



# IMMIGRATION



**Real Change**

**in Immigration**



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# New Zealand needs more workers

All around the world, developed countries with ageing populations are waging a 'war for talent'. Canada has announced it wants to attract 1.5 million immigrants by 2025, while Australia has announced it wants to bring in 200,000 permanent migrant workers a year to "help ease widespread, critical workforce shortages".

The situation is acute. New Zealand businesses cannot find enough workers to operate productively. New Zealand's employment is at a record high, and is one of the highest in the OECD. The labour shortage is the biggest constraint to economic growth (NZIER QSBO Jan 22). Labour constraints are limiting growth and stoking inflation.

New Zealand already faces significant challenges attracting migrants. In comparison with other developed countries, New Zealand is more remote, has lower wages, and a smaller effective market size. For these reasons, New Zealand must win on policy, and have better immigration policy than its competitors.

If New Zealand loses the war for talent, it will become harder to build productive exporting businesses. Those businesses have competitors in much larger labour markets, and they cannot be starved of skilled labour by barriers at the New Zealand border. With fewer workers across nearly all of New Zealand's frontline

public services, and fewer taxpayers generally, New Zealand will face compounding effects as lower wages attract fewer people. Getting immigration policy right is critical to New Zealand's future.

There are clear challenges that any immigration policy must face. There are billions of people who would be better off living in New Zealand than where they are now. The challenge is identifying those who want to come here, and who would also make New Zealanders better off by coming here.

This paper outlines how ACT would go about solving the problems with immigration, with three major principles.

1. New Zealand's labour market is far too small to build world-beating companies without easy access to offshore skills, so immigration must make it easy for business to access skilled people
2. The current set of rules and regulations are overly complex, perhaps due to being made without proper policy oversight, so immigration rules must be streamlined to enable employers to get the people and skills they need
3. Immigration New Zealand is frustratingly bureaucratic, and it needs to change to achieve much more rapid and efficient processing.





# Labour's failed immigration 'reset'

Labour has sought to restrict immigration, with a succession of hasty policies termed an immigration "reset". Labour's "reset" sought to restrict the ability for people to work in New Zealand through placing a sharp restriction through the labour market test and increasing compliance requirements. COVID-19 effectively ceased almost all immigration, strangling businesses dependent on migrant workers, such as horticulture. Despite the pain suffered by business, the Government didn't open the immigration system until July 2022. But by October almost 6000 work visa applications had been processed.

The result is an immigration system that is even more bureaucratic and unresponsive than ever. A Green List was created to try and circumvent the impossible bureaucracy, but not only is the list irrational (multimedia specialists are on the list, but key medical staff are not), it is still subject to the clogged system. Only after it became obvious that business was facing a serious labour crisis, did Labour relent on returning to the Skilled Migrant Category. Only the criteria are so tight that the Prime Minister and Minister of Immigration would fail to meet the new criteria of 180 points necessary from January 2023 to qualify as a 'skilled migrant'.



## What ACT will do

**ACT will make significant changes to the immigration system, and has developed detailed immigration policies.**

Many of the policies brought in by Labour, such as immigration policy decisions have significant consequences for migrants, employers, and wider society, yet immigration policy is subject to less formal rigour and scrutiny than other policy areas. This has led to policy blunders such as the ridiculous labour market testing processes where bureaucrats try to micromanage the jobs migrants can undertake; or the Accredited Employer Work Visa (AEWV) that is so restrictive, it requires multiple sector carve-outs to prevent critical industries from failing.

**ACT will ensure that all major immigration policy decisions will be subject to a Regulatory Impact Analysis (RIA).**

Best practice is for Government policy to be subject to regulatory analysis, this process includes defining

the problem a policy is trying to solve, and assessing the costs and benefits of the solutions proposed. At present, the Government can introduce significant changes to the immigration system, such as the immigration reset, without making the case to the public that it will in fact achieve what the Government thinks it will achieve. Applying regulatory impact analysis to immigration instructions will enhance the evidence that immigration policy is based on, ensure that all practical options for addressing a problem have been considered, and increase the transparency of the costs and benefits of the policy.

**ACT will get rid of the complicated and burdensome system for temporary work visas and replace it with demand-based pricing.**

When more New Zealanders are leaving the country and fewer migrants are coming in, the immigration system should respond by keeping the costs low for potential migrants. The current AEWV system is costly,



inefficient, and tries to predict the kinds of migrants that New Zealand employers need. Immigration policy has been slow to respond to the across-the-board shortages the country now faces, leading to haphazard carve-outs or last-minute criteria changes which reduces certainty for both migrants and employers.

ACT will make it easier for employers to get the temporary migrants they need, while acknowledging that the country also needs to build the infrastructure capacity to accommodate increases in population. There is still a need to have mechanisms for regulating the volumes of migrant flows. ACT proposes a demand-based pricing system, where instead of passing a labour market test or hoping to get on a government-devised list, employers pay a simple levy at the point of sponsoring a migrant. The charge would be adjusted regularly, depending on trends in net migration and the speed of population growth. The fee would start out at the same rate as the AEWV scheme, to ensure no employers are worse off, and would be flat for all employers. The advantage of a price system is that employers can assess whether it's worth paying the fee or hiring locally, instead of the bureaucracy trying to decide which employers 'deserve' workers. ACT's vision is to have a dynamic economy that is more responsive to changes in demand. But until the country gets there, the pricing system also helps ensure New Zealand's housing and infrastructure systems are not overwhelmed by sharp increases in population.

**ACT will ensure the Skilled Migrant Category offers an efficient and predictable pathway for migrants of all skill levels and occupations.**

All offers of employment or current employment in New Zealand would earn migrant points within the Skilled Migrant Category points system. Immigration New Zealand will also use the points system to prioritise applications, offering Express Entry residency to all applicants who meet a certain points threshold.

Currently, you need an offer of *skilled* employment to earn a significant number of points within the points system. The creation of the multi-tiered Green List is a further admission that the Skilled Migrant Category points system is not fit for reflecting the skills New Zealand needs. Our policy cleans all of this up by making it clear that any migrant with a job offer or currently in New Zealand employment is recognised within the points system.

The Government is set to introduce significant changes to the Skilled Migrant Category in 2023, with a focus on raising the bar even higher for migrants and introducing punitive measures such as requiring them to leave New Zealand after three years if they do not qualify for residency. Such measures will be reversed by ACT, and we will adjust our Skilled Migrant Category policy response accordingly when the new system is outlined in detail.



**ACT will end the political deadlock and introduce a sustainable solution for parent visas.**

The Parent Resident Visa, better known as the parent category, has recently been reopened in catch-up mode with a cap increase to 2,500 visas. ACT supports these changes, however the existing queues for this visa are at risk of slow processing, and the Government could easily kick new applications down the road, creating more backlogs.

ACT will remove the cap of 2,500 visas, which is consistent with a more liberal approach to immigration. To achieve this in a fiscally responsible manner, we propose a bespoke public health insurance scheme, with mandatory contributions for Parent Resident Visa holders. Visa holders would not be eligible for free healthcare until they met a 20 year requirement (the same as NZ Super).

**ACT will tackle the sources of Immigration New Zealand's slow processing times.**

The culture of Immigration New Zealand is bureaucratic and slow. Currently, Immigration New

Zealand is only processing about 12% of the work visas they were prior to lockdown. Immigration New Zealand needs to start thinking like a recruitment agency for the country, rather than a security guard.

It is hard to believe that there are not better ways of using taxpayer money and immigration levies to ensure the system serves the customers it has a mandate to serve. However, it has been difficult to gauge from the outside exactly how and why Immigration New Zealand has repeatedly failed to perform the tasks expected of it.

ACT will request that the Auditor-General conducts an inquiry into the way Immigration New Zealand uses its resources. The inquiry includes financial, governance, management, and organisational issues.

ACT would benchmark Immigration New Zealand's processes against commercial banks, and seek expert review from them. Issuing a visa is similar to issuing a large loan or mortgage, yet no bank would stay in business if it processed applications as sluggishly as Immigration New Zealand. This could lead to a major operational restructure.

## Conclusion

Immigration is now a make or break policy area for New Zealand. If the country does not have processes at least as good as those in major competitor countries such as Australia and Canada, businesses will struggle to grow, social services will fail to deliver, and a spiral will take hold where it is even more difficult to attract and retain talent than in competitor countries. On the other hand, it is possible to make immigration policy a strength for New Zealand.

ACT's vision is to have the best immigration policy in the world, bringing talented people to our shores with minimal rigmarole enabling New Zealand to solve all of its other problems.



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