically, birth rates and emigration have been more influential on population. However, problems related to population growth have been blamed on recent high levels of immigration.

- New Zealand's overheated housing market is causing major problems for New Zealanders. Migrants do add to the demand for houses and impose upward pressure on house prices, but much less than commonly thought. The housing crisis is being driven by native-born New Zealanders' purchases and a booming economy. Cutting immigration is unlikely to have a significant effect.
- Migrants, like anyone in the country, impose some burden on infrastructure and hence require additional government spending. However, on average, migrants contribute much more in net taxes than native-born New Zealanders.
- New Zealand's ageing population will present many challenges to future policymakers. Immigration is no silver bullet but it does help lower the dependency ratio.

ECONOMICALLY SPEAKING

Despite many anti-immigration arguments being grounded in economic effects, economists broadly favour immigration.

- Economic theory suggests free movement of labour allows people to work in sectors where their skills are most in demand. More specifically, immigration can be beneficial to the economy by increasing New Zealand's global connectedness, growing the population to capture benefits of scale, and using spill-over benefits created by migrants with skills complementary to New Zealand workers.
- Fears of negative labour market impacts are overblown. A wealth of empirical research disputes the notion that migrants 'steal jobs' from native-born workers. Likewise, the net effect of immigration on wages is generally negligible.
- Despite some contention that immigration hurts productivity, the weight of evidence suggests the opposite.

FORGOTTEN BENEFITS

Many of the benefits of immigration are not easily quantifiable – and often overlooked. Immigration can provide New Zealand consumers with a rich array of consumer products that would otherwise not be readily available. The diversity brought through immigration can be a boon to our national identity. Surveys show Kiwis strongly agreeing that “It is good for New Zealand to have immigrants who are from many different cultures”.

Although most New Zealanders will prioritise immigration impacts to New Zealand, the benefits to migrants themselves is worth noting, particularly the anti-poverty potential for migrants moving to New Zealand from less developed countries. If nothing else, considering the benefits to migrants is only fair for the sake of reciprocity – many New Zealanders benefit from temporary or permanent overseas migration, and some of those benefits flow back to New Zealand.

ROOM FOR IMPROVEMENT

New Zealand has had a largely positive immigration experience so there is no need for radical change. However, some incremental steps may extract more benefits and/or mitigate some costs.

- The skilled migrant visa relies on a points system and significant government oversight of factors which would be better evaluated by business. Attributing points based on the salary offered to migrants would be a more efficient way to evaluate skills.
- Proposed free movement of people agreements with other countries such as CANZUK are beneficial and should be used whenever the opportunity arises.
- Allowing private sponsorship of migrants is an efficient way to open up immigration without risking additional burden to New Zealanders.
- Concerns about the infrastructure burden imposed by migrants would be better addressed through a levy rather than restrictions on immigration numbers.

INTRODUCTION

What is it that makes New Zealand special? For some it is the country's raw, unspoilt beauty. New Zealand certainly does not lack in stunning mountains, pristine beaches, and verdant native forests. For others, it is the unique culture and history of New Zealand that form the distinct national identity of 'Kiwi'. For those of a more economic persuasion, it is the institutions and the rule of law that have transformed this country into a modern, wealthy state.

To the rest of the world, these factors make New Zealand an attractive place to visit, study, live and conduct business. So much so that 125,000 people arrived in the country on a Permanent and Long-Term (PLT) basis in 2015–16.

As a geographically isolated country, New Zealand benefits from these flows. High levels of immigration mean access to skills, international connections, as well as other cultural and economic benefits the country might not have known. But immigration is not without cost, especially in a small country. A fast growing population has the potential to increase pressure on infrastructure and house prices.

Policymakers may repeatedly assure the public they have struck the balance right, and that the benefits of immigration exceed the costs. Judging by the popular discourse, many New Zealanders are beginning to doubt this rhetoric. They are questioning whether keeping the door open to migrants will threaten the very things that make New Zealand special.

This scepticism is understandable. Immigrants account for about a fifth of New Zealand's population. What does it mean for the nation's identity and Kiwi culture if foreigners outnumber locals? This is particularly worrying where certain ethnic and religious groups are being linked with terrorist organisations by politicians and the media.

More practically, the same concerns stalk the housing market, where prices and net immigration have hit record highs. And where wage increases have not kept up with the pace of economic growth

in recent years, even as more foreigners have become eligible to work in New Zealand.

This scepticism is doubly understandable as immigration is a highly technical and nuanced policy area, one where it is difficult for the layperson to get a straight answer. The policy settings change regularly, and the flows of people in and out of the country are often dictated by factors that have nothing to do with the immigration system. As such, both the pro- and anti-immigration positions are often built on hunches, half-truths, and best estimates. An informed hunch is still a hunch.

This makes for a poor platform on which to make an informed choice. And the choice will most likely be put to New Zealanders in the 2017 general election. The line has already been drawn on this issue, with parties squaring off on immigration in the media and in Parliament. If voters are to make a better decision at the ballot box, it is worth examining the perceptions against the facts.

That is the purpose of this report. To give the most up-to-date information to the public. To stack up these social, economic and nationhood fears against the available data and research. To assess both the positive and negative effects of immigration. To propose policy solutions to increase the former and decrease the latter.

This report cannot definitively say whether immigration is in and of itself good or bad for New Zealand. While we could deduce the objective economic effects, many of the factors that shape New Zealanders' political views on immigration are subjective and varied.

Although we hope this report will win over the doubters, the real success metric will be in elevating the tone of the immigration debate. It is almost certain political parties will make statements for or against immigration ahead of the 2017 general election. We hope this report urges voters to demand politicians supply the data and analysis to support their positions.

CHAPTER ONE

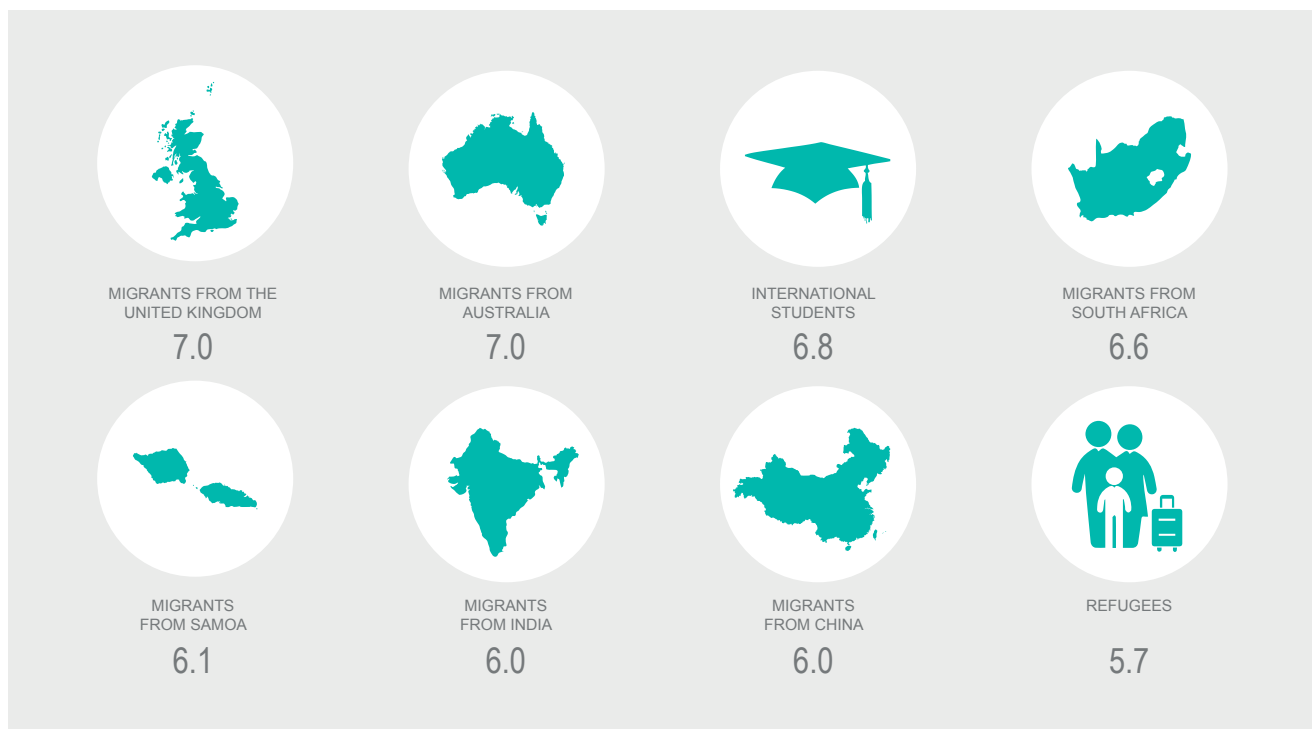
FICTIONS AND FACTS

This chapter explores some of the perceptions of immigration in New Zealand using attitudinal surveys, and tries to capture the tone of the immigration debate through media reports. This snapshot is then contrasted with an overview of recent immigration numbers as a backdrop to the discussion later on in this report. Trying to address myths and misperceptions about immigration only with data and analysis will likely fail without addressing the legitimate worries of people.

GOOD ENOUGH

Assessing public perceptions of immigration and migrants is a fairly straightforward process in New Zealand, since central government has monitored attitudes in this area for many years. This is prudent, considering New Zealand has one of the most generous intake quotas in the developed world on a per capita basis.¹ In the most recent research in 2015, when asked to rate their views on migrants from 0 to 10 (not at all positive to very positive), the average across 2,000 respondents was 6.6. This was broadly consistent with the surveys in 2011 (6.6) and 2013 (6.7).² But the public's attitude towards migrants is not evenly distributed.

Figure 1: Overall views on different migrant groups



Source: Ministry of Business, Innovation and Employment (MBIE), “Community Perception of Migrants and Immigration” (Wellington: New Zealand Government, 2015), 11.

1 OECD, “International Migration Database,” Website.

2 Ministry of Business, Innovation and Employment (MBIE), “Community Perception of Migrants and Immigration” (Wellington: New Zealand Government, 2015), 4.

Migrants from Australia and the United Kingdom were the most highly rated (both 7 out of 10), and Chinese migrants and refugees scored the lowest (6 and 5.7 out of 10, respectively). Overall, the public's view on migrants was positive (see Figure 1).

Attitudes towards immigration also appear to be becoming more favourable. In 2015, 81% of respondents said it is a good thing for society to be made up of different races, religions and cultures, up from 80% in 2013 and 73% in 2011. In 2015, 71% of respondents said migrants make an important contribution to New Zealand's culture and society, up from 63% in 2013 and 64% in 2011.

Changing perspectives were also seen over the same period on the contribution migrants make to the economy (67% in 2015 and 59% in 2011), and whether migrants make New Zealand more productive and innovative (67% in 2015 and 54% in 2011). Lastly, 66% of the respondents in 2015 said migrants had qualities they admired, up from 64% in 2013 and 61% in 2011.³ Target shock

On face value, these attitudinal measures are certainly positive. But the survey showed a degree of unfamiliarity among respondents about the current levels of immigration. For example, 22% of respondents said immigration should be decreased, 22% said it should be increased, and 48% said it should be left unchanged. When the respondents were told the government had set the target immigration rate at 45,000 people per year, attitudes shifted. This time, 31% of respondents said the level of immigration should be decreased, 14% said it should be increased, and 50% said it should remain unchanged. Overall attitudes towards immigration also shifted post-disclosure, with 6% of the respondents reporting a positive shift in opinion, while 22% reported a negative shift.

Of those who wanted to decrease the 45,000 target, 24% said migrants would take jobs away from New Zealanders, 22% said migrants add pressure on the housing market, and 21% said migrants put a strain on infrastructure. Comparatively, of those who said the target should be lifted, 24% said New Zealand

had a duty to help people get a better life, 21% said immigration helped the labour force, and 19% said New Zealand had the space to accommodate higher population numbers.⁴ Although future attitudes are unforeseeable, it is likely the positive (and improving) attitudes towards migrants in the surveys may stall or even reverse by the next biennial poll. Immigration has gained much greater prominence recently as net migration numbers turned positive in 2012 and continue to climb. Higher levels of immigration are perceived to put pressure on other areas in society, such that people may feel worse off. Immigration is a major political issue ahead of the 2017 election, leading to more media coverage of the issue (causation may indeed run the opposite way).

SPILL-OVERS

The spill-over effects of immigration can be seen in housing, particularly in Auckland. Residential property prices in New Zealand's biggest city have risen in double digits since 2011, such that the average house price recently breached the \$1 million mark.⁵ The median multiple, a measure of how many years of the median household income are needed to pay off the median house price, of Auckland shows how far affordability has declined. Economists consider housing to be affordable when the median multiple is 3 or lower. In 2013, Auckland's median multiple was 6.4, and in 2016 Demographia put it at 9.7.⁶ The Initiative's housing research blames restrictive planning policy and resistance to urban development. However, against a policy-induced, near-fixed supply, additional demand for housing must contribute to rising prices.

The population pressure from migration is also spilling into areas such as education and healthcare, requiring the government to invest in schools and hospitals. Even local authorities are

³ Ibid. 18.

⁴ Ibid. 16.

⁵ Susan Edmunds and Sam Sachdeva, "Auckland's \$1m average house price 'scandalous' – Labour," *Stuff* (6 September 2016).

⁶ Demographia, "12th Annual Demographia International Housing Affordability Survey: 2016" (Christchurch: Demographia, 2016).

feeling the impact of migration on their balance sheets. Auckland saw an additional 43,000 cars on its roads in 2016 over the previous year, partly due to people moving to the city.⁷ This required Auckland Council to invest in roading and public transport infrastructure to control traffic congestion. Increasingly, local politicians are calling for central government to ease pressure on Auckland.⁸ The average Aucklander may accept these spill-over effects as the price for access to skilled immigrants if skills are in short supply in New Zealand. But they fear migrants are working in sectors where there are no skills shortages, dragging down wages for native-born New Zealanders.⁹ This has spilled over into media coverage – journalist Duncan Garner questioned the government’s decision to issue residency permits to 213 bakers, 600 restaurant managers, and 98 customer service managers.¹⁰ The influx of foreign workers is seen to increase competition for jobs and lower wages. Political parties on the Left have picked on this perception and accused the government of using high levels of immigration to boost overall GDP, as new migrants boost spending, at the expense of GDP per capita, which has stalled.¹¹ Indeed, New Zealand’s GDP rose 0.5% in the March 2016 quarter compared to the year earlier, while GDP per capita rose by 0.1% over the same period.¹² Labour also highlighted unscrupulous employers exploiting immigrants, who have poor support networks and labour law knowledge, by paying them below minimum wages and employing them in unsuitable conditions.¹³ Where employment is a visa condition, employers may use this power to force migrants to work under illegal conditions.

Immigrants are also seen as soft targets for criminals – in fact, a pro-immigrant party formed in 2016 has law and order as its main policy focus.¹⁴

EXPLOITABLES

The immigration system is open to abuse by unscrupulous parties. For example, the government is revoking visas issued to a number of Indian students. These students had paid an India-based third party to arrange the process, who then used false information to obtain the visas.¹⁵ Judging by the reaction in the media, this abuse of process clearly offends New Zealanders’ sense of fairness, particularly where there are already concerns about job and wage competition from foreigners.

There is also the changing nature of immigration. For much of the 20th century, the majority of people moving to New Zealand came from English-speaking countries, whose culture and history were largely similar. But New Zealand has since moved to the points system, allowing people from significantly different cultures and ethnicities to migrate. Auckland’s Asian population has grown significantly in recent years, such that Asians now make up over 35% of the population in Howick and Whau.¹⁶ Populist political parties like New Zealand First seized the fear of parallel communities to stir up support in the 2014 election,¹⁷ and many commentators expect party leader Winston Peters to do so again in 2017.¹⁸ Many Māori too are concerned about immigration, seeing it as a threat to their unique position as the first people to settle in New Zealand.

7 Maria Slade, “43,000 more cars on Auckland’s roads leads to increased congestion,” *Stuff* (24 March 2016).

8 Bernard Orsman, “Cut immigration to ease housing woes, says Auckland mayoral candidate Phil Goff,” *The New Zealand Herald* (28 August 2016).

9 Michael Reddell, “Skills-based migration: q to v,” *Croaking Cassandra, Blog* (14 August 2015).

10 Duncan Garner, “The Kiwi con – Why are we bringing in cafe and retail workers?” *Radio Live* (17 August 2016).

11 Hamish Rutherford, “New Zealand’s economic growth driven almost exclusively by rising population,” *Stuff* (16 June 2016).

12 Statistics New Zealand, “Gross Domestic Product: March 2016 quarter,” Website (16 June 2016).

13 Iain Lees-Galloway, “Immigration – It’s about basic fairness,” Labour Party, Website (2 June 2016).

14 Jenna Lynch, “NZ’s first political party dedicated to immigrants,” *Newshub* (29 August 2016).

15 *Radio New Zealand*, “Indian students to be deported over fake documents,” Website (28 August 2016).

16 Statistics New Zealand, “2013 Census QuickStats about culture and identity,” Website (15 April 2014).

17 Bernard Hickey, “NZ First’s Winston Peters attacks Government on high number of Chinese parents applying for parent reunification category of migration,” www.interest.co.nz (17 June 2014).

18 Karen Tay, “Kiwi challenge: Let’s not have a despicably racist immigration debate this time,” *The Spinoff* (8 September 2016).

A BRIEF HISTORY OF POST-WAR IMMIGRATION

New Zealand's modern immigration programme began after World War II with the assisted settlement scheme, where British and Irish citizens (particularly ex-servicemen) were sponsored to move to New Zealand. The scheme was later amended to include single men and women from select countries like the Netherlands, and refugees from post-War Europe. The flow of migrants increased in the 1950s with New Zealand's economic prosperity and faster modes of travel.

Net migration continued to be positive in the early 1960s on the back of a strong economy, prompting policymakers to introduce more stringent legislation. In 1964, the *Immigration Act* was enacted, requiring all people (except British, Canadian and Irish citizens) seeking to enter New Zealand to hold a permit. The Act also set rules by which migrants who broke the law could be deported. Immigration declined in the late 1960s when global wool prices fell and economic growth slowed.¹⁹ Net migration recovered in the 1970s on the back of labour shortages, particularly from the Pacific Islands, with PLT arrivals peaking at 68,100 in 1974. Migration soon tailed off again after the United Kingdom joined the European Economic Community (EEC), ending New Zealand's preferred trading partner status, delivering a body blow to the economy.

In the 1970s, a major review of immigration policy ended the unrestricted access afforded to British, Canadian and Irish migrants. Free access to New Zealand, reciprocally bestowed on Australian citizens under the Trans-Tasman Travel Agreement, was extended to those born in the Cook Islands, Niue, and Tokelau, as well as Western Samoa to some degree. Migrants from select European countries could still apply for residence, but entry was granted based on the applicant's skills. In the same decade, the government-assisted immigration programme ended.²⁰ This status quo largely prevailed until 1987, when a review of the *Immigration Act* saw ethnic and nationalist immigration criteria jettisoned in favour of a greater focus on skills. Immigration law was again substantially amended in 1991 with the Immigration Amendment Act, which introduced the points system. This new measure allowed would-be migrants who met a specific points threshold to apply for residency, which was granted on a 'first-come first-serve' basis.

By the early 2000s, a significant residency application backlog, numbering in the tens of thousands, had developed. To address this, the Expression of Interest (EOI) scheme was introduced, aimed at selecting migrants whose skills were in high demand in the labour market.²¹ The system was later amended so migrants with sufficient points (140 or more) were automatically allowed into New Zealand. The remaining applicants were entered into a pool, with fortnightly drawdowns according to the points. Those who were successful were granted work-to-residency visas. After six months, applications remaining in the pool were automatically removed. This innovative policy, which has allowed the government to adjust migration flows according to changing domestic factors, has been copied by Australia and Canada.

¹⁹ Statistics New Zealand, "New Zealand's international migration statistics: 1922–2009," Website (2010).

²⁰ New Zealand Parliament, "Immigration Chronology: Selected Events 1840–2008," Website (15 April 2008).

²¹ Richard Bedford, "Competing for Talent: Diffusion of an Innovation in New Zealand's Immigration Policy," *International Migration Review* 48:3 (2014), 891–911.

BY THE NUMBERS

The above discussion about how New Zealanders regard immigration is far from exhaustive, but it captures the major themes being debated in the popular press and around dining room tables. Much of this report will evaluate these perceptions against economic theory, data and econometric analysis to assess the validity of these views. It is useful to examine the headline immigration numbers as they are often presented to the public.

INWARD AND OUTWARD

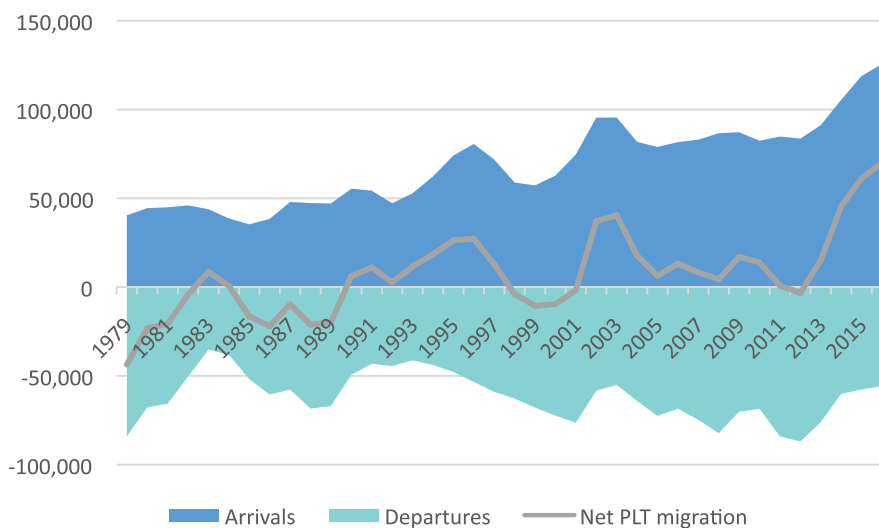
In the 2015–16 year, just over 125,000 people moved to New Zealand on a PLT basis and almost 56,000 people left the country on a long-term basis, leaving a net surplus of 69,000 for the year.²² These figures represent a sharp and sudden increase compared to traditional PLT net migration trends.²³ Figure 2 tracks inward migration against outward

migration, with the net result depicted by the green line. As of July 2016, it had been 38 months (more than three years) since migration recorded a net negative month. Policy can only influence this number to a limited degree.

ARRIVALS

Considering that New Zealand has a comparatively small population, these net annual migration figures can seem quite daunting, especially when 125,000 people moved here in 2015. That is equivalent to 2.7% of the country's population, up from around 35,000 arrivals in 1985. Economists Julie Fry and Hayden Glass note that New Zealand has one of the highest immigration arrivals rates in the developed world, with an inflow equivalent to 1.4% of the population from 2008 to 2013. This compares to an OECD average of 0.6% of the population.²⁴ However, this figure should be treated with caution. The term 'permanent

Figure 2: Permanent and long-term migration (1978–2016)



Source: Statistics New Zealand, "Permanent & long-term migration by EVERY country of residence and citizenship (monthly)," <http://stats.govt.nz/infoshare/>.

²² Statistics New Zealand, "Permanent & long-term migration by EVERY country of residence and citizenship (monthly)," <http://stats.govt.nz/infoshare/>.

²³ Statistics New Zealand, "New Zealand's international migration statistics: 1922–2009," op. cit. 9.

²⁴ Julie Fry and Haden Glass, *Going Places: Migration, Economics and the Future of New Zealand (BWB Texts, 2015)*, 9.

migration' is applied to any person leaving or remaining in the country for more than 12 months. This wide net catches many people who are only temporary visitors to the country, albeit from over a year, as well as returning New Zealanders. Of those who moved to New Zealand in the year ending July 2016, 36,000 were New Zealanders and Australians – immigration policy has little influence on this group. The biggest group was of people on work visas, at 39,000. This was followed by 27,000 students who had come to study in New Zealand.²⁵ A full breakdown of the PLT arrival numbers can be seen in Figure 3. These numbers are not to be confused with visa issuance. They are merely a tally of the different types of visas that PLT arrivals entered the country on.

In the 2014–15 year, just over 43,000 people were granted permanent residence. Of these, 56% were granted to skilled migrants or those who qualified for business, investment or work to residence visas; 35% were granted to family other than partner and children; and the remaining 9% were granted on humanitarian grounds or as part of

treaty arrangements with Pacific Island states.²⁶ It is also worthwhile noting the shifts in PLT arrivals over time (see Figure 4). Since 2004, the residence visa category has declined by 17%, while arrivals on temporary student and work visas rose sharply (118% and 158%, respectively). Australian and New Zealand PLT arrivals rose by 15%, visitor visas arrivals rose by 2.6%, while people arriving on other types of visas rose by 67%.²⁷

It is also important to note where the biggest flow of total PLT arrivals is coming from (including all PLT classes of visa). In the 2015–16 year, Australia was by far the biggest contributor, accounting for 20.6% of PLT arrivals, followed by the United Kingdom at 10.8%. India and China were next at 10.7% and 9.4%, respectively. Flows from these countries have come off very low bases (1979: India 184, and China 72) and grew rapidly as New Zealand's immigration system shifted to a points-based rather than a country-based format. In June 2016, 13,324 people arrived from India and 11,809 from China on a PLT basis. Flows from countries like Australia and the United Kingdom have grown, but at a more

Figure 3: PLT arrivals by visa type (June 2016)

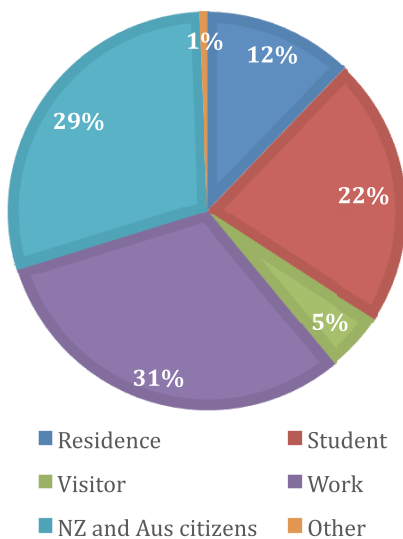
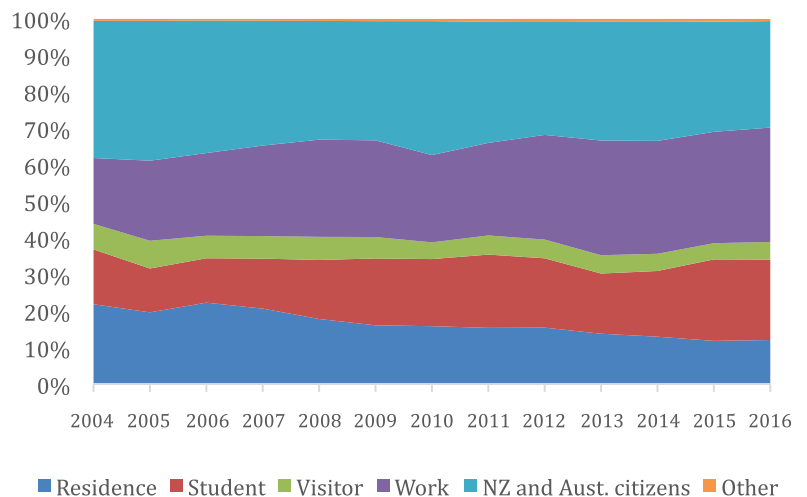


Figure 4: PLT arrivals by visa type (2004–16)



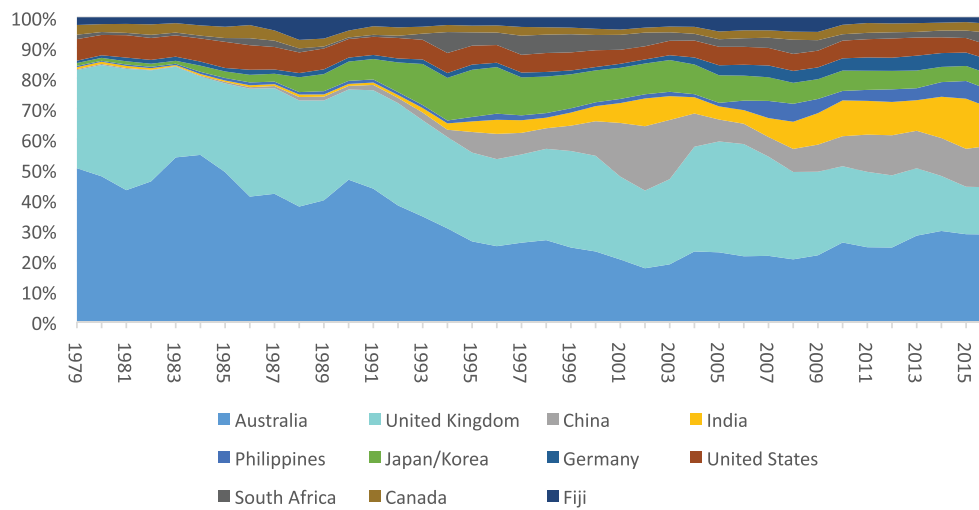
Source: Statistics New Zealand, “Permanent & long-term arrivals by country of residence and visa type (Annual-June 2016),” <http://stats.govt.nz/infoshare/>.

²⁵ Statistics New Zealand, “Permanent & long-term arrivals by country of residence and visa type (Annual-June 2016),” <http://stats.govt.nz/infoshare/>.

²⁶ Ministry of Business, Innovation and Employment (MBIE), “Migration Trends and Outlook 2014/2015” (Wellington: New Zealand Government, 2015).

²⁷ Statistics New Zealand, “Permanent & long-term arrivals by country of residence and visa type (Annual-June),” <http://stats.govt.nz/infoshare/>.

Figure 5: PLT migration by country of residence (origin) (1979–2015)



Source: Statistics New Zealand, “Permanent & long-term migration by country of residence, age and sex (Annual-Jun),” <http://stats.govt.nz/infoshare/>.

modest pace (83% and 55% growth since 1979, respectively). The next biggest contributor in the 2015–16 year was the Philippines with 4.3% of total PLT arrivals (see Figure 5).²⁸

AU REVOIR

Departures tell the other side of the story. In 2015–16, just under 56,000 native-born Kiwis and permanent residence visa holders moved offshore on a long-term basis, mostly to Australia (23,770); the United Kingdom (9,420); the United States (3,223); and China (2,121).²⁹ But no telling of this story would be complete without addressing those who have chosen not to go.

Traditionally, many New Zealanders have moved to Australia for better jobs, reflecting Australia’s faster economic growth. The result is that for many decades, New Zealand has seen more native-born people leave the country than have returned.

After the global financial crisis the UK and Australian economies remained stagnant, but the New Zealand economy returned to growth after the

Christchurch earthquakes – and the trend reversed. Many New Zealanders chose to stay at home, even as the number of returning Kiwis increased (albeit at a marginal pace) (see Figure 6). In 2015–16, just over 22,000 native-born New Zealanders returned, up from almost 20,000 in 2002 (the last year in the current data series). In the same year, almost 26,000 Kiwis left the country for more than 12 months. This was much lower than the 36,000 Kiwis who left in 2002, and the 50,000 in 2012 after the Christchurch earthquakes. The net loss of native-born New Zealanders in 2016 was 3,200, the lowest in the current PLT data series.³⁰

SKILLS TO PAY THE BILLS

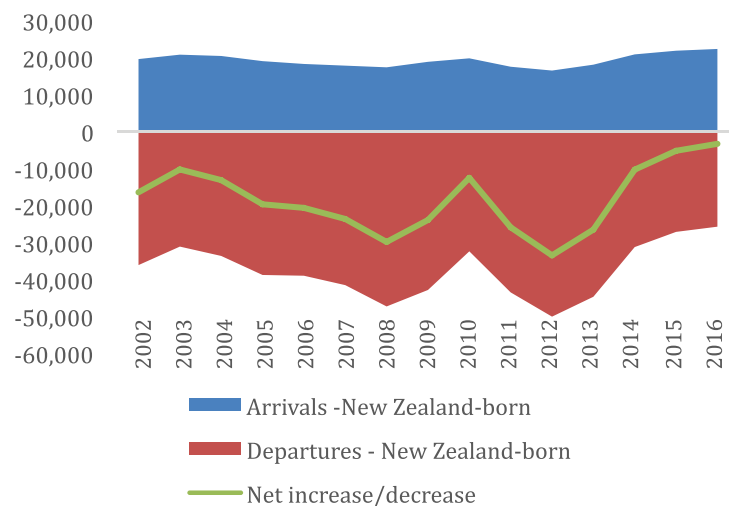
One of the rationales underpinning New Zealand’s immigration system is it attracts skills the country may have lost through emigration or are missing due to the country’s small size and isolation. Table 1 shows how many skills New Zealand loses through emigration, though these figures should be treated with caution as the departure data does not capture native-born departures, or distinguish between those who may have been in the country

²⁸ Statistics New Zealand, “Permanent & long-term migration by country of residence, age and sex (Annual-Jun),” <http://stats.govt.nz/infoshare/>.

²⁹ Ibid.

³⁰ Statistics New Zealand, “Permanent & long-term migration by country of residence, citizenship and birthplace (Annual-Jun),” <http://stats.govt.nz/infoshare/>.

Figure 6: New Zealand born arrivals and departures (2002-16)



Source: Statistics New Zealand, “Permanent & long-term migration by country of residence, age and sex (Annual-Jun),” <http://stats.govt.nz/infoshare/>.

as a worker or as a long-term visitor. And, even more importantly, trying to balance inflows and outflows of any particular profession would be a mistake if New Zealand’s demand for different skills shifts over time.

Historically, New Zealand’s skilled migrants came from Europe, particularly English-speaking countries, but most of the current migrants come from Asia. In the 2014–15 year, 21% of all skilled migrants came from India, 13% from the Philippines, and 11% from the United Kingdom. Tellingly, the number of migrants from the two Asian countries rose by 21% and 17% respectively from the year before, whereas the number of skilled migrants from the United Kingdom fell by 11%.³¹ Table 2 lists the main occupations for which skilled migration visas were granted in this period.

Unsurprisingly, given it is New Zealand’s biggest city, many of these skilled migrants will settle in Auckland. In fact, the city accounts for more than its population share, with 49% of those granted skilled migrant visas in the 2014–15 year settling in the Auckland region, whereas the city is home to just over a third of the country’s population.

³¹ Ministry of Business, Innovation and Employment (MBIE), “Migration Trends and Outlook 2014/2015,” op. cit. 50.

Canterbury claimed the next biggest share, at 15%, partly due to the earthquake repair work in Christchurch, and 11% moved to the Wellington region. Overall, these flows were comparable with the previous 12 months.³²

FOREIGN AFFAIRS

Student visas make up another growing PLT migration category, reflecting moves by higher education providers to capture more of the international student market. Foreign students paid \$1 billion in fees in 2016.³³ In the 2014–15 year, more than 85,000 student visas were issued, up from 18,000 in 1998.³⁴ This includes full fee paying students and their dependents, English-language students, exchange students, and section 61 visa holders (special administrative visa for overstayers). Private training establishments accounted

³² Ministry of Business, Innovation and Employment (MBIE), “Migration Trends and Outlook 2014/2015,” op. cit. 56.

³³ Simon Wong, “At a glance: NZ’s \$1b international student industry,” *Newshub* (5 July 2016).

³⁴ Ministry of Business, Innovation and Employment (MBIE), “Migration Trends and Outlook 2014/2015,” Number of people granted student visas by policy, 1997/98–2014/15, op. cit. temporary visa holders.xlsx.

Table 1: Departures from New Zealand by profession

Occupation	Number	%
Managers	2800	4.88
Professionals	10,759	18.75
Technicians and Trades Workers	4325	7.54
Community and Personal Service Workers	4107	7.16
Clerical and Administrative Workers	2004	3.49
Sales workers	2256	3.93
Machinery Operators and Drivers	1039	1.81
Labourers	1745	3.04
Response unidentifiable	3363	5.86
Response outside scope	23,014	40.10
Not stated	1984	3.46
Total	57,396	100.00

Source: Statistics New Zealand, “Permanent & long-term migration by country of residence, occupation (ANZSCO major) (Annual-Jun),” <http://stats.govt.nz/infoshare/>.

for 38% of all fee paying student visas in 2014–15, universities accounted for 28%, polytechnics 16%, and primary and secondary schools 17%.³⁵ The top four source countries for student visas in the 12-month period were China (22,954, or 27.1%), India (19,305, or 22.8%), South Korea (4,832, or 5.7%), and Japan (3,347, or 3.9%).³⁶ New Zealand also issues temporary work visas, principally in the form of working holiday, special purpose, study to work, work to residence, and horticulture and viticulture seasonal work visas. Most of these temporary visa schemes have seen significant growth in issuance in recent years. In the 2014–15 year, just over 61,000 working holiday visas were issued, up from 28,780 in the 2005–06 year, an increase of 113%. Over the same period, issuance of specific purpose visas rose by 99% to 16,589, study to work rose by 115% to 13,688, and horticulture and viticulture visa issuance rose by 360% to

³⁵ Ibid. Number of people granted full fee-paying student visas by institution type and source country, 2014/15, temporary visa holders.xlsx.

³⁶ Ibid. Number of people granted student visas by source country, gender and age group, 2014/15, op. cit. temporary visa holders.xlsx.

Table 2: Main occupations for Skilled Migrant Category principal applicants (2014–15)

Occupation	2014–15	
	Number	%
Chef	699	7.2
Registered Nurse (Aged Care)	607	6.2
Retail Manager (General)	462	4.7
Cafe or Restaurant Manager	389	4.0
ICT Customer Support Officer	282	2.9
Developer Programmer	209	2.1
ICT Support Technicians	205	2.1
Software Engineer	147	1.5
Accountant (General)	138	1.4
Early Childhood (Pre-primary School) Teacher	127	1.3

Source: Ministry of Business, Innovation and Employment (MBIE), “Migration trends and outlook 2014–2015”; “Main occupations for Skilled Migrant Category principal applicants, 2014–15,” Website.

11,677. Only work to residence visa issuance declined in the nine years, falling by 11% to 2,861.³⁷ Many PLT visas are granted on a temporary basis, but there is provision to allow some to transition to full residency. The conversion of temporary family visas to full residency makes up the greatest proportion in all the three periods of data available from the Ministry of Business, Innovation and Employment (MBIE), followed by essential skills, and then study to work (see Table 3).

CONCLUSION

New Zealanders generally are positive about immigration, albeit tipped slightly in favour of arrivals from Britain and Australia. These attitudes are becoming more favourable, and four in five New Zealanders believe the country’s culture and society are improved by immigrants, and almost seven out of 10 New Zealanders believe migrants make a positive contribution to the economy. Even so, surveys of public sentiment show people are

³⁷ Ibid. Number of people granted work visas by policy, 1997/98–2014/15, op. cit. temporary visa holders.xlsx.

Table 3: Proportion of temporary visa holders gaining residence within three years

Temporary work policy	Number approved 2009/10	% granted residence by 30 June 2013	Number approved 2010/11	% granted residence by 30 June 2014	Number approved 2011/12	% granted residence by 30 June 2015
Working holiday schemes	38,870	3	42,129	4	41,817	4
Family	14,069	63	13,503	63	14,503	65
Essential skills	9,778	40	10,245	40	11,561	38
Study to work	7,644	42	8,164	41	10,122	39
Horticulture and viticulture seasonal work	4,432	3	4,109	2	4,514	3
Work to residence	2,181	66	2,285	68	2,310	68
Total	77,341	18	81,891	17	84,936	18

Source: Ministry of Business, Innovation and Employment (MBIE), “Migration trends and outlook 2014–2015: Transitions and retentions,” Website.

concerned about competition for jobs and housing, particularly after the government disclosed its long-standing 45,000 PLT per year target.

The attitudinal survey suggests there is only a partial awareness of the immigration system. For the time poor layperson looking for information on migration in New Zealand, three data points need to be kept in mind. First, while 125,000 people arrived in New Zealand on a PLT basis in the 12 months ending June 2016, once departures are factored in the net figure is 69,000. Second, PLT immigration captures many people who are in New Zealand for more than 12 months, but that does not necessarily mean they are here permanently.

Almost 60% of PLT migrants fall into this category (student, working, and visitor visa holders). Official figures show less than 18% of first-time temporary visa holders gain permanent residence after three years.³⁸ Third, New Zealand’s comparatively good economic performance and Australia’s relatively weak performance recently means fewer New Zealanders are choosing to leave the country. In the 2015–16 year, 26,000 Kiwis left the country on a long-term basis, the lowest level since 2002 (the first years in the current data series). Once the 22,000 returning Kiwis are factored in (a record high), the net loss of native-born New Zealanders was 3,200, the lowest level on record.

**THE
NEW ZEALAND
INITIATIVE**

³⁸ Ministry of Business, Innovation and Employment (MBIE), “Migration trends and outlook 2014–2015: Transitions and retentions,” Website.

CHAPTER TWO

THE NEW ZEALAND WAY

While many of the concerns New Zealanders have about immigration can be assessed empirically, other concerns strike a deeper chord which evidence cannot prove or disprove – the concern that a large inflow of people from abroad could threaten our national identity.

The public quite rightly wants reassurance that the kinds of migrants entering New Zealand are going to fit into our society and way of life. From the perspective of the authors (or at least as we aspire it to be), this way of life is characterised by meritocracy, freedom of association and speech, and equality before law. Within New Zealand, people are free to pursue their beliefs, be they spiritual or corporeal, provided these do not impose on other people's pursuit of the same.

The corollary of this expectation is the system should stop 'undesirable' people from moving to New Zealand. Undesirable is a broad term but in this context it means views and actions antithetical to New Zealand culture. While broad, this definition would not exclude a law abiding person from settling in New Zealand simply because their race, creed or religious views differ from the majority. Our definition focuses instead on extremists who seek to impose their views on society by illegal or forceful means. An undesirable person in this context might be a white supremacist or a Muslim fundamentalist who wanted to move to New Zealand to break the law or incite others to do so.

A QUESTION OF NATIONAL IDENTITY

When the immigration debate veers into the territory of national identity, a natural question is: "What does it mean to be a New Zealander?" To answer this question (if it is even possible to do so) would require more investigation than can

be offered in this report, but it is still helpful to explore the question as it relates to immigration.

Broadly speaking, a citizen is anyone born in New Zealand or born overseas to a New Zealand citizen.³⁹ New Zealand's large diaspora⁴⁰ means a large number of New Zealand citizens have never stepped foot on New Zealand soil. Hence, the notion that citizenship automatically implies a national identity moulded by lifetime exposure to a shared culture is questionable. If national identity has any more meaning than a mere tautology, then it surely transcends the legal definition of citizenship.

Surely too it would be silly to insist birth in New Zealand is a necessary or sufficient requirement to be considered a true Kiwi. Would the likes of Russell Crowe, who was born but not raised in New Zealand and rejects any affinity with New Zealand, be more worthy of the title 'New Zealander' than the one in four people in the country who were not born here?

What is required to be considered a true New Zealander cannot be defined by a single objective criterion. Perhaps the only definitive statement about what it means to be a New Zealander is there is no single definition we can all agree on. Hence, where some people may embrace migrants as New Zealanders by right of self-identification, others may be less inclined to do so.

So instead of trying to answer an unanswerable question, we evaluate evidence of immigration creating 'broadly corrosive' effects on New Zealand's culture and way of life.

³⁹ Department of Internal Affairs, "New Zealand citizenship by descent," Website.

⁴⁰ Statistics New Zealand estimates that at least 600,000 people born in New Zealand live overseas. Statistics New Zealand, "At least 1 million New Zealanders live overseas," Website.

ROAD TO RADICALISM

A commonly cited concern in the immigration debate is of extremism. The fear of importing extremism through the migration channel is not unreasonable. The bombing of the Brussels Airport in 2016, in which 32 people were killed,⁴¹ or the Bataclan theatre attack in Paris where 90 people were murdered, shows just how real the risk is.⁴² The chance of it happening here may be low, but it still generates significant political attention. Research in the United States shows foreign-born nationals are the greater source of danger (90%) in committing terrorist acts, killing 3,432 people between 1975 and 2015, including the 9/11 attacks, where nearly 3,000 people died.⁴³ That fear of terrorism has grown with the rise of extremist groups like ISIS (Islamic State of Iraq and Syria), whose stated aim is to establish a worldwide Muslim caliphate governed by strict Sharia law.

Many New Zealanders fear an attack of this nature, and indeed security experts have warned that terror events here are almost “inevitable”.⁴⁴ A natural extension of this fear is to prevent such attacks. If that requires stricter immigration controls and limits on immigration from certain countries, some people regard it as justifiable action to keep New Zealand safe. For example, Winston Peters says New Zealand’s “open-door immigration policies” were “importing fanatics”.⁴⁵ In an open society like New Zealand, these fears could be dismissed as xenophobia. That would be a mistake. While there may be an undercurrent of racism in the immigration discourse, it is rational to be concerned about immigration as a pathway to extremism in similar democracies. However, any policy response to alleviate these fears must also reduce the risk of extremism.

41 BBC, “Brussels explosions: What we know about airport and metro attacks” (9 April 2016).

42 BBC, “What happened at the Bataclan?” (9 December 2015).

43 Alex Nowrasteh, “Terrorism and Immigration: A Risk Analysis,” Policy Analysis 798 (Washington, DC: Cato Institute, 2013).

44 Mathew Dearnaley, “Terror attacks spark alerts,” *The New Zealand Herald* (25 November 2015).

45 Kevin Taylor and Claire Harvey, “Peters warns of Muslim serpents,” *The New Zealand Herald* (29 July 2005).

FORTRESS NEW ZEALAND 2.0

Banning or dramatically cutting the flow of migrants from certain countries may shield New Zealand by reducing the risk of foreigners carrying out extremist acts. But this would require a tough trade-off. New Zealand is a trading nation, and has to buy and sell goods and services with other countries.

Tightening the current migration settings will probably do very little to lower the threat of a terrorist attack in New Zealand for two reasons. First, terrorists are unlikely to go through the immigration system, instead entering the country as tourists. The chance of being killed by a refugee on US soil is 1 in 3.64 billion per year (permanent migrants and refugees would receive similar levels of pre-screening). By contrast, the chance of being murdered by a foreigner on a tourist visa is 1 in 3.9 million per year.⁴⁶ This is borne out when examining the visa status of the terrorists who perpetrated the 9/11 attacks. Of the 19 attackers, 13 entered the country on tourist or business visitor visas, four had legal non-migrant status, and two held student visas.⁴⁷ Even this risk is small compared to the domestic risks in the United States. To put this into perspective, a US resident is 253 times more likely to die in a terrorist attack committed by a native-born terrorist than a foreign-born terrorist.⁴⁸ This suggests the risks of a terrorist attack perpetrated by a foreigner in the United States decrease the longer that person stays in the country. This makes sense because refugees have to pass strict background checks before being accepted by a host country, as do migrants. Terrorists who wish to avoid this additional scrutiny will most likely opt for the easiest means of gaining access into a country, namely as a tourist or a student.

Although no similar risk assessments have been done in New Zealand, it is reasonable to expect the same outcomes here. But given that tourism accounts for about 17% of New Zealand’s export

46 This data includes the 9/11 attacks in the United States.

47 Federation for American Immigration Reform (FAIR), “Identity and immigration status of 9/11 terrorists,” Website.

48 Alex Nowrasteh, “Terrorism and Immigration: A Risk Analysis,” op. cit. 2.

earnings and almost 5% of GDP, few people call for limits on tourists.⁴⁹ Furthermore, the risk posed by tourists needs to be put into perspective. In the year ending July 2016, 3.3 million visitors arrived in the country.⁵⁰ Over the same period, no terror-related incidents occurred.

THE DANGER WITHIN

The second reason tightening migration settings may not meaningfully reduce the risk of extremism is many terrorists are often citizens of that country. Second generation radicals tend to be native-born citizens whose parents migrated to the host country, and subsequently subscribed to extremist views. For example, Omar Mateen killed 50 people and wounded 53 others in an attack on a gay nightclub in Orlando, Florida, in 2016. Mateen was born in America to Afghani emigres.⁵¹ Second generation terrorism is not just an American problem. Andrew Zammit found that of the 33 people prosecuted for jihadist activities in Australia before 2011, 55% were born in Australia and a further 30% arrived in the country before adulthood (most before the age of 10).⁵² While there were some strong ethnic links (60% of those charged were of Lebanese origin), it was not a clear cut measure. That was because 10% of those charged were from Anglo-Australian families, and the remaining from Somali, Pakistani, Jordanian, Bangladeshi and Algerian backgrounds.⁵³ It is pointless to expect the immigration system to screen would-be migrants for acts of terrorism their children may perpetrate in the future. Some may argue that tight limits on Islamic immigration may reduce the risk of terrorism, but such thinking

is out of kilter with the *New Zealand Bill of Rights Act*.⁵⁴ Most New Zealanders would consider it unthinkable to deny certain native-born people the freedom to have a family because their ethnicity is over-represented in crime statistics. If we do not accept this kind of theoretical argument for the native-born, it should also be rejected for migrants.

The immigration system also cannot stop the means by which many second generation migrants are radicalised. Some native-born are also radicalised by increasing Internet propaganda. Governments can try to keep radical preachers from entering the country, but cannot stop radical messages from being transmitted over the Internet. Research by the Rand Corporation shows the ubiquity of the Internet allows the radicalisation process to occur without physical contact, and reduces the time it takes for an individual to become radicalised.⁵⁵

GOOD GARDENING

Immigration policy is only one of the tools that can restrict the seeds of extremist views from taking root in New Zealand – and it is an imperfect tool at that. However, for the seed of radicalism to germinate it requires fertile ground. Societies that fail to integrate immigrants are likely to leave members feeling separate or alien from the broader culture, and vulnerable to radicalisation.

A good example of failed integration is Germany. The country has for decades relied on Turkish migrants to fill labour gaps, but has made it onerous for them to take part in German society. These formal and informal barriers extend to citizenship, education and the ability to participate in the broader economy (Turkish workers typically fill low-skilled jobs). Indeed, for many years Turkish workers were officially seen as *gastarbeiter* (guest workers), with the expectation that their stay would be temporary despite many Turks

⁴⁹ Ministry of Business, Innovation and Employment (MBIE), “Key Tourism Statistics” (Wellington: New Zealand Government, 2013).

⁵⁰ Statistics New Zealand, “International visitor arrivals to New Zealand: July 2016,” Website.

⁵¹ Barney Henderson, Harriet Alexander, and Ruth Sherlock, “Omar Mateen: Everything we know so far about Orlando gunman,” *The Telegraph* (15 June 2016).

⁵² Andrew Zammit, “Who becomes a jihadist in Australia?” (Melbourne: Monash University, Global Terrorism Research Centre, 2013), 8.

⁵³ *Ibid.* 8.

⁵⁴ *New Zealand Bill of Rights Act 1990*.

⁵⁵ Ines Von Behr, Anaïs Reding, Charlie Edwards, and Luke Gribbon, “Radicalisation in the Digital Era” (Brussels: Rand Corporation, 2013), 17–19.

having settled permanently in Germany.⁵⁶ Any attempts to integrate the Turkish community into society have been on German terms, such that the Turks were expected to adopt German culture. Germany has two parallel cultures today: one German and mainstream, the other Turkish and marginalised.

The effects of parallel cultures in Germany are clear in a 2016 Gatestone Institute survey of Turkish immigrants. It showed that 51% of respondents felt like second class citizens in Germany, and 54% said they agreed with the statement: “Regardless of how hard I try, I am not accepted as a member of German society”. Almost half (47%) of ethnic Turks polled agreed with the statement: “Following the tenets of my religion is more important to me than the laws of the land in which I live”; 32% agreed with the statement: “Muslims should strive to return to a societal order like that in the time of Mohammed”; while 20% believed the threat the West posed to Islam justified violence.⁵⁷ Cultural and economic isolation creates fertile soil for radicalism. The pattern of migrant exclusion and the results have been repeated across Western Europe. In the first seven months of 2016, terror-related attacks were carried out in Ansbach, Brussels, Essen, Hanover, Paris (twice), Munich, Nice, Reutlingen, Valence and Würzburg.⁵⁸ This matches Zammit’s finding that the 33 individuals charged with jihadist activity in Australia had low occupational status, low educational attainment, and societal exclusion in common.⁵⁹

⁵⁶ Claus Mueller, “Integrating Turkish Communities: A German Dilemma,” *Popular Research Policy Review* 25:5–6 (2006), 419–441, 420.

⁵⁷ Soeren Kern, “Germany’s Turkish-Muslim integration problem: ‘My religion is more important to me than the laws of the land in which I live’,” Website (Gatestone Institute, 24 June 2016).

⁵⁸ Express Web Desk, “List of terrorist attacks that have struck Europe in 2016,” *The Indian Express* (25 July 2016).

⁵⁹ Andrew Zammit, “Who becomes a jihadist in Australia?” op. cit. 8.

KIWI YARDSTICK

The link between radicalisation and socioeconomic integration of migrants into society and the economy (or lack thereof) helps assess the situation in New Zealand. Signs of concern include high levels of migrant and ethnic clustering, coupled with high concentrations of unemployment and welfare dependency. Other warning signs are low levels of education attainment and negative attitudes towards New Zealanders and society at large. Admittedly these are broad measures, but they would still indicate where New Zealand has (or doesn’t have) a problem with immigrant integration.

So how does New Zealand fare on these measures?

Dividing the country to the meshblock level (geographic units roughly equivalent to a city block) shows clustering is happening among some ethnic groups in New Zealand, albeit on a limited scale. The number of meshblock areas with a majority Asian population rose from 230 in 2001 to 1,119 in 2013, a nearly fivefold increase. The proportion of New Zealand’s Asian population living in meshblocks as a majority also rose from 5% in 2001 to 20% in 2013.⁶⁰ Pasifika show same pattern – the number meshblocks with majority Pasifika population rose by 16% from 867 in 2001 to 1,009 in 2013 (but the proportion of Pasifika population living in majority Pasifika meshblocks declined from 30.5% in 2001 to 28.9% in 2013).⁶¹ Clustering outside these main ethnic groups was limited. In 2001, only two meshblocks out of almost 47,000 housed a population where the majority was of Middle Eastern, Latin American and African (MELAA) ethnicity.⁶² That rose to three meshblocks in the 2006 Census, but by 2013 no meshblock had a MELAA majority. And the MELAA category itself is very broad.

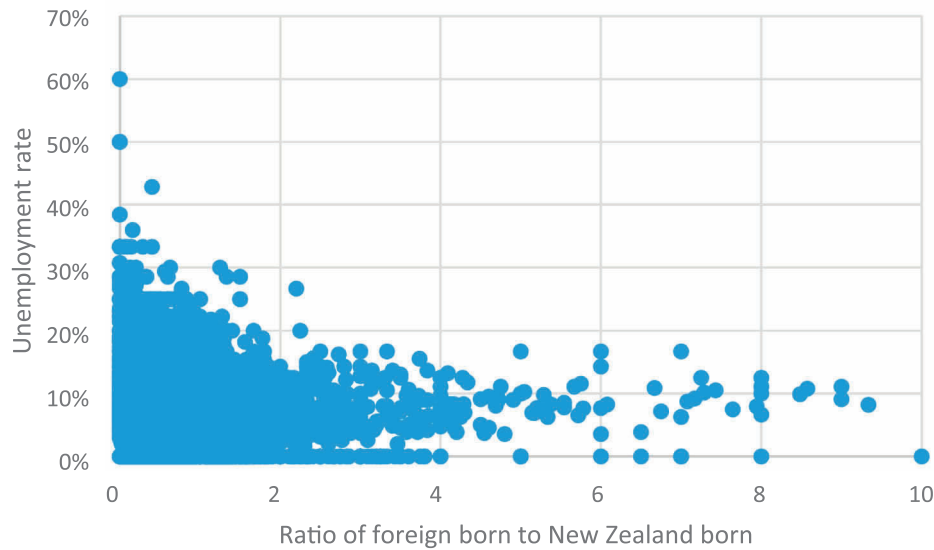
There is thus clear evidence of clustering but at a very low base. Meshblocks with Asian or Pasifika

⁶⁰ Authors’ calculations using Statistics New Zealand Census Data, 2001, 2006 and 2013.

⁶¹ Ibid.

⁶² Ibid.

Figure 7: Meshblock unemployment rates by ratio of migrants to New Zealand born for meshblocks with more than 20 people (2013)



Source: Authors' calculations using Statistics New Zealand Census Data, 2001, 2006 and 2013.

majority only account for 2.4% and 2.2% of all meshblocks, respectively. Furthermore, census data captures all those who claim Asian or Pasifika ethnicity, native- and foreign-born alike.

CONCENTRATED CONCERNS

Clustering by itself is not a problem unless associated with factors like high unemployment and low education attainment, which are precursors to radicalisation. To assess any association with ethnic clustering in New Zealand, we analysed the unemployment rate against the ratio of migrants to the native-born for meshblocks with more than 20 people using 2013 Census data (see Figure 7).⁶³ There is no indication that more foreign-born migrants are living in a meshblock relative to native-born New Zealanders increases the unemployment rate. This held true when filtering the results by specific Asian, Pasifika and MELAA ethnicities.

A similar pattern exists for welfare claims. Data from the New Zealand General Social Survey, which measures the wellbeing of New Zealanders aged 15 years and older, shows 20% of native-born respondents claimed some form of benefit in 2014 (accident compensation, unemployment benefit, sickness benefit, invalid benefit, domestic purposes benefit, student allowance, etc.).⁶⁴ By comparison, only 11.16% of migrants who had been in the country for fewer than five years claimed one or more of these benefits. The claim figure was 14.12% for migrants who had been in New Zealand more than five years, but it is still lower than that for native-born New Zealanders.⁶⁵ Controlling for education, age, sex and census year, migrants who have been in the country for fewer than five years were 7.8 percentage points less likely to claim a benefit compared to native-born New Zealanders. Established migrants were 1 percentage point less likely to claim benefits than native-born New Zealanders when also controlling for these factors.⁶⁶

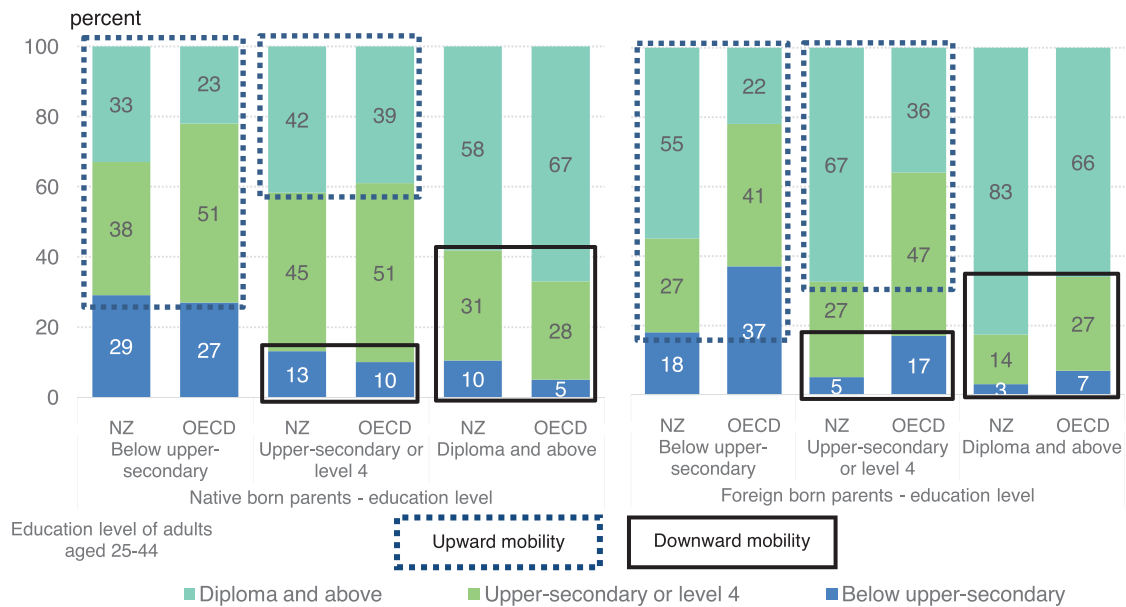
⁶³ Meshblocks of fewer than 20 people were removed to avoid skewing the data.

⁶⁴ Superannuation was excluded from this analysis because it was lumped together with private retirement schemes as a source of income.

⁶⁵ Authors' calculation based on the New Zealand General Social Survey in 2008, 2010, 2012.

⁶⁶ Ibid.

Figure 8: Intergenerational education mobility of 25- to 44-year-olds (2012 and 2015)



Note: Source is the Survey of Adult Skills. The reference year is 2012 for all countries, except for six countries including New Zealand, for which the reference year is 2015. Columns may not add to 100% due to rounding.

Source: Simon Crossan and David Scott, “How Does New Zealand’s Education System Compare? OECD’s Education at a Glance 2016” (Wellington: Ministry of Education, 2016), 37.

WE DO NEED AN EDUCATION

Based on the German and Australian examples, another radicalisation warning sign to watch out for is economic integration. A general rule of thumb is the more educated a population group, the more economic opportunities it has. Migrants who work as professionals with high earnings are unlikely to jeopardise their incomes and lifestyles by engaging in risky illegal activities associated with radical movements (though it is not foolproof). On this measure, New Zealand again scores well, with migrants enjoying high rates of education mobility. New Zealand, along with Australia, England, Estonia, Ireland and Israel, stands out for having higher education mobility among migrants than for native-born residents, whereas the trend runs the other way in the rest of the OECD (Figure 8).⁶⁷

In migrant families where the highest level of parental education is below upper-secondary level,

55% of children received diploma qualifications or higher, and 27% attained an upper-secondary qualification. For similar native-born New Zealand households, only 33% of children received a diploma qualification or higher, and 38% attained an upper secondary qualification. Where migrant parents had an upper secondary education, 67% of their children attained a diploma or higher, versus 42% for native-born Kiwis. Where parents had a diploma or higher qualification, 83% of migrant children achieved the same level of education attainment, while only 58% of native-born New Zealanders equalled the education status of their parents. If there is a concern with education mobility, it is with native-born New Zealanders, not migrants. There is a possibility that the difference in education mobility between native-born New Zealanders and migrants could cause resentment between these two groups. This is not evident in the attitudinal surveys, but is worth watching in future.

⁶⁷ Simon Crossan and David Scott, “How Does New Zealand’s Education System Compare? OECD’s Education at a Glance 2016” (Wellington: Ministry of Education, 2016), 37.

KIWI CONVERSION

The measures examined so far suggest New Zealand integrates migrants well and is unlikely to provide fertile ground for radical ideas. Indeed, many migrants feel part of the broader community and not alienated. In Auckland, for example, an extremist preacher was banned by the New Zealand Muslim Association for teaching “extreme Islam”.⁶⁸ This incident shows Moderate Muslims have the most to fear from extremist Muslims, and have a strong incentive to keep New Zealand free of such corrosive elements.

Likewise, Chinese businesses in Auckland’s Balmoral suburb strongly resisted plans by Auckland Council to brand the area ‘Chinatown’, despite more than half of all commercial interests in the area being Chinese owned. Businesses wanted to convey an “inclusive” message, and said turning the area into an official ethnic precinct would send the wrong message to non-Chinese visitors.⁶⁹ The degree of successful integration is borne out in the New Zealand General Social Survey: 87% of migrants felt they belong to New Zealand, compared to 98% for native-born New Zealanders.⁷⁰ The 11 percentage point gap is substantially better than in Germany, where half the migrant population felt like “second class citizens”.⁷¹ Migrants in New Zealand also enjoyed significantly better physical and mental health, and general life satisfaction scores than native-born Kiwis. There was also no significant difference in economic living standards between migrants and native-born Kiwis.

We do not want to suggest New Zealand is a paradise for migrants, free from challenge or adversity. When asked “In the last 12 months, have you been treated unfairly or had something nasty

done to you because of the group you belong to or seem to belong to?” 11.9% of migrants agreed, compared to 9.1% of native-born New Zealanders. Migrants also reported significantly higher than average scores to the question “In the last four weeks, how often have you felt isolated or alone?” On professional matters, respondents said they would like to work more hours, and reported lower typical work hours. Unsurprisingly, migrants were likely to report significantly lower job satisfaction.

Another concern is the exploitation of migrant workers. This is particularly likely where workers enter the country illegally and are vulnerable to exploitation as they cannot go to authorities without risking legal consequences. Amid rising immigration, more stories of exploitation are making the headlines. In 2016, Faroz Ali was found guilty of 15 human trafficking charges related to bringing in Fijian workers under false pretences and employing them illegally for long hours for little or no pay.⁷² The government and charity groups are increasingly aware of this problem. In 2015, the MBIE issued a report on the vulnerability of temporary workers employed in the Canterbury earthquake rebuild. While the extent of exploitation is difficult to determine, survey data and interviews with informants indicate it is occurring. Filipino workers, and those employed by labour hire and small companies, are particularly vulnerable.⁷³ Catholic charity Caritas Aotearoa New Zealand presented cases of migrant workers employed on substandard conditions involving below minimum wage payment, or working for no pay under the pretext of ‘trial periods’; cases of physical abuse were also reported.⁷⁴ The lack of official statistics due to the criminal nature of exploitation makes gathering data difficult to

⁶⁸ Lincoln Tan, “Imam banned in ‘extreme Islam’ row,” *The New Zealand Herald* (10 May 2014).

⁶⁹ Elesha Edmonds, “Opposition to branding Auckland’s Dominion Rd ‘Chinatown’,” *Stuff* (20 July 2015).

⁷⁰ Authors’ calculations, New Zealand General Social Survey in 2008, 2010, 2012, Statistics New Zealand.

⁷¹ Soeren Kern, “Germany’s Turkish-Muslim integration problem,” *op. cit.*

⁷² Olivia Carville, “Guilty: First human trafficking convictions in New Zealand,” *The New Zealand Herald* (15 September 2016).

⁷³ Ministry of Business, Innovation and Employment (MBIE), “Vulnerable Temporary Migrant Workers: Canterbury Construction Industry” (Wellington: New Zealand Government, 2015).

⁷⁴ Cathy Bi, “Stand Up for What’s Right: Supporting Migrant Workers” (Wellington: Caritas Aotearoa New Zealand, 2016), 26–30.

know the extent of the problem. Nevertheless, immigration policy should be tightened to prevent unscrupulous employers from abusing migrant workers. It is foremost a human rights issue.

Crimes committed by migrants is another area of concern. This is a rational response, particularly where foreign criminals make for good headlines, and assessing whether these reports are anecdotal or a signal of a wider problem is technically challenging. For example, the Ministry of Justice does not retain data on the birth place of offenders.

However, Statistics New Zealand's (SNZ) Integrated Data Infrastructure (IDI) helps match census data with people recorded by police as having committed an offence. Analysis from the IDI reveals that native-born New Zealanders were twice as likely to have been recorded as having committed a crime in 2013.⁷⁵ This result remains after controlling for gender, education, age, employment status, and residence in a rural or urban area.

This analysis should be treated with caution, though, as it was only possible to link 59% of identified offenders with their corresponding census records.⁷⁶ Nevertheless, the findings are broadly consistent with the trend of migrants integrating well in society. Given this, it seems reasonable to conclude that migrants are less likely to commit criminal acts in New Zealand than native-born.

CULTURAL DILUTION

Assessing a society's ability to integrate migrants also requires considering the effect migrants have on that society. Large and increasingly diverse waves of immigration in recent decades have changed the face of New Zealand in terms of ethnic composition, languages spoken, religions

practised, and the variety of goods and services used.

As of 2013, New Zealand's major population groups comprised of European (74%), Māori (15%), Asian (12%), Pasifika (7%), and MELAA (1%) ethnicities.⁷⁷ Some of the groups are growing at a faster rate than others. The number of Asians in the most recent census rose by 33% compared to 2006, and the MELAA category by 35%, albeit off a very low base. The rise in the number of people claiming European (14%), Māori (6%), and Pasifika (11%) ethnicity was more modest.

Cultural change need not be inherently deleterious to the host culture if migrants integrate well, but data from the New Zealand Election Survey suggests some New Zealanders do not agree. In 2005, 38.3% of native-born respondents agreed with the statement "Immigration is a threat to the New Zealand way of life". In 2011, 44.4% of native-born respondents agreed with the statement "Immigration threatens the uniqueness of our culture and society".⁷⁸ Of course, some of this fear is rooted in bigotry, but this does not mean such views should be dismissed, especially when the concern is shared by already marginalised groups such as Māori.

The Election Survey reveals that Māori are significantly less favourable towards immigration than other New Zealanders, and Māori are significantly more likely to want reduced immigration numbers. They are also less likely to think immigration is good for the economy, and more likely to see immigration as a threat. This finding remains even after controlling for age, religion, marital status, home ownership, household income, education, gender, and survey year.

⁷⁵ Only crimes committed in 2013 were included to capture as close a match as possible with individuals who would have been recorded in the 2013 Census.

⁷⁶ The ethnic composition of both the matched and unmatched records was very similar, raising confidence that the proportion of migrants and native-born offenders would have been similar in both sets.

⁷⁷ Statistics New Zealand, "New Zealand Census 2013," Website.

⁷⁸ The New Zealand Election Study has been surveying a random selection of New Zealanders on the electoral roll after each general election since 1990. The survey asks respondents a number of questions about their voting choices, political views, and demographic characteristics.

The Election Survey also asks respondents about their policy views. In 2002, 2005 and 2008, the survey asked: “Māori should be compensated for land confiscated in the past”. In these years and in 2014, the survey also asked: “References to the Treaty of Waitangi should be removed from the law”. Foreign-born respondents, on average, said Māori should not be compensated, and favoured removing Treaty references.⁷⁹ Migrant responses were very close to non-Māori New Zealanders.⁸⁰ This is clearly a concern for New Zealand, where Māori and the Treaty of Waitangi occupy a special cultural and constitutional role in society and national identity. Given the low barriers to obtaining voting rights in New Zealand, there may be a fear that allowing migrants to express these views at the ballot box would dilute Māoridom’s special standing.

The range of policy responses to this problem are fairly limited. Cultural education programmes for migrants may sound appealing, but it is unclear how successful they would be in changing views. Some migrants may simply see it as a tick box exercise to be endured to gain entry into the country, and may not have the intended effect on migrant attitudes towards Māori and their place in New Zealand.

We have also considered a values statement, such as the one used in Australia.⁸¹ All visitors to the country are required to sign this document, affirming to abide by Australia’s largely Western values. Although this idea is appealing, it has two main weaknesses. First, New Zealand has yet to formally define its cultural values. Unlike Australia, or many other nation states, New

Zealand does not have a single constitutional document. Instead, New Zealand’s constitutional laws are found in numerous documents, including the *Constitution Act 1986*, the Treaty of Waitangi, the Acts of Parliament, and so on. This allows the nation state of New Zealand to function, but does little to define what it is to be a New Zealander, and what set of national values need be upheld. Until this is done, it would be difficult to craft a robust and useful values statement. Even if it were possible, without constitutional protection, it would be subject to change according to political whim. Second, any values statement would still suffer from the pro forma weakness that a cultural education programme is subject to.

A partial answer to this problem may be to shift the burden from the immigration system to the education system. The national curriculum, which acts as a reference guide for schools in New Zealand, places significant emphasis on learning Te Reo and the cultural practices of Māori.⁸² This may do little to address concerns about the attitudes primary migrants have towards Māori in New Zealand, but may influence the attitudes of second generation migrants. This is far from a complete solution, and monitoring attitudes of migrants to Māori, and vice versa, is advisable.

CONCLUSION

This chapter sought to answer whether migration is making New Zealand less safe. This question is highly pertinent in an age of global terror, where groups such as ISIS are able to generate support for their cause in Western countries among disaffected migrants. It is a question we cannot answer definitively. What we have instead shown is a link between migrants who have been culturally and economically excluded from their host country and the receptiveness of these communities to extremist views, and how well or poorly New Zealand integrates its migrant populations.

⁷⁹ More specifically, for migrants the median response to both questions was neither agree nor disagree but when applying an ordinal scale to responses the mean value was slightly in favour of removing Treaty references and slightly opposed to compensation.

⁸⁰ Compared to migrants, non-Māori New Zealanders were less likely to respond neutrally, and were slightly more in favour of removing Treaty references and more opposed to compensation in the mean responses.

⁸¹ Department of Immigration and Border Protection, “Australian values statement,” Website.

⁸² Ministry of Education, “Curriculum Guidelines for Teaching and Learning Te Reo Māori in English-Medium Schools: Years 1–13” (Wellington: New Zealand Government, 2009), 23.

New Zealand fares well on these terms. Migrants overall do not tend to live in ethnic clusters. Even where ethnicity is concentrated, this is correlated with lower levels of unemployment. Migrants are also less likely to claim a benefit than native-born New Zealanders. The children of migrants also achieve notably higher levels of education than native-born New Zealanders.

These factors indicate New Zealand has the soft factors of migration right for now. When foreigners move here, they generally become part of society, as opposed to an ethnic group distinct from it. On

these measures, the risk of the immigration system acting as a pathway for extremists is low.

That said, the system is not perfect. One ongoing issue is the exploitation of migrant workers, who are brought into the country under false pretences and made to work for low wages and under conditions that breach New Zealand law. There are also cultural dilution concerns of the Māori community regarding high levels of immigration threatening their unique constitutional position in New Zealand. These areas require attention from policymakers if the current rates of immigration are to be maintained.

**THE
NEW ZEALAND
INITIATIVE**

CHAPTER THREE

POPULATION PRESSURES

New Zealand is well-placed to cope with many of the problems associated with migration, such as extremism, while benefitting from the cultural diversity that migrants bring. As one of the last settled land masses, New Zealand is by definition a nation of migrants, which may go some way to explain why it is easier for foreigners to integrate into the broader culture and economy.

Yet culture is not the only pertinent factor in assessing the effect migration has on New Zealand. Migrants need to satisfy basic needs, such as finding accommodation and getting a job. They also need to buy furniture, whiteware, food, and clothing for their everyday lives. As with everything, these actions come with costs and benefits. The current immigration settings can only be justified to the extent that the benefits exceed the costs. This chapter will focus on the impact of migration on housing and infrastructure, and the implications for long-term demographic change.

HARD TARGET

Before addressing these challenges, it is necessary to answer an oft-repeated question associated with immigration: “What is the right population size for New Zealand?” The motivation behind this question is the belief that a hard population target gives government a less arbitrary benchmark when setting immigration policy. For example, Green Party co-leader James Shaw wants to limit overall immigration to 1% of the resident population, including native-born New Zealanders returning from overseas.⁸³ This in turn will reduce the pressure on housing and infrastructure.

A hard population target would give policymakers more predictable population estimates in infrastructure planning. As appealing as this idea is from a planning perspective, the arbitrary nature of a target is a bigger concern. Some economists say policymakers should triple the population to 15 million by 2050,⁸⁴ which would be unthinkable for people who treasure New Zealand’s natural environment. Strong arguments can be made for both sides, but there is no definitive answer.

Furthermore, the flows of people in and out of New Zealand are highly volatile (Chapter 1), and subject to rapid changes in domestic and international factors. Immigration officials would need to constantly adjust settings to meet targets; information lags would complicate this process, making immigration that much more difficult and unpredictable for businesses and individuals alike. Lastly, restricting immigration and making it more risky for applicants is likely to reduce the number of people seeking to move to New Zealand. This would give policymakers fewer choices when seeking to adjust policy, straying further from the purpose of the skills based immigration system, namely to attract the best and brightest. A hard population target is thus not overly compelling.

HOUSING

Rising house prices is an increasingly discussed topic. Fast growing populations, particularly in urban areas, have increased the mean demand for housing. Migration is a major contributor to urban population growth. In an ideal world, the underlying market systems would automatically

⁸³ Jane Patterson, “Greens would cap migration at 1% of population,” *Radio New Zealand* (18 October 2016).

⁸⁴ New Zealand Institute of Economic Research (NZIER), “Grow For It: How Population Policies Can Promote Economic Growth,” Working Paper 2012/01 (Wellington: 2012).

adjust, such that as demand for accommodation rose and prices increased, developers built more houses. Likewise, cities would invest in infrastructure to accommodate more people.

However, that house prices have not stopped rising for a number of years means New Zealand has not reached this ideal place, and the system is not geared to cope with demographic shifts. The effect is most acute in Auckland, where about a third of the country's population lives. This section will focus on Auckland, although many of the same effects can be observed in other fast growing regions like Tauranga. The question is, "How does high net migration contribute to this problem?"

The roots of New Zealand's housing affordability problem are largely regulatory and political, with legislation and local democratic preferences constraining the supply of housing. Auckland's population grew from 1.1 million in 1996 to 1.6 million in 2015, an increase of 40%,⁸⁵ while housing prices rose significantly and well ahead of incomes. After the global financial crisis, Auckland's median multiple, the number of years of median household income needed to buy the median house, rose from 6.4 in 2011 to just under a multiple of 10 in 2016.⁸⁶ This makes Auckland one of the least affordable cities in the world in which to buy a house, after Hong Kong, Sydney and Vancouver.

In the midst of this housing crisis, the public, media and officials have relooked at immigration and its effect on house prices. A majority of migrants settle in Auckland, the country's biggest labour market. In 2014–15, Auckland saw 50,000 migrants (gross) move to the city on a long-term basis, followed by the Canterbury region (12,600) and the Wellington region (8,600).⁸⁷ Examining

these figures at face value shows why many people see reducing migration numbers as a means of cooling the housing market. Housing is a multifactorial problem that has taken decades to create, and arguably may take decades of careful policymaking to correct – and only if all goes well. Migration flows, on the other hand, are easier to control with the stroke of a pen. Auckland Mayor and former MP Phil Goff has said migration levels need to be reduced until the housing and infrastructure problems are resolved,⁸⁸ a call many opposition parties have taken up.⁸⁹ Such calls for action are understandable. However, like much of the debate on immigration, digging below headline figures tells a different story. Economists Bill Cochrane and Jacques Poot surveyed available evidence on the impact of net migration in New Zealand, and suggest migrants are not to blame for Auckland's housing woes, rather New Zealanders are.

They note that though high housing prices are correlated with high net migration, as both factors tend to occur when the economy is doing well, it does not mean causation. New Zealand's recent economic performance, certainly compared to Australia, has boosted consumer sentiment among native-born New Zealanders choosing to stay in the country, and that is driving demand for houses.

By comparison, high net PLT migration had a minor impact on house prices.⁹⁰ Many migrants are captured in the PLT migration data for staying in New Zealand for more than 12 months. But this need not mean they are moving here permanently. A foreign student, while a renter of accommodation, is generally not looking for or is in a position to buy a house, so is not competing

⁸⁵ Statistics New Zealand, "Estimated resident population for regional council areas, at 30 June (1996+) (Annual-Jun) Auckland Region," Website.

⁸⁶ Demographia, "12th Annual Demographia International Housing Affordability Survey: 2016," op. cit.

⁸⁷ Statistics New Zealand, "Permanent & long-term migration by age, sex and NZ area (Annual-Sep)," <http://stats.govt.nz/infoshare/>.

⁸⁸ *Stuff*, "How to solve Auckland's housing crisis – according to mayoral candidates," Website (4 October 2016).

⁸⁹ Iain Lees-Galloway, "Get real Mr Woodhouse: Review immigration properly," Labour Party, Website (5 September 2016).

⁹⁰ Bill Cochrane and Jacques Poot, "Past Research in the Impact of International Migration on House Prices: Implications for Auckland" (Hamilton: University of Waikato, 2016), 20–22.

directly with native-born New Zealanders in that part of the housing market. The same is true for PLT visitor and work visa holders (admittedly, they compete with native-born New Zealanders in the rental market). Collectively, these three categories accounted for 58% of all PLT arrivals in 2015–16.⁹¹ New Zealanders overestimate the effect of these migrants in the housing market when they assume that PLT arrivals all stay.

Cochrane and Poot note that migrants admitted into the country under the investor scheme are not buying houses as investments, instead favouring bonds, bank deposits, commercial property, and personal residential property.⁹² Overall, Cochrane and Poot say net migration would need to be of a more significant magnitude than at present to affect house prices. Furthermore, since net migration levels tend to be driven by factors outside of New Zealand government’s control, and there is a lag between migration policy changes and their effects, “It is unlikely to be useful to make changes to immigration policy to dampen Auckland house prices”.⁹³ Clearly all migrants need accommodation, and most do so initially through the rental market where they are in competition with native-born New Zealanders. However, the rental market is not showing the same signs of stress as the house buying market. Rental prices in Auckland rose by 0.2% in September 2016 compared to the same month a year ago,⁹⁴ but average property values rose by 13.8% over the same period.⁹⁵ This indicates other factors besides migration affecting house prices.

INFRASTRUCTURE

Housing prices are only part of the story, though. Whether property buyers or renters, migrants increase demand for infrastructure simply by moving to a city. This is due to the need for additional services, such as drinking water, or because higher levels of congestion makes it necessary to build more roads or increase public transport capacity in the absence of congestion charging.⁹⁶ Equally, new residents represent a stream of income for councils, directly in the form of property rates, or indirectly through rental payments. No research seems to have been conducted at a local level on whether the financial contribution of migrants sufficiently offsets the costs it imposes on local jurisdictions in the long run. But even if they do, the timing differences of when infrastructure costs must be paid and when councils collect rates can create financial and political issues at a local level. Raising taxes is never popular, particularly when the gains are seen as going to foreigners.

In May 2016, Finance Minister Bill English said long-hinted-at tax cuts were likely to be deferred in favour of servicing public debt and paying for infrastructure.⁹⁷ In July 2016, central government allotted a \$1 billion fund for infrastructure in fast growing areas.⁹⁸ This has to be paid from general taxes, which may prove financially and politically difficult. (See Chapter 6 for more policy responses.)

91 Statistics New Zealand, “Permanent & long-term arrivals by country of residence and visa type (Annual-Jun 2016),” op. cit.

92 Bill Cochrane and Jacques Poot, “Past Research in the Impact of International Migration on House Prices,” op. cit. 15.

93 Ibid. 3.

94 TradeMe, “Auckland and Wellington rents rise in quiet market,” Website (October 2016).

95 QV, “Residential house values,” Website.

96 Auckland authorities have long argued for the need for congestion charging to manage demand on the city’s motorways, but only recently has government seriously put the option on the table as part of the Auckland Transport Alignment Project. Auckland Transport Alignment Project (ATAP), “Demand Management Pricing Report – Evaluation of Three Representative Options,” Website (Wellington: Ministry of Transport).

97 Tracy Withers, “New Zealand defers planned tax cuts to meet debt repayment goal,” *Bloomberg* (11 May 2016).

98 Bill English and Nick Smith, “\$1b fund to accelerate housing infrastructure,” *Beehive* (3 July 2016).

FISCAL DISCIPLINE

Migrants tend to have a positive impact on the fiscal side of the government ledger. This may seem counterintuitive, especially based on international evidence. Research in America found that migrants caused significant fiscal drain between 1970 and 1990,⁹⁹ largely due to increased demand for government services like education, and barriers to social programmes for unskilled migrants.

New Zealand has a relatively generous welfare system and provides many services at no direct charge to the user. A liberal immigration system may allow entry to those who will do the minimum possible to be eligible for benefits and subsist off the production of others. The current system of collective support would be unaffordable if eligibility were granted too easily.

However, the points-based system goes a long way to minimise these risks. Skilled migrants who move here already have an education, and are less likely to need education services; low-skilled migrants are only in the country on a temporary basis. Likewise, the country's success at integrating migrants into the economy means they are less likely to use the welfare system for long (Chapter 2).

This is supported by a long-running series of government supported reports in New Zealand assessing the impact of migrants on the state's finances since the late 1990s. Continuing the trend in previous editions, the latest 2013 report found migrants contributed a positive \$2.9 billion to the coffers. On a per capita level, it was equivalent to \$2,653 per migrant.¹⁰⁰ This was largely due to an increase in the migrant population from 927,000 in 2006 to 1,098,000 in 2013. A substantial part of this growth were aged 26–64, a period when people are economically active and likely to contribute to tax revenues. Economically active people are also less likely to claim government entitlements.

⁹⁹ George J. Borjas, "The economic benefits from immigration," *Journal of Economic Perspectives* 9:2 (1995), 4.

¹⁰⁰ Ganesh Nana and Hugh Dixon, "Fiscal Impacts of Immigration in 2013" (Wellington: BERL, 2016), 17.

By comparison, native-born New Zealanders contributed a positive \$540 million, or \$172 per person. This reflected the older age structure of the native-born population, with 47% of this group in the economically active band in 2013, versus 60% for migrants. As the group of economically active native-born has shrunk, the native-born group claiming a benefit has grown. The effect of this can be seen in government spending on the native-born population, which rose by \$1,202 per person from 2006 to 2013.

Fiscal pressures are not measured on central government's financial position alone. Fast growing populations in various parts of the country have put pressure on the health system because funding is allocated on a flat basis.¹⁰¹ This means it 'catches up' after a period of strong population growth. Expanding District Health Board funding in real time with population growth would ease the pressures caused by high levels of migration.

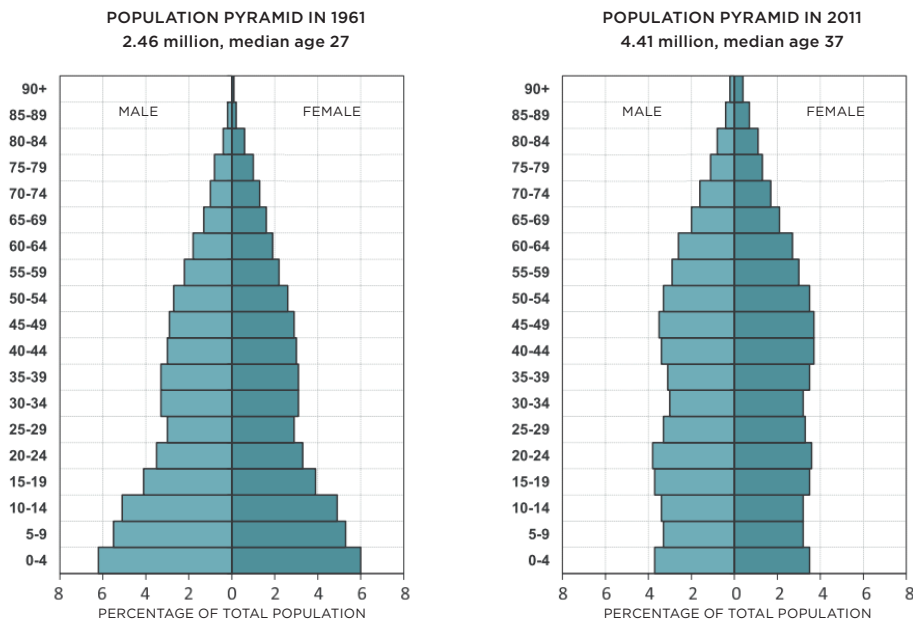
AGEING GRACEFULLY

Much of the focus has been on the short- and medium-term impact of migration, where it is easier to quantify the relative policy costs and benefits. Yet immigration could benefit the nation most in the long term with respect to New Zealand's ageing population. In the baby boomer years after World War II, families generally had more than two children. The population pyramid for 1961 (Figure 9) shows children below the age of four made up the biggest proportion of the population (6%), whereas economically active people (25–29 years) accounted for about 3% of the population.

The baby boomers were economically active and provided a wide tax base, which was used to pay for generous entitlements, such as superannuation, domestic purposes benefit, and public health services. But as the baby boomers are retiring, they are drawing more of these entitlements, leaving a narrower economically active base to pay for services. This problem has

¹⁰¹ Stacey Kirk, "Every DHB facing 'cost pressures' of millions – Labour," *Stuff* (2 November 2015).

Figure 9: Age structure of population (1961–2011)



Source: Statistics New Zealand, “National population projections: 2014 (base) – 2068,” Website (28 November 2014), 4.

been exacerbated by declining fertility rates and improved longevity due to improved medical technology and healthier lifestyles. The 2011 population pyramid looks more like minaret than a pyramid: 0- to 4-year-olds made up less than 4% of the population, compared with over 6% in 1961, while 25- to 29-year-olds remained largely unchanged (Figure 9).

These factors together have raised the national median age from 26 years in 1970 to 38 years in 2014. That is likely to increase to 40 years by 2030. By 2068, the outer bound of SNZ’s demographic projections, the median age could be as high as 45.¹⁰² The proportion of people aged 65 and older was 14% in 2014, and is expected to increase by 24–32% in 2068.¹⁰³

The dependency ratio compares the number of people in the two dependent age groups (between birth and 14 years, and 65 years and older) with

the number of working-age people.¹⁰⁴ In 2014, the dependency ratio was 22 per 100, up from 14 per 100 in the 1960s. By 2068, that ratio is expected to be as high as 56 per 100.¹⁰⁵ The dependency ratio is widening globally, with the exception of Africa, but most acutely in developed countries.¹⁰⁶ SNZ predicts that in 2068, only 2.1 people will be in the economically active band for every person over the age of 65, compared to 4.5 people in 2014.

The ageing trend has fiscal spill-over effects, particularly in retirement entitlements and healthcare spending, which will become increasingly burdensome as the population ages. According to Treasury, which uses the current fiscal policy settings as a baseline, government healthcare spending will grow from 6.8% of GDP in 2010 to 10.8% in 2060 – a four percentage point increase. Spending on New Zealand Superannuation is projected to grow from 4.3%

¹⁰² Statistics New Zealand, “National population projections: 2014 (base) – 2068,” Website (28 November 2014), 4.

¹⁰³ Ibid. 1.

¹⁰⁴ Statistics New Zealand’s survey does not account for older people remaining economically active after the retirement age.

¹⁰⁵ Statistics New Zealand, “National population projections: 2014 (base) – 2068,” op. cit. 7.

¹⁰⁶ United Nations, “World Population Ageing Report” (2015), 35.

Table 4: Treasury projections for government expenses, revenue and debt (2010–60)

% of nominal GDP	2010	2020	2030	2040	2050	2060
Healthcare	6.8	6.8	7.7	8.9	9.9	10.8
NZ Super	4.3	5.1	6.4	7.1	7.2	7.9
Education	6.1	5.3	5.2	5.2	5.1	5.2
Law and order	1.7	1.4	1.4	1.4	1.4	1.4
Welfare (excluding NZ Super)	6.7	4.8	4.4	4.2	4	3.8
Other	6.5	5.6	5.7	5.8	5.9	6.1
Debt-financing costs	1.2	1.8	2.5	4.2	7.1	11.7
Total government expenses	33.4	30.8	33.4	36.9	40.6	46.8
Tax revenue	26.5	28.9	29.0	29.0	29.0	29.0
Other revenue	3.2	3	3.2	3.2	3.3	3.6
Total government revenue	29.7	31.9	32.2	32.2	32.3	32.6
Expenses less revenue	3.6	-1.1	1.2	4.6	8.3	14.3
Net government debt	13.9	27.4	37.1	67.2	118.9	198.3

Source: Treasury, “Affording Our Future: Statement on New Zealand’s Long-term Fiscal Position” (Wellington: New Zealand Government, 2013).

of GDP in 2010 to 7.9% in 2060, a 3.6 percentage point increase.¹⁰⁷ The increase in welfare spending and flat tax revenue is projected to increase the government’s budget deficit from 1.8% in 2020 to 11.7% of GDP in 2060. The shortfall will be funded by borrowing, and net government debt is expected to rise from 27.4% of GDP in 2020 (30.36% in 2015¹⁰⁸) to 198.3% in 2060. See Table 4 for a full list of Treasury’s projections.

Treasury has identified a number of policies to alleviate the fiscal impact of the ageing population. These include raising taxes, cutting public spending, lifting the retirement age, and increasing migration. The Initiative’s own research found that focusing government’s non-transfer spending on public goods instead of on private goods is an effective means of reducing government

spending.¹⁰⁹ The latter category is particularly appealing because it means gaining access to skills without having to bear fiscal costs. Shortages in the US labour market have been filled by an influx of foreign workers in the past, traditionally from Latin-American countries and domestic groups that have previously under-participated in the economy, such as the black community.¹¹⁰ But the United States is expected to increasingly tap the international labour markets, particularly as the supply of skilled workers in less developed countries continues to grow. Similar research in Europe came to the same conclusions, provided the inward flow of migrants is managed well.¹¹¹

¹⁰⁷ Treasury, “Affording Our Future: Statement on New Zealand’s Long-term Fiscal Position” (Wellington: New Zealand Government, 2013), 3.

¹⁰⁸ Trading Economics, “New Zealand government net debt to GDP 1972–2016,” Website.

¹⁰⁹ Bryce Wilkinson and Khyaati Acharya, “Guarding the Public Purse: Faster Growth, Greater Fiscal Discipline” (Wellington: The New Zealand Initiative, 2014), 40.

¹¹⁰ Richard B. Freeman, “Is a Great Labor Shortage Coming? Replacement Demand in the Global Economy” (National Bureau of Economic Research: 2006), 7.

¹¹¹ Joan Muysken, “Immigration can alleviate the ageing problem” (Eipascope, 2008).

Migration thus has the potential to fill the gaps in the labour market that occur due to ageing.

To some extent this is already happening in New Zealand. A greater share of native-born workers have left the dairy industry due to ageing than in any other industry in the country; the number of young workers in the sector too has fallen. Both factors could have put the dairy industry into decline had foreign-born workers not filled the gap.¹¹² According to a Federated Farmers' report, foreign labour now accounts for 16% of the dairy sector's workforce.¹¹³ Of course, it could be argued that had migrants not replaced exiting dairy workers, wages may have been higher, or farm land prices would have been lower. We will address the effects of immigration on wages in Chapter 4.

All this bodes well for New Zealand, with its record of managing immigration inflows satisfactorily and integrating migrants into the broader community and economy. Although replacing the exiting workforce with migrants has merit, the idea should be treated with caution. International competition for skilled workers will increase as the world becomes more interconnected and the ageing problem worsens in developed countries.¹¹⁴ New Zealand, while an attractive destination in its own right, will struggle to compete with markets offering higher financial and lifestyle rewards.

Second, inward migration flows are pro-cyclical: permanent and long-term migration numbers rise when the domestic economy is doing well. Few migrants willingly risk moving to a country whose economy is struggling. Although policymakers may wish to spur economic activity to boost migration in the future, they have a limited ability to influence economic growth in the broader global context.

¹¹² Natalie Jackson, "Demographic Change in New Zealand's Dairy Farming Industry: The Need for a Cohort Perspective," *New Zealand Population Review* 39:77–99 (2013), 94.

¹¹³ Federated Farmers, "Employee Remuneration: Summary Report 2015/16" (Wellington: Federated Farmers, 2016), 12.

¹¹⁴ Statistics New Zealand, "National population projections: 2014 (base) – 2068," op. cit. 8.

Furthermore, outward migration from New Zealand is pro-cyclical with respect to international economic performance. Australia has long been the destination of choice for native-born New Zealanders due to its historically faster rates of economic growth and proximity to New Zealand.¹¹⁵ So just as government may encourage migrants to move to New Zealand as a replacement workforce, many young New Zealanders may move to other faster growing parts of the world.

These factors suggest migration by itself is not a silver bullet for the ageing problem. Nevertheless, policymakers need it as the fiscal implications of baby boomer retirement become more acute.

CONCLUSION

The effects of immigration in New Zealand cover the topics of housing, infrastructure and welfare. People want to know they will not be squeezed out of the housing market by cashed up foreigners, their rates bills will not skyrocket to pay for more roads to accommodate new arrivals, and migrants will not add to the welfare system burden taxpayers bear. Probably lurking in the back of many people's minds is who will pay for their welfare entitlements when they reach retirement age. This chapter sought to work out these matters on behalf of the public and media.

Common sense suggests high levels of inbound migration cause high house prices. However, a comprehensive review of recent economic literature in New Zealand suggests the relationship is correlated to the economic cycle. New Zealanders, feeling confident amid sound domestic economic growth rates and tepid employment opportunities offshore, are choosing to stay at home and invest in housing. It is Kiwis, not foreigners, pushing up house prices in Auckland and other fast growing areas. Changing immigration policy to influence house prices may not have the desired effect.

¹¹⁵ Julie Fry and Haden Glass, *Going Places: Migration, Economics and the Future of New Zealand*, op. cit. 9.

The same cannot be said of infrastructure costs. A growing population, whether natural or from migration, will increase demand for infrastructure, such as roads, footpaths, water pipes, libraries, highways and public transport. This infrastructure cost must be borne by local ratepayers and taxpayers alike, and may be an area where government could recover costs from migrants.

These infrastructure costs should be assessed against the drain or contribution migrants make to the government's books. The net fiscal

contribution from migrants tends to be larger than the contribution from native-born. In 2013, the net fiscal contribution from migrants was \$2,653 per capita, compared to \$172 for the native-born.

Lastly, like many developed nations, New Zealand is facing an ageing population, where the number of people claiming benefits outstrips those in the workforce paying for these benefits through taxes. Immigration, while no silver bullet solution, can play an important role at the margin to alleviate the impact of older people leaving the workforce on the government's fiscal position.

**THE
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CHAPTER FOUR

IT'S THE ECONOMY, STUPID

While the effects of immigration are broad, the economic impacts often receive the most focus. By and large, economists favour immigration as migrants benefit the countries they move to through knowledge spill-overs and global connectedness. Growing the population through immigration also produces 'economies of agglomeration' (i.e. the abilities of larger, denser populations to support more commerce and knowledge exchange). However, some contention remains. Economist Michael Reddell argues high levels of immigration may be indirectly adversely affecting productivity in New Zealand through interest and exchange rates.¹¹⁶ Likewise, concerns about migrants stealing jobs and lowering the wages of New Zealanders are rampant.

ECONOMISTS LOVE IMMIGRATION

One might expect pessimism from followers of the 'dismal science'.¹¹⁷ Yet, economists have a knack for seeing the bright side of issues others view with trepidation, particularly on immigration.

The IGM Economics Experts Panel regularly surveys economists on policy questions. Almost all experts agree that high-skilled immigration benefits existing residents, and the majority agree unskilled immigration would benefit existing

residents.¹¹⁸ In *The Myth of the Rational Voter*, Bryan Caplan examines the different views held by economists and the general public. One of the widest discrepancies is on immigration, where the public decisively viewed 'too many immigrants' as a reason for economic underperformance, and economists overwhelmingly viewed it as not being relevant at all.

An open letter emphasising the benefits of immigration to the US president and Congress in 2006 had no difficulty amassing more than 500 signatures, the majority from practising economists.¹¹⁹ It is telling that economists are so supportive of immigration when many of the popular arguments against immigration are economic.

WHY DO THEY LOVE IT SO MUCH?

To understand why economists generally favour immigration, think of the opposite. If immigration was not generally beneficial, why stop at the national level? Migration flows occur far more significantly within than across nations. Would stemming these domestic flows improve outcomes? Would Wellington's economy improve if we prevent Christchurchians and Aucklanders flooding in? Sure, some regions may decline when people emigrate but New Zealand, as a whole, benefits from citizens moving within the country to where they want to live and their skills are most needed.

¹¹⁶ Michael Reddell, "The long-term level 'misalignment' of the exchange rate: Some perspectives on causes and consequences," Presentation at the Reserve Bank/Treasury exchange rate forum (26 March 2013).

¹¹⁷ The derogatory label for economics as the 'dismal science' was coined by the pro-slavery Thomas Carlyle. Carlyle was incensed at the audacity of Adam Smith suggesting all human beings were the same and entitled to liberty. David M. Levy and Sandra J. Peart, "The Secret History of the Dismal Science. Part I. Economics, Religion and Race in the 19th Century" (Library of Economics and Liberty, 22 January 2001).

¹¹⁸ Chicago Booth, "High-skilled immigrants" (12 February 2013); "Low-skilled immigrants" (10 December 2013). However, there was less optimism about the effect on low-skilled residents, with a slim majority agreeing they would be worse off with more low-skilled immigration.

¹¹⁹ Alexander T. Tabarrok and David J. Theroux, "Open letter on immigration" (Independent Institute, 19 June 2006).

Economists have lauded the benefits of trade since the days of Adam Smith. Trade is not a zero-sum game. Instead of trying to be self-sufficient, trading partners can both benefit from specialising in producing according to their relative capabilities. Larger and more diverse markets of potential traders have more opportunity for specialisation and greater advantages from trade.

These insights lead economists to broadly favour free movement of goods, capital and money – so why not labour, too?

Indeed, the arguments are similar – immigration improves economic performance for much the same reason international trade improves economic performance. Individuals vary in their capabilities, and freedom of movement allows people to move to where their skills are needed most. The fewer the constraints on labour mobility, the more countries prosper. So large is the potential prosperity gain that open borders are estimated to double world GDP.¹²⁰ The implications of economic theory are clear: New Zealand can benefit from those who are like us and those who are not. Those who have skills similar to those of New Zealanders can help sectors that hold comparative advantage to reach efficient scale. Those with different skills can improve the market at the micro level by creating new industries or rejuvenating old ones with new ideas.

New Zealand benefits by embracing those who can offer new and challenging ideas and perspectives. Simply by being from another country, migrants help bridge the gap between New Zealand and the rest of the world. Global connectedness is vital for prosperity, and welcoming migrants can help New Zealand improve those connections.

¹²⁰ Michael A. Clemens, “Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?” *Journal of Economic Perspectives* 25:3 (2011), 83–106; Open Borders, “Double world GDP,” Website.

THE VALUE OF THE INDIVIDUAL MIGRANTS

Perhaps, the best way to understand the economic impact of immigration is at the individual level. Most New Zealanders can identify foreign-born people who make a vital contribution in their workplace. Firms that rely on the value added by migrants can attest to their economic value.

Technological innovation is the strongest driver of economic growth. To produce more with less input requires innovation and ideas, which are more likely to occur where people are more connected and have more exposure to new information. This is where migrants have huge potential.

A report by the National Foundation for American Policy showed that 51% of US start-ups valued over \$1 billion had at least one immigrant founder.¹²¹ Six migrants in America received the Nobel Prize in 2016.¹²² In Silicon Valley, 37.4% of the population are foreign-born.¹²³ The impact of immigration on innovation has been generally impressive. One study found that a 1 percentage point increase in the share of immigrant college graduates increases patents per capita by 15%, mainly due to the large spill-over benefits to native-born workers.¹²⁴ A review of the academic literature on immigration in the United States concludes: “Immigration has been essential for the United States’ leadership in innovation and entrepreneurship”.¹²⁵ The diversity of the immigrants is also part of the story; a 2011 study of European regions found “patent

¹²¹ Stuart Anderson, “Immigrants and Billion-Dollar Startups” (National Foundation for American Policy, 2016).

¹²² Adam Lusher, “All six of America’s 2016 Nobel Prize winners are immigrants,” *Independent* (11 October 2016).

¹²³ Institute for Regional Studies, “2016 Silicon Valley Index” (2016).

¹²⁴ Jennifer Hunt and Marjolaine Gauthier-Loiselle, “How Much Does Immigration Boost Innovation?” Working Paper 14312 (National Bureau of Economic Research, 2008), 22.

¹²⁵ William R. Kerr, “U.S. High-Skilled Immigration, Innovation, and Entrepreneurship: Empirical Approaches and Evidence,” Working Paper 19377 (National Bureau of Economic Research, 2013).

applications are positively affected by the diversity of the immigrant community beyond a critical minimum level”.¹²⁶

Evidence of a relationship between immigration and innovation can be seen in New Zealand, too. A 2014 study found that “firms with more recent migrants are more likely to introduce new goods and services, new processes, and new marketing methods, as well as being more likely to enter new export markets”.¹²⁷ Another study found links between hiring recent migrants and increased exports and more international engagement.¹²⁸ However, these studies do not prove a causal relationship. It is possible the relationship is driven by the hiring preferences of innovative and exporting firms.

A meta-analysis across 48 studies reveals that international trade increases with migration flows between countries.¹²⁹ A Treasury paper found that increasing the number of migrants to New Zealand from a country increased the probability of New Zealand exporting to that country and increasing the volume of exports to that country.¹³⁰ This effect is even stronger for international trade in services where migrants can help firms overcome cultural barriers.¹³¹

ONLY LET THE BEST ONES IN?

It is tempting to think innovative success could be optimised by fine-tuning policy to select the best and brightest from across the globe. However, this veers close to cargo-cult thinking. Immigration was a key part of Silicon Valley’s success, but not the only enabler. And if all countries try to attract talent, it will lead to competition for the same pool of extraordinary immigrants. It also pays to be sceptical about the government’s ability to identify the most innovative migrants.

Fry and Glass highlight the difficulty in designing policy to identify the most transformative migrants. This is because of the limited understanding of the preconditions for success¹³² and the inability to adjust the settings to only pick the best. Also, the most transformative enterprises are generally very risky and it is impossible to predict which risks will pay off. We need to experiment with different policy options to determine what works in attracting migrants with the most economic impact.

Migrants of all stripes, not just high-tech entrepreneurs, add value to the economy. Low-skilled migrants in service jobs can provide value much greater than their contribution to GDP suggests. Hiring migrant workers in the service industry, especially home production (childcare, cleaning, gardening), can free up time for workers in other sectors of the economy. This way, they can be an important *complement* to highly skilled workers. A 2016 IMF paper provides strong evidence that low-skilled immigration can boost labour productivity.¹³³ In particular, increasing the share of low-skilled migrants in the population increases labour force participation of women in the economy, likely because of the greater availability of household and childcare services.

¹²⁶ Ceren Ozgen, Peter Nijkamp, and Jacques Poot, “Immigration and Innovation in European Regions” (Institute for the Study of Labor, 2011).

¹²⁷ Keith McLeod, Richard Fabling, and David C. Maré, “Hiring New Ideas: International Migration and Firm Innovation in New Zealand” (Wellington: Ministry of Business, Innovation and Employment, 2014).

¹²⁸ Isabelle Sin, et al., “Exporting, Innovation and the Role of Immigrants” (Wellington: Ministry of Business, Innovation and Employment, 2014).

¹²⁹ Murat Genc, Masood Gheasi, Peter Nijkamp, and Jacques Poot, “The Impact of Immigration on International Trade: A Meta-Analysis” (Norface Migration, 2011).

¹³⁰ Treasury, “Trade and Migration to New Zealand,” Chapter 8: Discussion (Wellington: New Zealand Government, 2004).

¹³¹ Gianmarco Ottaviano, Giovanni Peri, and Greg Wright, “Immigration, Trade and Productivity in Services,” *Vox* (17 June 2015).

¹³² The best models have only been able to describe 20% of the variance in migrant earnings. Julie Fry and Haden Glass, *Going Places: Migration, Economics and the Future of New Zealand*, op. cit. 60.

¹³³ Florence Jaumotte, Ksenia Koloskova, and Sweta C. Saxena, “Impact of Migration on Income Levels in Advanced Economies” (International Monetary Fund, 2016).

AGGLOMERATION – BIGGER IS BETTER?

In 2012, the New Zealand Institute of Economic Research released a provocative report urging New Zealand to grow the population to 15 million.¹³⁴ Although more inquisitive than comprehensive,¹³⁵ the report raised many arguments for the economic benefits of a larger population to allow New Zealand to take advantage of economies of scale and greater knowledge exchange.

Places, cities in particular, with large, dense populations face lower transport costs in goods, people and ideas. It is cheaper to supply capital or consumer goods and find good workers; there is a better network for knowledge exchange across people.¹³⁶ All vital components of economic growth. The existence of ‘agglomeration economies’ has been established in a number of studies. A meta-analysis of 34 studies found that the positive effects of spatial concentration on productivity remain even after controlling for reverse causality.¹³⁷ Another meta-analysis highlights the importance of considering the various mechanisms through which agglomeration can produce benefits.¹³⁸ New Zealand’s low economic productivity is partly explained by our small population, says Phillip McCann based on economic geography and urban economics

literature.¹³⁹ Reddell contends that Auckland’s failure to produce significantly higher growth compared to the rest of the country contradicts this explanation.¹⁴⁰ However, a recent report highlights how standard measures can understate urban productivity differentials and estimates that Auckland’s firms have labour productivity 13.5% higher than firms in other urban areas.¹⁴¹ Even if agglomeration benefits are strong, immigration is only one driver of population growth. Birth rates and emigration of New Zealanders are not controllable by direct policy, or at least shouldn’t be. Trying to target population growth through immigration policy is likely to fall wide of the mark.

MACRO IMPACT AND HOW WE MEASURE IT

To identify the broader effects of immigration on the macroeconomy requires measuring the impact on macroeconomic variables, particularly GDP. Without going into the nitty gritty, GDP measures the value of all final goods and services produced within a country over a given period (usually a year).

Of course, the economy is much more than the GDP. As a measure of living standards, GDP is not without its faults, but it does indicate how much a nation can produce and, ultimately, consume.

The effect of immigration on GDP can be difficult to disentangle. There is little contention GDP increases with more immigration – that countries produce more with more people is a no-brainer. Of more interest to economists is GDP per capita – how much the pie is growing relative to the number of people taking slices. A study of 22 OECD countries from 1987 to 2009 found migrants are not

¹³⁴ New Zealand Institute of Economic Research (NZIER), “Grow For It,” op. cit.

¹³⁵ The report presents the figure of 15 million as an ‘opening bid’ rather than an optimal target. Others have criticised this number as implausible. See Natalie Jackson, “Busting the ‘Grow For It’ Myth,” Presentation to the Biennial Population Association of New Zealand Conference (Wellington: National Institute of Demographic and Economic Analysis, 2013).

¹³⁶ Edward Glaeser, “Agglomeration Economics” (The University of Chicago Press, 2010).

¹³⁷ Patricia C. Melo, Daniel J. Graham, and Robert B. Noland, “A Meta-Analysis of Estimates of Urban Agglomeration Economies,” *Regional Science and Urban Economics* 39:3 (2009).

¹³⁸ Henri L.F. de Groot, Jacques Poot, and Martijn J. Smit, “Agglomeration Externalities, Innovation and Regional Growth: Theoretical Perspectives and Meta-Analysis” (Hamilton: University of Waikato, 2008).

¹³⁹ Philip McCann, “Economic Geography, Globalisation and New Zealand’s Productivity Paradox,” *New Zealand Economic Papers* 43:3 (2009).

¹⁴⁰ Michael Reddell, “Thinking Big: And Drifting Slowly Ever Further Behind,” Address to The New Zealand Initiative Members’ Retreat (Auckland: 17 March 2016).

¹⁴¹ David C. Maré, “Urban Productivity Estimation with Heterogeneous Prices and Labour” (Motu Economic and Public Policy Research, 2016).

just attracted to countries with higher prosperity, they also help bring it about.¹⁴² This finding has been replicated in a recent IMF study using instrumental variable analysis to address concerns of reverse causality.¹⁴³ The study finds that a 1 percentage point increase in the share of migrants in the adult population can raise GDP per capita by up to 2% in the longer run and that the benefits from immigration are broadly shared across the income distribution.

An NZIER report found net immigration has a positive effect on New Zealand GDP per capita, even after isolating the reverse causality that pulls migrants towards growing regions. Increasing net migration could increase GDP per capita, up to an additional \$410 per person per year.¹⁴⁴ Immigration thus has huge potential to improve economic outcomes by attracting people with new ideas and connecting us with other countries, and by allowing the population to grow sufficiently to capture agglomeration benefits. However, New Zealand has been accepting large numbers of migrants but its GDP per capita growth has been lacklustre. If immigration helps productivity, why hasn't growth been more impressive?

REDDELL HYPOTHESIS

Michael Reddell, a former Reserve Bank economist, argues high immigration inflows are indirectly causing New Zealand's low productivity growth. His 2013 paper identifies three "failures": the failure of New Zealand incomes to keep up with comparable economies, the failure of the real exchange rate to adjust as would be expected by the relative productivity decline, and the failure of interest rates to converge to international

levels.¹⁴⁵ More recently, he suggested given New Zealand's continued heavy dependence on natural resource based exports, New Zealand might not be a natural place to locate many more people, while still generating really high incomes for them all.¹⁴⁶ The first failure is fairly uncontentious. New Zealand productivity has been less than stellar for a long time – a concern to many economists and policymakers. It is also generally acknowledged that the real exchange rate and real interest rate have been higher than economists would have expected over this period. Reddell proposes that New Zealand's relatively large-scale immigration programme is the underlying cause of these three failures. He contends that without this immigration, New Zealand productivity and incomes would be substantially higher.

Migrants create additional demand for infrastructure. More people mean more hospitals, schools, police and, importantly, houses. Reddell says these high investment demands are not met by the relatively low level of savings among New Zealanders. This has led to persistent upward pressure on the real interest rate to keep domestic inflation in check (crowding out other activities such as exports and internationally oriented business investment) and the real exchange rate.

At the same time, the consumption and investment demands of new migrants raise the price of New Zealand goods – raising the real exchange rate (the relative price of New Zealand goods compared to equivalent foreign goods after converting with the exchange rate) than otherwise expected.

High real interest rates may crowd out business investment (particularly in internationally oriented businesses)¹⁴⁷, adversely affecting productivity

¹⁴² Ekrame Boubtane, Dramane Coulibaly, and Christophe Rault, "Immigration, Growth and Unemployment: Panel VAR Evidence from OECD Countries" (Institute for the Study of Labor, 2012).

¹⁴³ Florence Jaumotte, Ksenia Koloskova, and Sweta C. Saxena, "Impact of Migration on Income Levels in Advanced Economies," *op. cit.*

¹⁴⁴ New Zealand Institute of Economic Research (NZIER), "Migrants increase our incomes," *NZIER Insight 44* (2014).

¹⁴⁵ Michael Reddell, "The long-term level 'misalignment' of the exchange rate," *op. cit.*

¹⁴⁶ See Michael Reddell, "People, Land, and (Lots of) Sea: New Zealand's Persistent Economic Underperformance," Address to Fabian Society (Wellington: 20 May 2016), and various blog posts at <https://croakingcassandra.com/>.

¹⁴⁷ New Zealand's business investment has been similar to the OECD median since 1990. Ministry of Business, Innovation and Employment (MBIE), "Building Investment" (Wellington: New Zealand Government, 2015).

growth. This effect may have been compounded in the export sector due to the high real exchange rate.

Economic theory suggests the real exchange rate should have depreciated¹⁴⁸ and the real interest rate converged, but this hasn't happened in New Zealand. Reddell's hypothesis suggests the inflow of migrants is propping up the short-term real interest and real exchange rates, foiling realignment.

WHAT TO MAKE OF IT?

The inherent difficulty of testing the hypothesis should raise reservations before a policy response. The hypothesis cannot be tested with international comparisons as it relies on caveats specific to New Zealand. Nor can it be tested with analyses of time trends or regional variation because the hypothesised impacts of immigration occur at the national level over a long, unspecified period.

The hypothesis also cannot fully explain why the real interest rate has not converged to the rest of the world. Reddell says competing theories explaining the high real interest rate, such as a risk premium associated with New Zealand investment, do not fit with the evidence either, in particular with the persistent strength of the real exchange rate. He contends that the only explanation currently on offer is that the repeated shocks to domestic demand – not fully recognised in advance by market participants – must have been a big part of the story.

IMPLICATIONS FOR POLICY

Even if this hypothesis is correct, should immigration be restricted? Immigration may directly or indirectly affect New Zealand's real interest rate and real exchange rate, discourage business investment, and alter production towards the non-tradeable sector – but it need not imply lost wealth. It is unclear Kiwis would have been better off had this high level of immigration not occurred.

The concerns raised by Reddell would apply more broadly than just on immigration. For example, tourists are foreigners who come to New Zealand, purchase our currency and goods, and use infrastructure (they require accommodation, drive on the roads, may require police assistance, add waste to landfills. etc.). Hence, tourism also puts pressure on the real interest rate and real exchange rate. Any demand for New Zealand goods from the rest of the world should have similar effects.

The strongest free-market argument for intervention is if the investment demand is high because the migrant beneficiaries of this investment are not incurring the cost themselves. In other words, the investment demands of government funded infrastructure to support migrants is paid for indirectly by taxpayers, rather than directly by the migrants. To this extent, it would make more sense to adjust policy to put more of these costs on the migrants themselves rather than restricting the numbers of migrants allowed in.¹⁴⁹ Otherwise, the arguments for immigration policy intervention to address impacts on interest and exchange rates would also apply to areas beyond immigration.¹⁵⁰

¹⁴⁸ The Balassa Samuelson Hypothesis suggests real exchange rates are related to productivity. We might have expected New Zealand's real exchange rate to have depreciated more or less in line with the deterioration of New Zealand productivity relative to that in other countries. However, this theoretical relationship has been elusive to prove with empirical analysis. A similar exception can be found in the long-run Canada-US real exchange rate. See Ehsan U. Choudhri and Lawrence L. Schembri, "Productivity, Commodity Prices and the Real Exchange Rate: The Longrun Behavior of the Canada-US Exchange Rate" (The Rimini Centre for Economic Analysis, 2013).

¹⁴⁹ Discussed more in Chapter 6.

¹⁵⁰ The notion that immigration policy is an exception would require viewing international mobility of people as fundamentally different than international mobility of goods/capital or internal mobility of people. This is inherently a question of philosophy rather than economics. For a New Zealand perspective on philosophical arguments in support of free movement of people, see Carrie Stoddart-Smith, "Developing a basis for responsive rights: Territoriality and the 'right to' exclude immigrants," Paper submitted as part of coursework for Ethics and International Relations paper (University of Canterbury, 2015). More generally, consider Michael Huemer, "Is There a Right to Immigrate?" *Social Theory and Practice* 36:3 (2010), 429–461.

A SIMPSON'S PARADOX?

Even if immigration is affecting GDP per capita, it is not evidently making anyone worse off. Taken to the extreme, a perpetual flow of migrants who did not work but purchased goods and services might reduce GDP per capita. But who is worse off? Businesses have more consumers. The net effect is the money the migrants brought with them flows into the economy.

Of course, this example is not realistic because most migrants work. If working migrants are reducing GDP per capita, is it still possible for New Zealanders to be better off? Again, the answer is yes!¹⁵¹ Whenever Bill Gates walks into a room the average wealth of that room increases, but no one is actually any richer. Likewise, a migrant with low productivity might lower our GDP per capita but does not make anyone poorer. Focusing on per capita measures of production can be misleading when the distribution is not evenly spread. Even if the number of people taking slices grows faster than the size of the pie, it does not mean anyone's slice is shrinking.

LABOUR MARKET EFFECTS

The potential negative effects of immigration on job prospects and wage growth is increasingly attracting the attention of policymakers. Treasury briefings to the immigration minister released under the *Official Information Act* reveal concerns that the high number of low-skilled migrants may be displacing New Zealanders in jobs, and that the availability of cheap labour may be reducing wage growth as businesses have less incentive to train workers or invest in productivity enhancing capital.¹⁵² Is this fear warranted? To address this, it is helpful to examine what economic theory says about the predicted effects and then examine the empirical evidence to see whether predictions match reality.

¹⁵¹ This idea stems from Simpson's Paradox. Averages drawn from a changing composition of a population can produce misleading conclusions.

¹⁵² Treasury, Information released upon Official Information Act request, Reference: 20160064 (Wellington: New Zealand Government, 6 May 2016).

JOBS

Some public resistance to immigration stems from the fear that immigrants 'steal jobs' from deserving New Zealanders. These arguments are similar to arguments against labour-saving technology or imports. The belief that the number of jobs is fixed is erroneous – employment is not a zero-sum scenario. Any jobs performed by New Zealanders replaced by machines, foreign producers, or migrants are not subtracted from the number of available jobs.

Economists have long fought against this type of argument, termed the 'lump of labour fallacy' by D.F. Schloss in 1891.¹⁵³ Despite long-standing denunciations by experts, the fallacy persists.

Jobs are a result of demand for labour; firms require workers to produce goods and services. But firms are merely a conduit between workers and consumers. The demand for labour and resulting creation of jobs stems from consumer demand for goods and services. Since demand for goods and services is limitless, the demand for labour is too.

Of course, there is still unemployment. For one, it takes time to find good matches between workers and firms. Inflexible labour market regulations increase risk to firms when they hire ill-matched workers. A study of 97 countries from 1980 to 2008 found that improving labour market flexibility, particularly hiring and firing regulations, can reduce unemployment.¹⁵⁴ Nickell says immigration can improve the fluidity of the labour market and permanently lower the unemployment rate in the long run.¹⁵⁵ The labour market can respond faster to skills mismatches under a liberal immigration system.

¹⁵³ *The Economist*, "Lump of labour fallacy," Website.

¹⁵⁴ Lorenzo E. Bernal-Verdugo, Davide Furceri, and Dominique Guillaume, "Labor Market Flexibility and Unemployment: New Empirical Evidence of Static and Dynamic Effects" (International Monetary Fund, 2012).

¹⁵⁵ Stephen Nickell, "Immigration: Trends and macroeconomic implications," Paper prepared for the Bank of International Settlements Conference (Basel: 2–3 December 2007).

Although immigration may displace some native workers with similar skills sets, it need not lead to permanent unemployment. Free markets intrinsically adapt to circumstances and exploit prospects offered by unused resources. Workers displaced by migrants can be attractive to other employers.

Likewise, many migrants will have skills that complement rather than substitute the skills of native-born workers, whose labour is then even more valued. For example, firms can hire bilingual migrants to access new markets and increase the value of the labour provided by all workers at these firms.

WAGES

If immigration does not ‘steal’ jobs from New Zealanders, perhaps it reduces wages. Increasing the supply of something tends to lower the price. If immigration merely increases labour supply, the price of labour, wages, should fall. However, narrow analysis may overlook the broader flow-on effects in this area. The effect of immigration on the labour market is rather complicated.

For starters, migrants are consumers as well as workers. Migrants will want to purchase goods and services produced in New Zealand – in economics-speak, they increase demand. Servicing this additional demand will effect an increased labour demand to meet production needs. A shift in the labour demand curve will offset at least some of the effects of the labour supply shift on wages.

Second, migrants can also be employers. Migrants moving here to start businesses need employees and increase labour demand – and wages. In 2015, 1,394 migrants were granted business and entrepreneur visas. The net effect on wages will depend on the magnitude of the shifts in supply and demand that migrants cause.

As it is impossible to precisely determine the overall impact of immigration on wages, economists rely on empirical studies to provide evidence of the expected impact.

EVIDENCE

Extensive economic research has been devoted to identifying the effect of immigration on wages, a difficult task because wages in the destination country motivate migrant flows. We cannot infer a causal relationship by just observing the correlation between wages and migrant flows. To address this potential bias, economists use ‘natural experiments’, among other tools, to note the impact on labour market outcomes ‘before and after’ a sudden change to immigration, unrelated to wages.

A famous example of a natural experiment is the Mariel boat lift. President Fidel Castro declared in 1980 that any Cuban who wished to leave Cuba was free to do so via the Mariel Harbour. The United States too offered automatic refugee status upon arrival. Before emigrations bans were reinstated, about 125,000 Cubans fled to America, mostly to Florida, causing a 7% increase to the labour force.

Economists could observe how unanticipated inflows influenced wages without reverse causality muddying the findings. Leading labour economist David Card reported in a highly influential paper:¹⁵⁶

[The inflow] had virtually no effect on the wage rates of less-skilled non-Cuban workers. Similarly, there is no evidence of an increase in unemployment among less-skilled blacks or other non-Cuban workers. Rather, the data analysis suggests a remarkably rapid absorption of the Mariel immigrants into the Miami labor force, with negligible effects on other groups.

The paper has been the subject of much debate. Most prominently, labour economist George Borjas reported a detrimental impact on some groups within the labour market. But the evidence only shows a short run detrimental effect on unskilled wages, and almost nothing in the long run.¹⁵⁷ In a

¹⁵⁶ David Card, “The Impact of the Mariel Boatlift on the Miami Labor Market,” *Industrial and Labor Relations Review* 43:2 (1990), 245–257.

¹⁵⁷ Bryan Caplan, “Borjas, Wages, and Immigration: The Complete Story” (Library of Economics and Liberty, 16 March 2007).

more recent analysis, Borjas said the detrimental effects are more severe than previously thought.¹⁵⁸ Many other papers have studied the labour market impacts of immigration using sophisticated econometric techniques to uncover the causal impact. Meta-analyses of these studies have found very small impacts.¹⁵⁹ A 2016 OECD report reported that the majority of empirical studies on the labour market impacts of immigration found no effects on local wages or employment.¹⁶⁰ However, labour market flexibility is a key determinant of employment outcomes. Therefore, countries with less flexible labour market regulation may have more difficulty adapting to immigration inflows. A study of European labour markets found negative employment effects from immigration are worsened by rigid labour regulation.¹⁶¹ Other studies found lower employment of migrants was associated with stronger employment protection legislation¹⁶² and coverage of collective bargaining agreements.¹⁶³ Differences in labour market flexibility may explain continental Europe's less successful migrant employment outcomes than

Anglo-Saxon countries.¹⁶⁴ Meta-analyses also suggest labour-supply shocks are more easily absorbed in more flexible labour markets.¹⁶⁵ A report by the Migration Policy Institute identified professional regulation as a significant barrier to migrant labour market integration.¹⁶⁶ Strict occupational licensing and difficulties in getting recognition for foreign qualifications make it harder for migrants to find jobs. Immigration New Zealand identifies 39 occupational groups requiring registration before a work visa can be granted.¹⁶⁷ The impact of immigration on the New Zealand labour market has been researched with similar results. An MBIE study found temporary migration had a positive impact on employment and earnings of New Zealanders.¹⁶⁸ However, there was some evidence of negative indirect effects, which are cancelled out by other positive indirect effects on balance.

Another consideration is low-skilled workers may respond to competition from low-skilled migrants by up-skilling themselves. People in receiving countries are more likely to complete high school¹⁶⁹ and enrol in community college¹⁷⁰ in response to immigration flows.

¹⁵⁸ George J. Borjas, "The Wage Impact of the Marielitos: A Reappraisal" (2016).

¹⁵⁹ Simonetta Longhi, Peter Nijkamp, and Jacques Poot, "Regional Economic Impacts of Immigration: A Review" (Amsterdam: Tinbergen Institute, 2009); Simonetta Longhi, Peter Nijkamp, and Jacques Poot, "Meta-Analysis of Empirical Evidence on the Labour Market Impacts of Immigration" (Hamilton: University of Waikato, 2008).

¹⁶⁰ OECD, "International Migration Outlook 2016" (Paris, OECD Publishing, 2016).

¹⁶¹ Joshua D. Angrist and Adriana D. Kugler, "Protective or Counter-Productive? Labor Market Institutions and the Effect of Immigration on EU Natives" (Institute for the Study of Labor, 2002).

¹⁶² Lawrence M. Kahn, "The Impact of Employment Protection Mandates on Demographic Temporary Employment Patterns: International Microeconomic Evidence," *The Economic Journal* 117:521 (2007), F333–F356.

¹⁶³ Andreas Bergh, "Explaining Cross-Country Differences in Labor Market Gaps Between Immigrants and Natives in the OECD" (Stockholm: Research Institute of Industrial Economics, 2014); Peter Huber, "What Institutions Help Immigrants Integrate?" WWWforEurope Working Paper 77 (Austrian Institute of Economic Research, 2015).

¹⁶⁴ Regina Konle-Seidl and Georg Bolits, "Labour Market Integration of Refugees: Strategies and Good Practices" (Brussels: European Parliament, 2016), 25.

¹⁶⁵ Simonetta Longhi, Peter Nijkamp, and Jacques Poot, "Meta-Analyses of Labour-Market Impacts of Immigration: Key Conclusions and Policy Implications," *Environment and Planning C Government and Policy* 28:5 (2010), 819–833, 831.

¹⁶⁶ Madeleine Sumption, Demetrios G. Papademetriou, and Sarah Flamm, "Skilled Immigrants in the Global Economy: Prospects for International Cooperation on Recognition of Foreign Qualifications" (Washington, DC: Migration Policy Institute, 2013).

¹⁶⁷ Immigration New Zealand, "Occupational registration," Website.

¹⁶⁸ Keith McLeod and David C. Maré, "The Rise of Temporary Migration in New Zealand and its Impact on the Labour Market" (Wellington: Ministry of Business, Innovation & Employment, 2013).

¹⁶⁹ Jennifer Hunt, "The Impact of Immigration on the Educational Attainment of Natives," Working Paper 18047 (National Bureau of Economic Research, 2012).

¹⁷⁰ Daniel C. Hickman and William W. Olney, "Globalization and Investment in Human Capital" (2010).

CONCLUSION

The overall impact of immigration on the labour market is small, but with a multitude of individual effects. Some individuals may experience wage reduction, some wage growth, and some may remain unaffected. The effect for each individual will depend on their own skills, the skills of the migrants, and the demands from the migrants.

Does an inflow of migrant fruit pickers hurt the wages and employment opportunities of New Zealand fruit pickers? Probably, yes. Just as competition from imported fruit from more productive countries would. Arguing for immigration restrictions to protect the incomes of New Zealand fruit pickers is as misguided as arguing for tariffs on fruit to serve the same purpose.

We cannot manipulate wages by distorting the market in the long run. Virtually anything can be imported today if there's the will. Cheap foreign labour already competes with New Zealand labour even if workers don't land on our shores. If wages in New Zealand for similar

output rise much higher than foreign wages, we can only expect more outsourcing and exit of New Zealand firms.

Ultimately, wages are determined by the value of a worker's production at the margin and the willingness of the worker to forgo leisure for consumption. Bringing in productive migrants more willing to work than New Zealanders may lower wages for some in the short run, but it also means New Zealand can produce more goods and services cheaper. Barring entry to New Zealand solely out of fear that the migrant is willing to accept lower wages echoes antiquated eugenic concerns about different races 'underliving' the dominant one.¹⁷¹ We should certainly be aware of barriers to low-skilled New Zealand workers obtaining meaningful work. However, reducing immigration to protect wages is short-sighted and ultimately futile. Free movement of labour is a fundamental driver of the creative destruction process, just like free movement of goods and capital. It can be painful for some but it improves outcomes for many. And if managed well, the pain can be short-lived and the benefits perpetual.

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¹⁷¹ For how historic arguments about wage competition focused on racial predispositions, see Thomas C. Leonard, "The Progressive Case for Regulating Women's Work," *American Journal of Economics and Sociology*, 64:3 (2005), 758–791, 769.

CHAPTER FIVE

THE CASE FOR OPEN ARMS

To the original tribes that inhabited New Zealand, European settlers would have seemed more foreign than today's migrants are to modern New Zealanders. Can New Zealand keep on accepting people who want to make this country their home? Can the spirit of New Zealand withstand the challenges of cultural differences recent migrants have brought or perish like the moa if we do not control the inflow of people?

No matter how you slice it, few New Zealanders can trace their lineage to many generations before counting someone foreign-born. We are part of the New World. And we are a nation of migrants.

IT'S A TWO-WAY STREET, LET'S KEEP THE TRAFFIC FLOWING

It doesn't often get brought up in debate but the golden rule applies well to immigration.¹⁷² Treating immigrants the same way we would like New Zealand emigrants to be treated overseas is fair and sensible. Many New Zealanders benefit from travelling overseas to live and work. Some end up staying but many return, and there is value to New Zealand from both.

The 'big OE' is a significant part of New Zealand culture and a rite of passage for young New Zealanders.¹⁷³ Overseas experience offers personal growth through living a different culture and career advantage by knowing international business

operations. This is an invaluable experience, especially given our distance from the rest of the world.

The opportunities we want for New Zealanders should be extended to migrants. This thinking guides working holiday visas involving reciprocal arrangements with 42 countries for young New Zealanders to work for up to a year. The United Kingdom leaving the European Union could be an opportunity for New Zealand to arrange a reciprocal free movement zone.

BENEFITS OF DIVERSITY

The benefits of immigration go beyond the easily measurable. People from different backgrounds add unique perspectives, abilities and ideas to the cultural richness of New Zealand. In particular, migrants who come here to sell goods from their home countries expose New Zealand consumers to a variety of choices that would otherwise be unavailable. It's easy to take for granted how much this consumption variety improves our standard of living, but it is worth reflecting on its importance.

Possibly the most visible advantage of diversity is the increasing availability and variety of ethnic food. The popularity of the Asian-style Night Noodle Market in Christchurch and Wellington in 2016 proves just how much New Zealanders value food diversity. Attendance for the five-day events were 91,000 for Christchurch and 104,000 for Wellington,¹⁷⁴ a remarkable success given the population of the cities stands at 366,100 and 204,000, respectively.

The high numbers of chefs who enter New Zealand under the skilled migrant category is frequently

¹⁷² Pope Francis explicitly urged the United States to consider the golden rule in its approach to immigration and refugees. Billy Hallowell, "Pope Francis urges world to follow 'golden rule' with immigrants and refugees in historic address to Congress," *The Blaze* (24 September 2015).

¹⁷³ Jude Wilson, David Fisher, and Kevin Moore, "The Flying Kiwi: Travel as a Cultural Icon" (2006).

¹⁷⁴ Figures obtained from correspondence with the Event Marketing Coordinator.

used to critique immigration policy. This isn't entirely unreasonable. Chefs are not exactly 'critical economic enablers'.¹⁷⁵ However, critics shouldn't be so dismissive of the value of chefs, who represent diverse cuisines – and a direct way for immigrants to improve the quality of life of many New Zealanders. In 2007, the number of Asian restaurants was double than 10 years before.¹⁷⁶ Cultural festivals across the country are attended by tens of thousands. Diwali (the Hindu Festival of Lights), the Pasifika festival, and the Chinese Lantern Festival¹⁷⁷ are incredibly popular and add to the cultural richness of New Zealand. The number of New Zealanders attending ethnic festivals rose from 42% of respondents in 2011 to 55% in 2015, reports MBIE.¹⁷⁸ To say migrants are a threat to our way of life would be to dismiss the contributions they have made to Kiwi culture. No more is this contribution evident than in sports.

Is there anything more 'Kiwi' than rugby? Rugby is to New Zealanders what apple pie is to Americans and warm beer to the Brits. The All Blacks have used many foreign-born players over the years – 83 in 2014.¹⁷⁹ Six foreign-born players were on the team that brought home the 2015 World Cup.¹⁸⁰ Of the 199 athletes representing New Zealand at the Rio Olympics, 19 were born overseas and many of them won medals. Halberg Award winners Mahe Drysdale, Lydia Ko, Scott Dixon, and Irene Van Dyk have all represented New Zealand on the world stage despite not being born here. Not to mention

the numerous athletes whose parents came to New Zealand as migrants.

Our ability to embrace those from overseas, make them our own, and celebrate their success is a boon to our national identity.

A RADICAL IDEA

Often forgotten in the immigration debate is a consideration of the migrant as a human being. To borrow a phrase from the feminist movement, the strongest case for a liberal immigration regime is the radical notion that migrants are people.

If the benefit to migrants was accounted for in cost-benefit analysis of immigration policy, it may be the easiest policy to improve human outcomes. Economist Alexander T. Tabarrok says, "Immigration is the greatest anti-poverty program ever devised"¹⁸¹ – and with good reason. A report by the Center for Global Development says relaxing labour mobility in the developed world would effect a much larger flow of money to people from the developing world than foreign aid, and at a much lower cost to the developed world.¹⁸² Tongan immigrants to New Zealand, for example, nearly quadrupled their average earnings.¹⁸³ The effect is not limited to migrants but also extends to families left behind. Through remittances to families in home countries, immigration has huge potential to reduce poverty in the developing world. Families of Samoan emigrants to New Zealand saw a significant reduction in poverty relative to equivalent families where a member

¹⁷⁵ Immigration has been defended on the basis of being a critical economic enabler. Ministry of Business, Innovation and Employment (MBIE), "Migration Trends and Outlook 2012/2013" (Wellington: New Zealand Government, 2013).

¹⁷⁶ Wardlow Friesen, "Diverse Auckland: The Face of New Zealand in the 21st Century?" (AsiaNZ, 2008).

¹⁷⁷ *Stuff*, "Visitor numbers swell at Auckland events" (3 March 2015).

¹⁷⁸ Ministry of Business, Innovation and Employment (MBIE), "Community Perception of Migrants and Immigration," *op. cit.*

¹⁷⁹ Dylan Cleaver and Harkanwal Singh, "Where every All Black was born (+interactive graphic)," *The New Zealand Herald* (21 June 2014).

¹⁸⁰ *America's Rugby News*, "Foreign-born players at RWC 2015," Website.

¹⁸¹ Alexander T. Tabarrok, "The Case for Getting Rid of Borders – Completely," *The Atlantic* (10 October 2015).

¹⁸² Lant Pritchett, *Let Their People Come: Breaking the Gridlock on International Labor Mobility* (Washington, DC: Center for Global Development, 2006).

¹⁸³ David McKenzie, John Gibson, and Steven Stillman, "How Important is Selection? Experimental vs. Non-Experimental Measures of the Income Gains from Migration," *Journal of the European Economic Association* 8:4 (2010), 913–945. This paper uses the lottery selection of Tongan immigrants to eliminate selection bias that many estimates of the effect of migration on wages suffer from.

of the household had been unsuccessful in their immigration application.¹⁸⁴ The World Bank research shows flows of remittances to developing countries (\$430 billion)¹⁸⁵ dwarfs the flow of foreign aid (\$160 billion).¹⁸⁶ The presumption that foreigners shouldn't be allowed to move here unless they prove themselves worthy is inconsistent with the belief that freedom of movement is fundamental to liberty. Those who embrace liberty and fundamental rights for all human beings, regardless of their birth, must question the status quo.

This isn't to say no restrictions should apply – simply that we should rethink our bias. If one accepts the notion that birth circumstance should not impose limitations on where people are

allowed to live, then the burden of proof should fall on those arguing against immigration to show a detrimental effect. As this report shows, most anti-immigration arguments weaken under scrutiny.

However, not everyone is so globally minded with their humanitarian concern. Most arguments on immigration policy focus solely on the impact on the existing population. Even so, the case for liberal immigration is strong. Accounting for the enormous real benefit to people who happen to be foreign-born makes the case for liberal immigration overwhelming. New Zealand has gained immensely from the people who have chosen to make this country their home. It would be unwise to curtail the flows.

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¹⁸⁴ As the Samoan migration applicants are chosen by lottery, no selection issues could be biasing this result. John Gibson, David McKenzie, and Steven Stillman, "Accounting for Selectivity and Duration-Dependent Heterogeneity When Estimating the Impact of Emigration on Incomes and Poverty in Sending Areas," *Economic Development and Cultural Change* 61:2 (2013), 247–280.

¹⁸⁵ The World Bank, "Remittances to developing countries edge up slightly in 2015," Press release (13 April 2016).

¹⁸⁶ The World Bank, "Net official development assistance and official aid received (current US\$)," Website.

CHAPTER SIX

POLICY RECOMMENDATIONS

Despite having relatively large flows of migrants into New Zealand, we seem immune to many of the issues facing other countries. When it comes to immigration, we are doing it well.

Overall, New Zealand’s experience with immigration is positive. Kiwis are very accepting of migrants, valuing both their economic and cultural contribution to New Zealand. Migrants too embrace New Zealand culture while adding their own unique flavour, and ultimately integrate successfully. Migrants place less pressure on housing markets than popular opinion seems to suggest, and the case for fixing housing markets is strong regardless of the immigration rate. Migrants’ effect on the New Zealand economy and labour market is broadly positive. It all looks pretty good.

In light of this, drastic policy change seems unnecessary. However, we should always be looking for opportunities to improve policy and be aware of future events that may require adapting. And there may be some low-hanging fruit left to be picked from the immigration tree.

POLICY OPTIONS

Although our immigration system has broadly got things right, it is worth exploring the pros and cons of more drastic reforms. From open borders to closed and everywhere in between, no single policy can please everyone. However, by acknowledging the strengths and weaknesses of different approaches, we can fashion a system that retains the most benefits with the fewest costs.

Immigration policy does not fit neatly on the Left-Right spectrum. The motivations for supporting restricted/liberalised immigration are varied. Calls for tightening immigration have been loudest from

the Left in New Zealand,¹⁸⁷ whereas elsewhere it is the Right that takes this mantle.

Political scientist Daniel J. Tichenor has created a two-dimensional framework to describe the differing motivations to support different policies.¹⁸⁸ The first dimension considers the typical question: Do we want more or fewer people admitted? The second dimension considers how expansive or restricted the rights and entitlements granted to migrants should be. Where people stand on those two dimensions, the four classifications of views can be broadly grouped together, making it easier to observe how policy can help target the different motivations.

Table 5: The two dimensions

		Admissions	
		More	Fewer
Rights and entitlements	Expansive	Cosmopolitans	National egalitarians
	Restricted	Free-market expansionists	Classic exclusionists

CLASSIC EXCLUSIONISTS

Support for an exclusionist immigration system is typically motivated by a preference for cultural preservation and a smaller population. Classic exclusionists are generally against immigration, and so wish for fewer admissions and minimal rights and entitlements for migrants.

In a democracy, all views must be considered. Even if some of the exclusionist arguments have an

¹⁸⁷ Patrick Gower, “Labour calls for cuts to immigration,” *Newshub* (7 June 2016).

¹⁸⁸ Daniel J. Tichenor, *Dividing Lines: The Politics of Immigration Control in America* (Princeton University Press, 2002), 36.

ugly undercurrent of racism, it would not be fair to simply dismiss the concerns offhand.

However, migrants do bring many benefits to our society. From the new goods and services that would otherwise not be available, to the innovative potential generated by exposure to foreign ideas, New Zealand would miss out on much if it pursued a restrictive immigration regime.

Similarly, many of the popular arguments against immigration are not supported by evidence. The labour market effects are not consequential, empirical studies generally find immigration improves rather than hinders productivity, and it is hard to identify tangible negative social effects.

COSMOPOLITANS

The cosmopolitan ideal of expansive admissions of foreigners and granting them equal rights of citizens has appeal. Diversity and multiculturalism has enriched many Western societies. As we have shown, most New Zealanders do embrace the changing faces that immigration brings.

Discrimination against people for factors out of their control (ethnicity, gender or sexuality) has no place in a liberal society. This ideological battle has largely been won legally. Perhaps one day, history will view discrimination based on country of birth in the same light. For this reason, the case for open borders is compelling. Especially for the libertarian minded or those generally sceptical of government intervention in interactions among individuals.

However, the cosmopolitan is naïve to dismiss the cost of unfettered access to collectively funded entitlements. Open borders cannot coexist with expansive entitlements and require trade-offs: rights and entitlements granted to migrants must be restricted or the numbers of admissions limited.

FREE-MARKET EXPANSIONIST

The priority of the free-market idealist who cannot support open borders in light of the cost to the taxpayer would be to dismantle the systems that impose these costs.

However, a complete overhaul of all entitlements to allow for sustainable open borders would be a tough pill to swallow for many, if not most, New Zealanders. Even for those who would welcome dismantling the welfare state would agree, it is not politically feasible.

A next best alternative may be to allow generous immigration with restrictions on eligibility to the entitlements. This would be in line with the free-market expansionist quadrant. It would capture the economic benefits of immigration without imposing costs on other citizens.

The current system incorporates this idea to an extent: temporary migrants have few entitlements to New Zealand's free public health care, subsidised education, or welfare benefits.¹⁸⁹ However, permanent residents have almost the same rights as citizens, including the right to vote.

NATIONAL EGALITARIANS

The downside of the free-market expansionist approach is the inevitable social issues. Germany's Turkish 'guest workers' have remained for three generations. The idea of people living in New Zealand as second class citizens for years is impractical – and deeply unpalatable. A large underclass of people who are treated as less equal due to their birth country is a recipe for social unrest.

National Egalitarians would rather grant fewer admissions with more generous entitlements and rights. This brings in the benefits of diversity in an equal society but without imposing a high cost.

¹⁸⁹ New Zealand Now, "Compare visas," Website (Wellington: New Zealand Government).

To the National Egalitarians, society's duty of care extends to all those within our borders but not those outside. Hence, they do not want the burden of accepting people who have a lower standard of living than they would find tolerable, even if the migrant will have improved their living standards at least somewhat by moving here.

This raises an interesting question about the moral basis for entitlements more broadly: Under what moral framework should we provide for someone born inside a politically defined boundary but not someone born outside? Despite the debate on the effects of immigration on the accepting country, it is unequivocally accepted that immigration is beneficial for migrants. By what right do we deny them this benefit but allow it to those fortunate to be born in the right country?

New Zealand's current system does echo this notion for permanent residents, with significant bureaucratic oversight in the admissions process, but once granted migrants face no discrimination. However, such an approach risks losing out on many of the benefits of allowing in higher numbers and suffers from all the complications that come with a firm hand of government intervention.

WHAT WE GET RIGHT

Broadly speaking, migrants fit into our society well and are happy to be here. Likewise, they bring many benefits to New Zealand, making it a more diverse, vibrant and interesting place to live.

New Zealand can be proud of its immigration record. Cultural factors make us more open to people from varied backgrounds. New Zealanders are broadly accepting of migrants and enthusiastic about embracing the new cultural experiences of a diverse society.

The strong skills focus of residency criteria attracts migrants who contribute to the economy, and vastly reduces the social conflicts that other countries face with their migrant populations. Our immigration policy strikes a nuanced balance between the free-market expansionist and national

egalitarian motivations while being liberal enough to satisfy the cosmopolitans.

However, we should strive to do better and also address the legitimate concerns about immigration.

POTENTIAL AREAS TO ADDRESS

The infrastructure costs of immigration are a key concern. Fair distribution and contribution towards collectively funded goods is notoriously tricky. But it is fair to say New Zealanders are probably more concerned about migrants siphoning from the collective pool than by the native-born.

Other concerns are the onerous obligations on businesses wanting to hire migrants. Difficulties in hiring skilled staff to manage service stations were raised in the *National Business Review*.¹⁹⁰ Rob McDonald from Z Energy explained the frustrations of getting the skills of the workers managing service stations recognised. Prioritising New Zealanders for job openings¹⁹¹ can lead to farcical charades. Businesses are forced to advertise positions when they already have a perfect match.¹⁹² The skilled migrant category is under fire for its rather generous definition of 'skilled'.¹⁹³ This may seem trivial if such migrants are not causing any harm and contribute to society, but the intention of policy should be reflected in outcomes. It is also critical people have confidence in the immigration system. If the system is viewed as a farce, public attitude towards migrants could turn ugly.

¹⁹⁰ Tim Hunter, "Corner dairies qualify immigrants as retail managers" *The National Business Review* (30 September 2016).

¹⁹¹ New Zealand Immigration, "Attempts to recruit New Zealanders," Website.

¹⁹² Diana Koorts, "Immigration rules mean employers can't hire migrant workers for a job a New Zealander can do," *Stuff* (3 August 2016).

¹⁹³ Michael Reddell, "Skills-based immigration: Who has got Essential Skills work visas?" *Croaking Cassandra*, Blog (18 August 2015).

LOW-HANGING FRUIT?

New Zealand's remarkable ability to absorb large numbers of migrants does not call for radical policy change. There is no one perfect immigration policy – any policy has to balance between a myriad concerns and competing interests. There is no such thing as a free lunch, but some lunches are much tastier or cheaper than others.

Most of the low-hanging fruit have been picked, but policy can still be improved. And there are less harmful ways to placate those who demand an exclusionist policy.

GIVING BUSINESS MORE OF A SAY

Many of the current residency requirements implicitly ask the government to decide on business concerns. The free market is a much better decision-maker on how many imported pineapples or cars New Zealand needs. Likewise, the number and types of skilled workers New Zealand requires is for businesses to decide without the strong hand of government. If a business wants to hire a skilled migrant, it is unclear why the government needs to step in to assess their qualifications and skills.

Arguably, this top-down approach is responsible for the more inane definitions of skilled categories. The best antidote is not just to expect better from government but to give interested parties more input.

Rather than let government decide what types of skills the market needs, let the market reveal it through the price system. A market-driven approach could be to adjust the points system to assign points to the salary ranges of job offers rather than the specific industries migrants are qualified in.

Migrants could move to industries where their skills are needed. Skills 'shortages' can be rectified through higher pay rather than lobbying government to add the skill requirement to the list.

LEVIES

Restricting immigration is not the only way to limit the effects of migration on infrastructure costs. While we have shown that migrants are a fiscal boon for New Zealand, pressure could still emerge to limit migration based on infrastructure cost. In that case, rather than cutting approval numbers, the government could consider imposing those costs on migrants themselves rather than cutting approval numbers. New Zealand currently has both fees and levies imposed on visa applicants to cover the costs of running immigration related services but not the additional infrastructure costs imposed on the country.¹⁹⁴ If the levy proves a disincentive, businesses could pay it to attract the skilled workers they need.

If social issues are the problem cited in calls for restricting migration, the levy could be bonded. If a migrant commits a serious crime or cannot support themselves in New Zealand, the bonded amount can be used to purchase a return ticket. Those who settle could have the fee reimbursed upon gaining residency.

This flexibility would allow policy settings to adjust to changing circumstances. Rather than review the approval targets and deny entry to high quality migrants who just didn't make the cut, more of the cost could be passed onto migrants. It seems short-sighted to allow a skilled migrant meeting the 160-point threshold, but deny residency to a migrant with 155 points. The points system could be adjusted so the levy the migrant must pay increases for every point they are short of the threshold within a 5-point margin. This would allow migrants to self-select in or out when the costs change. Hence, when tightening up immigration settings we would select those who most want to be here.

As the largest burden of additional people is felt by local rather than national government, the levy revenue could be passed to the local council

¹⁹⁴ New Zealand Immigration, "Fees Guide: A Guide to Immigration New Zealand's Fees and Immigration Levy" (Wellington: New Zealand Government, 2016).

where the migrant chooses to locate. However, as migrants do not tend to live in homogenous groups (see Chapter 2), it is all but impossible to link additional infrastructure costs to beneficiaries, and it is advisable to pay this cost out of general rates revenue.

BILATERAL AGREEMENTS

More bilateral agreements with interested countries could improve the system without radical overhaul. ACT leader David Seymour advocates extending our free movement region with Australia to Canada and the United Kingdom¹⁹⁵ – and take advantage of the opportunity presented by Brexit.

Free trade agreements often turn into fiascos but are more politically palatable than removing protectionist restrictions. Such agreements also strengthen diplomatic ties with other countries. Explicitly demonstrating that New Zealanders can have more opportunities abroad in exchange for giving foreigners opportunities here may be an easier pill for exclusionists to swallow. Thus, policymakers could pursue opportunities for bilateral immigration agreements where they arise.

New Zealand has bilateral working holiday visas with a number of countries (see Chapter 5). Fry and Glass propose extending this framework to a bilateral business visa scheme to invite entrepreneurial migrants to start businesses here. The knowledge exchange and global connections from having New Zealanders starting businesses overseas would be an additional benefit.

SPONSORSHIP

Another approach is private sponsorship of migrants. In October 2016, Immigration Minister Michael Woodhouse announced a temporary freeze of the parent category visa¹⁹⁶ due to concerns about the ability of migrants admitted under this category to financially support themselves or be supported by their family.¹⁹⁷ While the high fiscal burden imposed by parent resident visa holders needs to be reviewed, this is an opportunity to consider migration through private sponsorship more broadly.

Marriage partners of New Zealanders are granted residency, and visas exist for immediate family members of permanent residents and citizens. Similar allowance could be made for other visas where the implicit assumption of support is made more explicit. This could be an option for businesses who need migrant workers who cannot get in under the current visa categories. A separate visa category could allow committed people to sponsor and support migrants in adverse circumstances, provided adequate checks and balances are in place. Canada allows community groups to sponsor refugees above the quota if they agree to be responsible for the basic care and support of the refugees,¹⁹⁸ and New Zealand is laudably trialling this system for refugees here.

Requiring bonds from sponsors could ensure the sponsors are held to their commitment. We urge the ministry to consider the potential for migrant sponsorship more broadly.

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¹⁹⁵ David Seymour, “ACT proposes free movement with Britain, Australia, and Canada,” Press release (ACT, 5 October 2016).

¹⁹⁶ Michael Woodhouse, “NZRP changes to strike the right balance,” *Beehive* (11 October 2016).

¹⁹⁷ Claire Trevett, “Failure to pay way prompts halt for parents of migrants wanting to move to NZ,” *The New Zealand Herald* (11 October 2016).

¹⁹⁸ Immigration, Refugees and Citizenship Canada, “Private Sponsorship of Refugees Program” (Ottawa: Ministry of Citizenship and Immigration, 2016).

CONCLUSION

Migration is undeniably a transformative force globally. Inflows of people over the past several centuries into New Zealand have turned an uninhabited island into one of the best countries to live in.¹⁹⁹ Our lifestyle, open economy, and liberal society make this country an attractive destination for tens of thousands of migrants every year looking to improve their lives and their families.

That so many people seek to immigrate here may be threatening to native-born New Zealanders. Reports of net migration figures of 69,000 in the 2015–16 year raise valid concerns about competition for jobs and housing, and pressures on public services and infrastructure. Then there are reports from other parts of the world of migrants linked to crime and terrorism. The complicated and technical nature of the topic makes it difficult for the public and the media to grasp.

Such is the intensity of the fear and confusion among the public that many opposition parties have seized on this narrative, some naively and some opportunistically. The pro-immigration Key government too has tightened policy settings to appease the public.

This report has sought to assess these real concerns against the data and research on immigration in New Zealand. In effect, it is an attempt to test whether New Zealand is better or worse off from immigration. Our conclusion is that, on the whole, New Zealand is made better off by keeping its door open to the world. Radical changes to policy settings simply to appease populist fears is misguided and even harmful.

High net migration (PLT arrivals minus departures) is a recent phenomenon. Net migration was near-zero as recently as 2013. However, high net migration figures are not just due to foreign arrivals. Many New Zealanders have been returning from overseas, fewer New Zealanders are leaving, and migrants are more inclined to stay in New Zealand.

New Zealand is in no way immune from terror threats, but tighter immigration policy cannot effectively address this risk. New Zealand has a good record of incorporating migrants, who show low benefit dependence, high intergenerational education mobility, successful labour market outcomes, and lack of significant clustering. New Zealanders are very accepting of migrants, appreciating their contribution to the economy and society.

Economic worries about immigration are overblown. There is no compelling reason to believe migrants are causing major detrimental impacts to the labour market. Although the empirical evidence is less than conclusive, there are good reasons to believe, as most economists do, immigration can make a positive contribution to economic growth.

Immigration policy is unlikely to fix the housing crisis in New Zealand. Migrants make a helpful fiscal contribution and can mitigate some of the problems of an ageing population. However, the impact on infrastructure of rapid population growth needs to be considered.

The path of progress is through connecting people from different backgrounds. New Zealand's distance from global markets presents a unique challenge for our ability to connect and grow. Migrant inflows help overcome the constraints of our physical isolation. New Zealanders moving overseas increase our global connections.

Immigration is most beneficial to the migrants themselves – and this benefit can be realised without any cost to New Zealand. Immigration is not a zero-sum game; it is a win-win.

¹⁹⁹ New Zealand is ranked ninth on the Human Development Index, a measure of life expectancy at birth, expected years of schooling, mean years of schooling, and gross national income per capita. United Nations Development Programme (UNDP), “Human Development Report 2015: Work for Human Development” (New York: United Nations), 208.

No one immigration system will please everyone and tick all boxes. However, the broadly positive outcomes from our large intake of migrants indicates New Zealand is getting the balance right. Drastic policy changes may disrupt the system, but tweaks can be made to improve it.

Māori views on immigration policy should be welcomed. A more inclusive process is needed to instruct migrants on the key place Māori hold in New Zealand society.

The infrastructure cost of immigration could be addressed through imposing fees on migrants rather than limiting the numbers.

Agreements with other countries for bilateral free movement zones should be pursued.

The skilled migrant visa relies too heavily on a central planning approach. Applicants with job offers could be prioritised on salary offers rather than industry specific skills.

People or businesses could be allowed to sponsor migrants who cannot meet requirements under existing visas.

These changes would retain many of the advantages of the current system while ensuring more flexibility to bring in migrants needed by New Zealanders.

New Zealand is a wonderful place to live, partly because migrants have made it a more vibrant and interesting country. Let's keep the gates open and harness the contribution migrants can make.

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As I know from first-hand experience, and as this report shows, migrants come here, contribute to our economy and, most importantly, become part of our community. I welcome The New Zealand Initiative's contribution to the debate on New Zealand's immigration policy. I hope the authors' optimistic and positive message of migration gets heard.

We live in paradise, even in Auckland.

Foreword, Meng Foon

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