Recruiting Immigrant Workers
NEW ZEALAND

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Recruiting Immigrant Workers: New Zealand 2014

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Foreword

This review of New Zealand's labour migration policy is the third of a series conducted by the OECD Secretariat as a follow-up to the 2009 High Level Policy Forum on International Migration. The rationale for this initiative was the recent growth in labour migration observed in many countries and the likelihood that recourse to labour migration would increase in the context of demographic ageing. Prior to the 2008-09 economic crisis, many countries had made substantial changes to labour migration policies with a view to facilitating recruitment from abroad. With the introduction of these changes, more prominence was accorded to the question of their effectiveness and more broadly, to the objectives of labour migration policy in general. Although the economic crisis put a damper on labour migration movements, it did not stop them entirely, and interest in labour migration policy is unlikely to diminish in the near future.

The central objective of labour migration policy is to help meet those labour market needs which cannot be satisfied through tapping domestic labour supply in a reasonable time-frame, without adversely affecting the domestic labour market and without hindering development prospects in vulnerable origin countries. Although the objective itself can be easily stated, specifying the criteria for assessing the success of policy in achieving it is a complex matter. It involves evaluating how well labour market needs have been identified and whether migration has had an impact on the labour market, both of which are analytically difficult.

This series of reviews addresses the question of whether labour migration policy is effective in meeting labour market needs without adverse effects, and whether the policy is efficient. To address these questions, this review aims to analyse two key areas: i) the labour migration system and its characteristics, in terms of both policies in place and the labour migrants who arrive; and ii) the extent to which it is responding to the current and forecast needs of the domestic labour market, as well as any impact on the latter.

The focus is specifically on discretionary labour migration, that is, those labour migration movements over which policy has direct, immediate

oversight. Other categories of migration – family, for example – are considered in terms of their influence on decisions to admit workers. Movements in the context of free-circulation agreements, which are important in many European countries, but also account for a non-negligible part of flows with respect to New Zealand through the Trans-Tasman Travel Agreement, are also covered in their relation to discretionary labour migration.

New Zealand is no exception to the widespread discussion in OECD countries regarding effective labour migration policy, and it is in this context that New Zealand requested that the OECD review its labour migration policy.

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Acronyms and abbreviations

ANZSCO	Australia and New Zealand Standard Classification of Occupations
CSSL	Canterbury Skill Shortage List
EoI	Expression of Interest
ES	Essential Skills
ESID	Essential Skills in Demand
ESOL	English for Speakers of Other Languages
GBP	Great Britain pound
GDP	Gross Domestic Product
GSC	General Skills Category
IAA	Immigration Advisers Authority
IDI	Integrated Data Infrastructure
IELTS	International English Language Testing System
IFP	International fee-paying
ISCO	International Standard Classification of Occupations
ISSL	Immediate Skill Shortage List
LisNZ	Longitudinal Immigration Survey New Zealand
LTBV	Long-term Business Visa
LTSSL	Long Term Skill Shortage List
MBIE	Ministry of Business, Innovation and Employment
NZD	New Zealand dollar
NZQA	New Zealand Qualifications Authority
PIER	Preliminary Indicator Evidence Report

RSE	Recognised Seasonal Employer
SMC	Skilled Migrant Category
SSNZ	Settlement Support New Zealand
WHM	Working Holidaymakers
WHS	Working Holiday Scheme

Executive summary

New Zealand has a longstanding history of immigration and depends like few other OECD countries on foreign labour. More than one out of four persons in the workforce are foreign-born, and both temporary and permanent labour migration flows are among the largest in the OECD.

In spite of being a settlement country, most labour migration is temporary and permanent migration mainly draws from the pool of temporary labour migrants. Temporary labour migration is equivalent to 3.6% of the workforce. This is by far the highest figure in the OECD, in spite of a significant decline since the beginning of the global economic crisis.

The single largest component of temporary flows are Working Holiday Schemes. These allow young persons from selected countries with which New Zealand has signed reciprocal bilateral agreements or arrangements to holiday in New Zealand and undertake some work and study incidental to their stay. There is a clear negative correlation between the part of the stay devoted to "work" and the income level of the country of origin. In 2012/13, almost 49 000 individuals were admitted as Working Holidaymakers, adding almost 2% to the working-age population and even 8% to the youth population in the same age-range.

Traditionally, the main category of admission for temporary labour migration has been the Essential Skills visa, which is intended for migrants who fill jobs for which no New Zealander or permanent resident is available. Numbers of issuances have reacted quickly to changing economic conditions, and declined by about half since the beginning of the global economic crisis. The Essential Skills visa can be seen as the cornerstone of the current immigration system in New Zealand, as more than half of new permanent labour migrants had such a visa at some stage.

One key shortcoming for the management of labour migration is the lack of solid knowledge about vacancies and jobseekers. To ensure that priority is given to the domestic workforce while swiftly responding to employer needs, New Zealand has established a rather elaborate system through a labour market test with numerous exemptions, including shortage lists and employer accreditation procedures. The process of the elaboration of the shortage lists is resource-intensive. Given that most occupations

concerned are high-skilled, where competition with New Zealanders is less likely, there seems to be some scope for streamlining, for example by exempting occupations at the highest skill level or above a certain salary threshold from the labour market test.

A further important component of temporary flows is international students, who are not considered labour migrants but have some work rights. Considering both secondary and higher education, New Zealand had about 50 000 international students in 2011/12, relative to its population certainly the largest number in the OECD. More than 30% of the international students stay in New Zealand after their studies to work.

The bulk of temporary flows goes into low-skilled occupations, mainly through the Working Holiday Schemes and international students. Both of these are largely unmanaged, and there is little oversight of their working conditions. This stands in remarkable contrast to admissions under the Essential Skills – which in addition often concerns higher-skilled employment – and the seasonal employment scheme, both of which see close examination of occupations, wages and working conditions. Thus, there seems to be some need for strengthening control in the lower-skilled occupations where competition with New Zealanders is most likely. Although to date there is little which suggests that there has been a negative labour market impact on the native-born, this should be continuously monitored, as both unemployment – in particular of low-educated native-born youth – and the numbers of both Working Holidaymakers and of international students remain high.

A distinguishing feature of permanent migration to New Zealand is that it predominantly concerns migrants who are already in New Zealand, most of whom are with a job. This is mainly attributable to the fact that employment in a job considered as skilled or an offer of such weighs heavily in the points system that is used for the admission of permanent labour migrants. About 92% of migrants who are admitted score on this criterion. However, only a select set of occupations provides points, making it essentially an "all or nothing" approach. As a result, it is difficult to get the necessary points for permanent migration if the occupation is not at the required level.

One option to be considered would be to provide more variation in the system, by giving some – albeit fewer – points also for work experience in New Zealand in lesser-skilled jobs. Adjustments in the points system should also be considered regarding English language knowledge. Currently, there is a minimum English level required from all principal applicants, but higher levels are not rewarded. Such rewards should be introduced, as evidence from New Zealand and from other OECD countries clearly shows that better proficiency of the host-country language is associated with better labour market outcomes.

New Zealand's permanent migration system is based on three-year target levels for admissions. At present, if inflows persist at the levels observed in recent years, admissions for labour migration will be well below the target. This is not surprising, given the fact that current labour market conditions are less favourable and permanent labour migration is largely demand driven. It should be considered to link the target with labour market conditions, or to remove it altogether and possibly replace it with a cap at a higher level.

Summary of the main recommendations

A. Improve the infrastructure for migration management

- Better link the target levels for permanent labour migration with labour needs, and enhance flexibility in meeting the goal.
- Improve information on vacancies and jobseekers, as well as the tools for forecasting of skills needs, including by a possible nationwide extension of the model of the Canterbury Skills Hub.
- Better link shortage lists with overall skills development plans.

B. Aim for a better balance in the management of temporary labour migration

- Consider excluding high-skilled occupations above a certain salary threshold from the labour market test in the Essential Skills visa.
- Investigate the labour market impact of international students with a specific focus on those not in university-level studies; and strengthen controls of their working conditions.
- Continue to closely monitor the labour market impact of Working Holidaymakers.
- Consider to streamline the number of temporary work visa categories.

C. Adjust the admission criteria for permanent labour migrants

- Consider to provide a pathway for permanent residence for well-integrated temporary migrants who have been in New Zealand on a temporary visa for many years.
- Give additional points for migrants with high levels of English language mastery.
- Consider abolishing or lowering the bonus points for New Zealand qualifications.

D. Strengthen the tools for attracting and retaining immigrants

- Better inform international students at the tertiary level about labour needs and work opportunities in New Zealand.
- Align the duration-of-residence requirements for the indefinite right of return with those of citizenship (five years).
- Consider replacing the pre-paid English language training for secondary applicants who lack English language mastery with a bond refundable after having achieved the required level.

Assessment and recommendations

New Zealand is a longstanding country of immigration

New Zealand is among the OECD countries that have been settled by migration, and currently more than a quarter of the New Zealand workforce is foreign-born. It has a longstanding managed permanent migration programme admitting more migrants than most other OECD countries. Traditionally, most migration has come from European OECD countries, in particular the United Kingdom. More recent flows, however, have been dominated by Asian countries, in particular India, China and the Philippines. The Pacific Islands remain a further important source of migration for employment, and there are several preferential schemes for Pacific Islanders. Most labour migrants are high-educated. As a result, immigrants are overrepresented among the high-educated and their labour market outcomes are favourable in international comparison.

Outmigration, in particular to neighbouring Australia, is also high, resulting in a high migration-related turnover in the labour market

Not only inflows of migrants, but also outflows of both immigrants and native-born are high in international comparison. The main destination is neighbouring Australia, although most of the flows seem to concern native-born New Zealanders. New Zealand has a free-mobility arrangement with Australia and in 2011/12, outflows of New Zealanders to Australia reached a new historic high of over 44 000, equivalent to 1% of New Zealand's population. Net outflows in particular have reacted quite strongly to the more favourable labour market conditions in Australia than New Zealand. Since the beginning of the global economic crisis, the unemployment rate in New Zealand has almost doubled, although it is now falling again somewhat and the short- to medium-term economic outlook is rather favourable. The parallel presence of in- and outmigration has been associated with a more limited impact of migration on population growth than elsewhere, and a high migration-related turnover on the labour market.

Per-capita temporary labour migration flows are the highest in the OECD

In spite of being a settlement country, most labour migration is temporary and permanent migration mainly draws from the pool of temporary labour migrants. Current temporary labour migration is equivalent to 3.6% of the workforce. This is by far the highest figure in the OECD, in spite of a significant decline since the beginning of the global economic crisis.

The largest single category is the Working Holiday Scheme (WHS)

The single largest component of temporary flows are Working Holiday Schemes (WHS). These allow young persons from selected countries with which New Zealand has signed reciprocal bilateral agreements or arrangements to holiday in New Zealand and undertake some work and study incidental to their stay. The WHS programme has constantly grown and in 2012/13, almost 49 000 individuals were admitted as Working Holidaymakers (WHM), adding almost 2% to the working-age population and even 8% to the youth population in the same age-range. In addition to its importance as a temporary labour migration programme, many of the WHM change status after their stay and the programme has become an increasingly important source for permanent labour migration. There is a clear negative correlation between the part of the stay devoted to "work" and the income level of the country of origin. Mean monthly earnings of WHM are about NZD 1 850, suggesting that for some WHM, the principal purpose of the stay may be work rather than travel.

There is wide variation in the conditions for the WHM by origin country, and these seem to have some impact on WHM employment

In total, New Zealand has 40 agreements with origin countries, and further ones are under negotiation. Each agreement has specific conditions, with the more recent agreements generally being more restrictive and capped. One important restriction concerns the number of months to be spent with a single employer, which largely confined WHM to lower-skilled jobs where training costs are low and turnover high. Yet, it is also these sectors where low-skilled native youth are often employed, raising concerns about possible competition as unemployment among this latter group is relatively high and growing. At the same time, the expenses of WHM also create jobs – about 0.2 jobs per WHM according to some estimates. Globally, past research did not find evidence of a negative impact, but this mostly referred to times when admission numbers were lower and labour market conditions for low-skilled native youth were more favourable. The labour market impact of WHM, particularly with respect to disfavoured groups on the labour market, should thus be continuously monitored.

The temporary "Essential Skills" visa is the cornerstone of New Zealand's immigration system

Traditionally the main category of admission for temporary labour migration has been the Essential Skills (ES) visa, which is intended for migrants who fill jobs for which no New Zealander or permanent resident is available. Numbers of issuances have reacted quickly to changing economic conditions, and declined by about half since the beginning of the global economic crisis. The ES visa can be seen as the cornerstone of the current immigration system in New Zealand, and more than half of new permanent labour migrants had an ES visa at some stage.

An elaborate system of labour-market tests and exemptions aims at limiting negative impact on the domestic workforce while at the same time responding to employer needs

To ensure that priority is given to the domestic workforce while swiftly responding to employer needs, New Zealand has established a rather elaborate system. The entity in charge of delivering the immigration services, Immigration New Zealand, which is part of the Ministry of Business, Innovation and Employment, applies a labour-market test and, for lower-skilled jobs, also involves Work and Income, the agency in charge of bringing recipients of social transfers into work. There is also a rather impressive array of shortage lists and employer accreditation procedures to circumvent the labour market test, and about 40% of the admissions are based on the latter two. The maximum duration of the visa depends on the skills level of the job, with low-skilled jobs having the shortest visa duration. The visas can be renewed indefinitely although technically, there are no "renewals" since each time the same procedure applies as for the original grant. Few migrants, however, remain on continuous spells of ES visa for long. Most either leave the country or transit to permanent residence. Nevertheless, in a few lesser-skilled occupations such as dairy cattle farm workers, truck drivers and aged care assistants, about 30% to 50% of ES visa holders remain for at least four years on that visa, because working in such occupations does not give points for permanent migration.

There seems to be some scope for facilitating admission at the high-skilled end

Rejections are rare, perhaps because immigration officials use the discretionary scope in the process often in favour of the applicant. Nevertheless, there has been some increase in rejections as less favourable

labour market conditions prevailed. Globally, the system thus seems to work as intended. However, the process of the elaboration of the shortage lists is resource-intensive. Given that most occupations concerned are high-skilled, where competition with New Zealanders is less likely, there seems to be some scope for streamlining, for example by exempting occupations at the highest skill level or above a certain salary threshold from the labour market test.

The lack of solid information on vacancies and jobseekers is an important impediment for migration management

One key shortcoming for the management of labour migration is the lack of solid knowledge about vacancies and jobseekers. Although a number of tools have been developed to partly compensate for this, it has rendered the admission procedure for ES visa complex. Notably the procedure for the definition of the shortage list is resource-intensive. The experiences with the Canterbury Skills Hub which tries to better match labour supply and demand in that region, to respond to labour needs in the post-earthquake rebuild, should be used to simplify and accelerate the process.

The Recognised Seasonal Employer scheme provides a good example of a managed seasonal labour scheme.

To respond to labour needs in the seasonal viticulture and horticulture industry, New Zealand has developed a specific Recognised Seasonal Employer (RSE) programme for the admission of seasonal labour migrants, with priority given to its Pacific neighbours. The programme is tightly managed to limit abuse and, at the same time, contributes positively to the development of the origin countries. The compliance measures impose a large administrative burden on both the public administration and the employers. As a result, most of the workers are employed by a few large growers, and in addition there are contractors who subsequently provide the seasonal migrants to several smaller producers. In spite of its high administrative burden, the programme seems to respond well to employer needs, while at the same time benefiting origin countries and limiting abuse, and can thus be regarded as good practice in the field.

There is a multitude of different visas available, and some streamlining may be warranted

Apart from the WHM, the ES and the RSE categories, there is a vast variety of further different temporary work visas available. The number of these has steadily grown in recent years, and many migrant applicants may qualify for several visas. Most visa categories are relatively small-scale, and given the partial overlap there seems to be some scope for streamlining in

the number of categories. Other OECD countries do this partly by using a discretionary category for non-standard cases, provided that there is a public interest. New Zealand has such a category as well, although it is exclusively used for regularisations, i.e. persons who do not have a valid visa or permit.

International students provide an important source of labour

A further important component of temporary flows is international students, who are not considered labour migrants but have some work rights. More than 30% of the international students stay in New Zealand after their studies to work. In contrast to most other OECD countries, the majority of international students are in private training establishments, often English language training, and many of these also have work rights during their period of study. Considering secondary and higher education, New Zealand had about 50 000 international students in 2011/12, relative to its population certainly the largest number in the OECD. Two-thirds of all students are in the Auckland region, and international students with work rights account for 2% of the working-age population – and even a full 11% of the youth population – in that region.

Working conditions and labour market impact should be monitored, in particular for non-tertiary students

Almost 60% of international students in employment work in either retail trade or accommodation and food services, both of which are rather low-skilled sectors where control over working conditions is limited. These are also the two main sectors of employment for low-skilled native-born youth, raising concerns about possible adverse impact on their employment opportunities. Working conditions and labour market impact should thus be closely investigated, in particular for the many non-tertiary students for whom work rights appear to be more generous than elsewhere in the OECD.

The qualifications of international students do not seem to convey large returns and retention is low, which puts into question the bonus points given to these qualifications in the system

Most OECD countries favour migrants with domestic qualifications in their immigration system, and New Zealand is no exception in this respect, by providing facilitated migration pathways for persons with New Zealand qualifications and by giving bonus points in the general skilled migration system. Yet, the evidence to date suggests that the New Zealand qualifications of international students seem to convey lower returns in the labour market than foreign degrees that have undergone a formal recognition

process in New Zealand. In addition, the retention rates of such students are also lower than those of other migrant groups. This raises the question about the usefulness of favouring them in the points system. Part of the problem seems to be associated with the fact that few international students seem to go into fields of study where the labour needs are, suggesting that better information about labour market needs and opportunities in New Zealand could convey some benefits.

A large part of temporary flows is thus into low-skilled jobs with little steering possibilities, and some vigilance is needed

In summary, the bulk of temporary flows seems to go into low-skilled occupations, mainly through the WHM and international student programmes. Both of these are largely unmanaged, and there is little oversight of their working conditions. This stands in remarkable contrast to admissions under the Essential Skills – which in addition often concerns higher-skilled employment – and the RSE, both of which see close examination of occupations, wages and working conditions. Thus, there seems to be some need of strengthening control in the lower-skilled occupations where competition with New Zealanders is most likely. To date, however, the available evidence does not suggest that there has been a strong negative labour market impact on the native-born. Nevertheless, this should be continuously monitored, as both unemployment – in particular of low-educated native-born youth – and the numbers of WHM and of international students remain high.

Permanent migration is largely from onshore and demand-driven, which is due to a strong weight on "skilled employment" in the admission system

A distinguishing feature of permanent migration to New Zealand is that it predominantly concerns migrants who are already in New Zealand, most of whom with a job. This is mainly attributable to the fact that employment in a job considered as skilled or an offer of such weighs heavily in the points system that is used for the admission of permanent labour migrants, and 92% of migrants who are admitted score on this criterion. In addition, there are points for previous skilled employment in New Zealand. However, only a select set of occupations – at skills levels 1-3 on the Australia and New Zealand Standard Classification of Occupations – provide points, making it essentially an "all or nothing" approach. As a result, it is difficult to get the necessary points for permanent migration if the occupation is not at level 1-3.

Adjustments in the points system, such as points for general work experience and points for better English knowledge should be considered

One option to be considered would be to provide more variation in the system, by giving some – albeit fewer – points also for work experience in New Zealand in lesser-skilled jobs. Adjustments in the points system should also be considered regarding English language knowledge. Currently, there is a minimum English level required from all principal applicants, but higher levels are not rewarded. Such rewards should be introduced, as evidence from New Zealand and from other OECD countries clearly shows that better mastery of the host-country language is associated with better labour market outcomes.

The pre-paid English-language tuition for non-English speaking secondary applicants should be replaced by a bond

Partners and children who lack minimum English knowledge, and would otherwise not be eligible for permanent migration, can pre-purchase English language tuition to compensate for this. The maximum amount that has to be pre-purchased in such a case is NZD 6 795. English language tuition up to the amount pre-purchased can then be obtained from New Zealand's Tertiary Education Commission, but provisional figures show that about one third of those migrants who pre-paid for the training do not take it up. A more choice-oriented approach would be to refund the fee if migrants manage to obtain the required level in a certain amount of time, and leaving it up to the migrant how he or she acquires that knowledge rather than giving them the right to free tuition. Such a language bond already applied in New Zealand between 1995 and 1998.

New Zealand seems to face difficulties in meeting the migration target numbers, whose value-added in a largely demand-driven system is questionable

New Zealand's permanent migration system is based on three-year target levels for admissions. At present, if inflows persist at the levels observed in recent years, admissions for labour migration will be well below the target. This is not surprising, given the fact that current labour market conditions are less favourable and permanent labour migration is largely demand-driven. The objective behind the target is not specified in any official document, although the fact that the average annual target number has remained unchanged for over a decade suggests that the objective is to have a broadly stable number of migrants. This would then imply that at times – and also at present – admission criteria would have to be relaxed,

although this would imply to lower the average quality of migrants. In contrast, during favourable economic circumstances, good candidates would be excluded. A better alternative seems to be to link the target with labour market conditions, or to remove it altogether and possibly replace it with a cap at a higher level.

This raises the issue of New Zealand's attractiveness, although policy options are limited

Not only admission numbers are declining but so are also the so-called Expressions of Interest, a pre-selection step introduced in 2004, suggesting that the decline is on-going. These declining numbers raise the issue of New Zealand's attractiveness, although as far as the declining numbers merely reflect a decline in labour demand, they are not necessarily a cause of concern. In any case, policy options to remedy this are limited. One route that has been taken is to better match interested candidates for migration with employers with skills needs, and two web-portals have been set up for this purpose.

The role of visa fees should be investigated in this context

One issue that may deter migrant candidates in New Zealand is the relatively high cost involved for becoming permanent migrants. All administrative costs taken together can easily sum up to a month's salary or more, particularly for those who have non-English speaking spouses and children and make use of an adviser. For offshore applicants in low income countries, this may represent a major disincentive. These migrants will often also have to go through a process of pre-recognition for their foreign qualifications, which adds further to the bill, and the outcome will often be uncertain. The role of such costs in the migration process should be investigated.

Although retention does not seem to be a major issue, there seem to be some links with the early grant of unlimited residence

A further specific concern regards the retention of migrants, although the outmigration of permanent migrants does not appear to be particularly high in international comparison. There is some evidence that outmigration increases following the grant of unlimited residence after two years, which allows migrants to leave New Zealand and return at any time thereafter if they wish to do so. It should thus be considered to postpone the grant of such unlimited residence to five years, which is the residency period required for citizenship.

Chapter 1

Context for labour migration to New Zealand

Immigration has been a driving force in the development of New Zealand throughout its history and the country has one of the largest immigration flows in the OECD. Partly because of the longstanding and significant immigration flows, the demographic outlook for New Zealand is much more favourable than in most other OECD countries. Apart from demographic projections, relatively little is known about the extent and evolution of labour shortages in New Zealand. That notwithstanding, compared with most other OECD countries, New Zealand has rich data and research about labour migration, a large part of which is publicly accessible.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

New Zealand depends like few other OECD countries on foreign labour, with more than one out of four persons in the workforce being foreign-born, and with both temporary and permanent labour migration flows among the largest in the OECD. In 2011, temporary labour migration flows were 3.6% of the workforce, by far the largest in the OECD, and permanent labour migration was three times above the OECD average.

The management of labour migration to New Zealand should be seen in the context of a country that has been settled by immigration, with labour migration being a longstanding part of the country's history and tradition. At the same time, outflows of migrants are also large, in particular to neighbouring Australia where wage levels are significantly higher. As a result, *net* migration is only slightly positive, and the migration-related turnover in the labour market is larger than elsewhere in the OECD.

Migration to New Zealand has been shaped for most of its history by the country's historical ties with the United Kingdom, which continues to be the main origin country of total migration flows, although India has recently overtaken the United Kingdom as the top source country for labour migration. Two other Asian countries, the Philippines and China, are also among the top origin countries.

Recently, labour migration to New Zealand has been affected by the global economic crisis, which led to an almost twofold increase in the unemployment rate in New Zealand, although the current unemployment rate – at 6.0% in Q4-2013 – is well below the OECD average. The crisis has been associated with a decline in temporary and permanent labour migration.

While the crisis affected migration to many OECD countries, a specific factor shaping immigration to New Zealand is its relative geographical isolation. This is reinforced by the fact that there are few big cities in the country, and a large part of the country's GDP and exports come from primary industries. A further distinguishing factor is the strong concentration of immigrants in a single city; almost half of all new labour migrants are employed in Auckland, the country's largest city (see Annex A for a map of New Zealand).

The remainder of this review is structured as follows. Chapter 1 presents the context for labour migration to New Zealand, that is, the overall labour market conditions, the characteristics of the immigrant population, the history of labour migration to New Zealand and the key actors involved in its management. Chapter 2 analyses temporary labour migration, starting with an overview of its evolution and the main visa categories. Specific attention will be paid to issues related to the Essential Skills visa, which is

the cornerstone of the labour migration system, namely the labour market test and the role of shortage lists. Chapter 2 ends with a discussion of student migration. Chapter 3 discusses permanent labour migration, including the selection process, the transitions from temporary to permanent. Chapter 4 analyses the issues of attraction and retention.

Current labour market conditions and the evidence regarding labour shortages

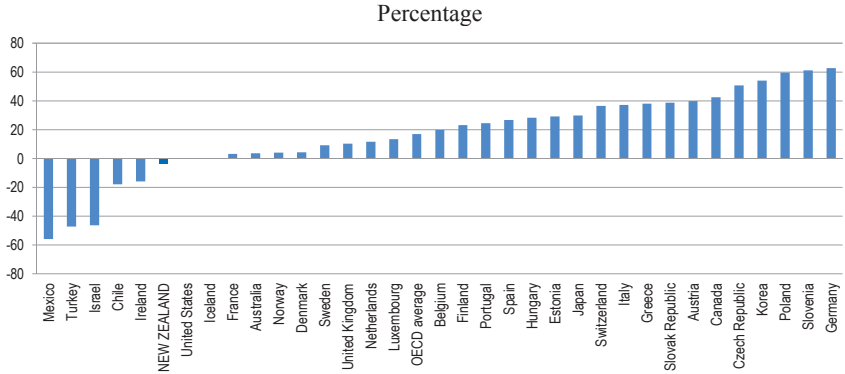
Until the beginning of the global economic crisis in 2007, labour market conditions in New Zealand were among the most favourable in the OECD, with more than 75% of the working-age population in employment, more than 8 percentage points above the OECD average of 66.5%. Likewise, the 3.8% unemployment rate seen in 2007 was a historical low. Since then, labour market conditions have deteriorated markedly; unemployment almost doubled, peaking in Q3-2012 before falling again to 6.2%. The low-educated were the most affected by the deteriorating labour market conditions with the crisis and experienced an increase in their unemployment rate by 4 percentage points, twice the figure of those with tertiary education. The current labour market outlook, however, is rather favourable. There has been an acceleration of growth as construction activity increased, partly related to the rebuild of the region of Canterbury following the September 2010 and February 2011 earthquakes, and a rebound in private consumption (OECD, 2013).

Partly because of the longstanding and significant immigration flows, the demographic outlook for New Zealand is much more favourable than in most other OECD countries. Indeed, New Zealand is one of the few OECD countries where the age-related entries into the labour force will, at least in the medium-term, continue to be larger than the exits (Figure 1.1).

Apart from these demographic projections, relatively little is known about the extent and evolution of labour shortages in New Zealand. A key obstacle for their identification is the lack of a public employment service that would file all vacancies of employers and corresponding information about job-seekers. However, there are a number of online vacancy sites available, which are also used in the process of the establishment of the shortage lists (see Chapter 2 below).[1] In addition, the New Zealand Ministry of Business, Innovation and Employment conducted in 2012 a survey among employers to assess the extent of their labour shortages. The majority of New Zealand employers do not seem to have major problems filling their vacancies – only about 16% report not being able to fill all the vacancies they had (see Annex Figure B.1a).[2] Excluding micro-enterprises, which are numerous in New Zealand, raises this figure to 20%. This figure still does

not appear to be particularly high in international comparison. In Germany, for example, about 50% of all enterprises report that they were not able to fill all of their vacancies.

Figure 1.1. Estimated differences between the age-related entries and exits from the working-age population, 2020



Note: Projections based on 2010 resident population and current migration levels. Age-related exits refer to the cohort aged 60-64, new entries to the cohort aged 15-19.

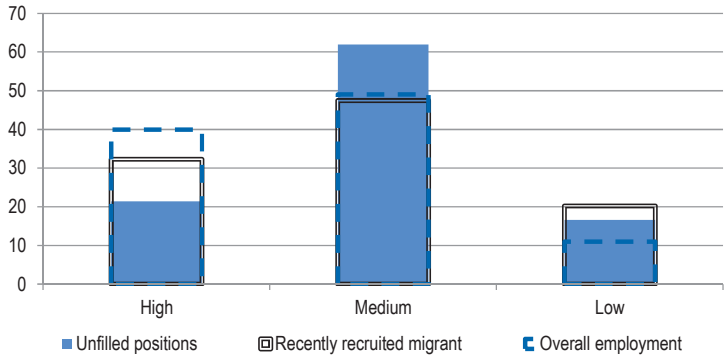
Source: OECD Secretariat calculations on the basis of UN Population Statistics; 2010 revision.

There is little regional variation in labour shortages, with the exception of Canterbury, where there are specific needs related to the post-earthquake reconstruction. Companies in Auckland also seem to have disproportionately many vacancies that they were unable to fill – and the incidence is almost twice as high as in Wellington, the country's second largest city. However, this seems to concern largely micro-enterprises, as a comparison with Annex Figure B.1b shows.

In terms of industries, construction and the agricultural sector reported the highest incidence of unfilled vacancies for firms with more than five employees. However, some specific sectors in particular regions seem to have significant difficulties to fill all their vacancies. In the construction sector in Canterbury, 51% of employers report being unable to fill all vacancies. Likewise, in the health and social assistance sector in Auckland, 35% of employers report difficulties and in the rest of the North Island (excluding Wellington) even 46%.

Compared with the current distribution of employment, vacancies were disproportionately in the medium- and low-skilled occupations (see Figure 1.2). For the future, however, employers expect rather an increase in needs at the high-skilled end.[3] Hires of recent migrants appear to have been disproportionately in both high- and low-skilled occupations, whereas they are underrepresented among the medium-skilled.[4]

Figure 1.2. Distribution of unfilled positions reported by employers relative to total employment, by occupational skill levels

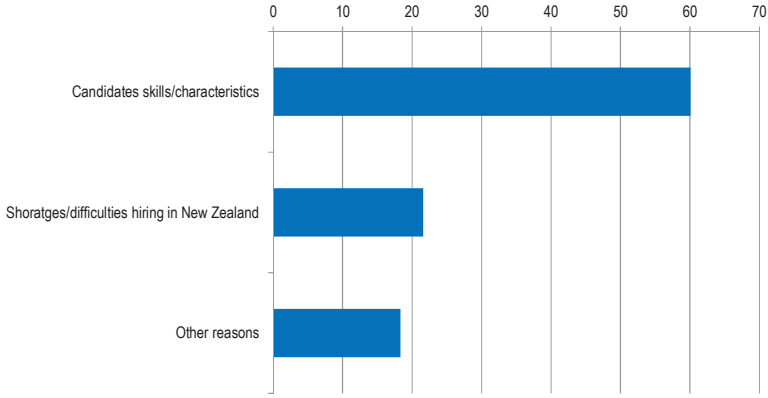


Note: Recent migrant refers to all migrants with less than five years of residence in New Zealand.

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

Note, however, that employers reported on the expected evolution of future needs, which do not necessarily result in shortages. In any case, most current recruitment of immigrants does not seem to be primarily driven by actual shortages in the domestic labour market. Employers who have hired recent migrants report to have done so primarily because of their skills and competences. Difficulties in finding New Zealanders were only mentioned by one in five employers who recently hired a migrant as being the principal reason for recruitment (Figure 1.3).

Figure 1.3. Reasons for hiring migrants in New Zealand

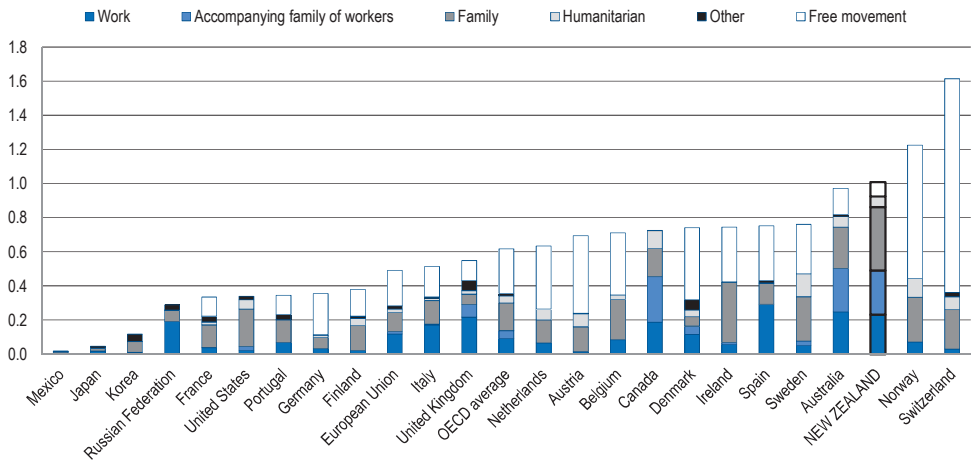


Source: OECD Secretariat calculations on the basis of MBIE National Survey of Employers 2012.

Evolution and characteristics of labour migration to New Zealand in international comparison

With new immigration flows of more than 1% of the population in 2011, the latest year for which internationally comparable data are available, New Zealand has one of the largest immigration flows in the OECD. Labour migrants and their family account for about half of total inflows, and new flows in these two categories relative to the population are broadly at the same level as in Australia and Canada, the two other OECD countries that have been settled by migration and that have a labour migration system similar to that of New Zealand (Figure 1.4). New Zealand also has a free-mobility arrangement with Australia, although most of the current flows under this arrangement are outmigration from New Zealand rather than immigration from Australia (see Box 1.1).[5]

Figure 1.4. Permanent immigration by category into OECD countries as a percentage of the total population, 2011



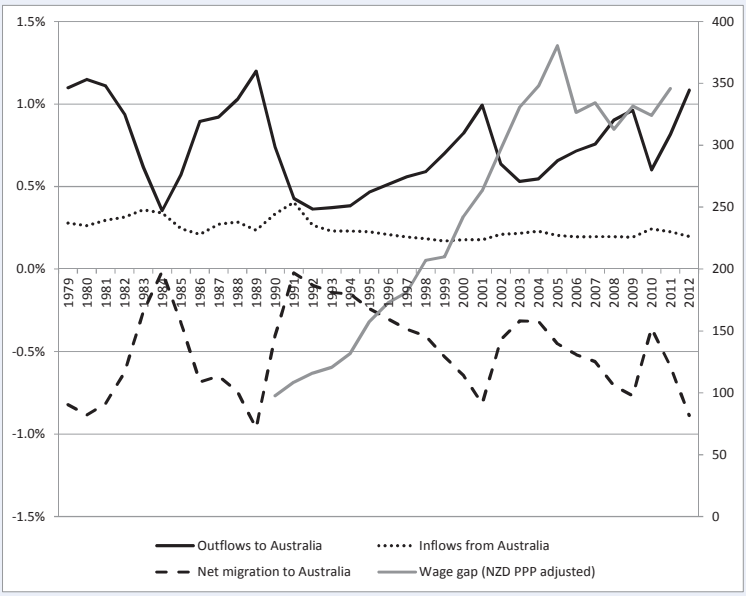
Source: OECD International Migration Database.

Traditionally, the main origin countries of labour migration to New Zealand were European OECD countries, in particular the United Kingdom. More recently, migration flows have diversified, and Asia has become the primary source of new permanent labour migration (see Figure 1.5). In 2011-12, India, the United Kingdom, the Philippines, China and South Africa were the main origin countries of permanent labour migration to New Zealand, accounting for almost two-thirds of all labour migrants. Flows from the latter two countries have seen a significant decline since 2008.

Box 1.1. Trans-Tasman free-mobility flows

The Trans-Tasman Travel Arrangement, established in 1973, allows for free labour mobility between Australia and New Zealand to those who are citizens of either country. In the past three decades, net migration flows of New Zealanders to Australia have been consistently higher than net migration flows of Australians into New Zealand (see figure below). These flows have been cyclical, and outflows of New Zealanders into Australia to settle under the Trans-Tasman agreement have reached over 44 000 in 2011/12, equivalent to almost 1% of the New Zealand population. In absolute terms, this is the highest number on record. Relative to the New Zealand population, however, net migration of New Zealanders to Australia was at similar levels in 1979-81, 1989, 2001 and 2009.

Departures of New Zealanders to Australia, absolute number and relative to the overall population



Source: OECD Secretariat calculations on the basis of Statistics New Zealand, OECD Short-term Labour Market Statistics.

A key driver of this net emigration is the more favourable labour market conditions in Australia, with higher wages and lower unemployment than in New Zealand. Indeed, there seems to be a rather strong link between relative economic conditions and net free mobility flows between the two countries, in particular since the mid-1990s. As is also visible from the above figure, the disparities in labour market conditions have evolved to New Zealand's disadvantage since the mid-2000s. This holds not only regarding unemployment but also for relative wages (not shown in the figure).

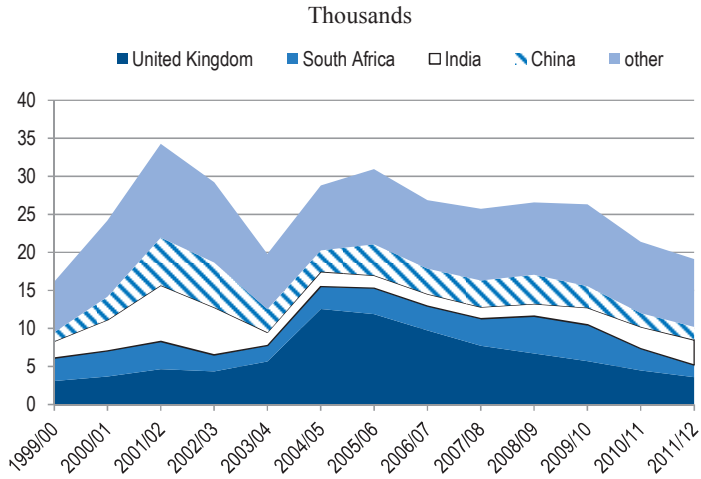
Box 1.1. Trans-Tasman free-mobility flows *(cont.)*

There is significant return migration of New Zealanders from Australia; about one-third of the New Zealanders in Australia return to New Zealand within four years (Poot, 2009). The characteristics of those New Zealanders who leave New Zealand do not appear to differ substantially from the overall New Zealand population (Stillman and Velamuri, 2010).

New Zealand citizens living in Australia have access to health care and family-related welfare benefits, although access to social security is limited, for those who arrived to Australia after 2001 and are not eligible for a permanent visa. In contrast, Australian citizens living in New Zealand have the same access to welfare benefits, health care and social security as New Zealanders, provided that they stay for more than two years.

Of particular interest is the degree to which immigrants naturalise and subsequently take advantage of the free mobility arrangement. For most migrant groups, this seems to be a rather marginal phenomenon – with the exception of migrants from India and South Africa, two English-speaking countries which are not high-income economies. For these countries, 47% and 62% of outmigration from New Zealand is to Australia, apparently often after five years, which is the residency period required for eligibility for New Zealand citizenship (see Ministry of Business, Innovation and Employment 2012 and Chapter 4).

Figure 1.5. Evolution of the main origin countries of permanent labour migration to New Zealand since 2000

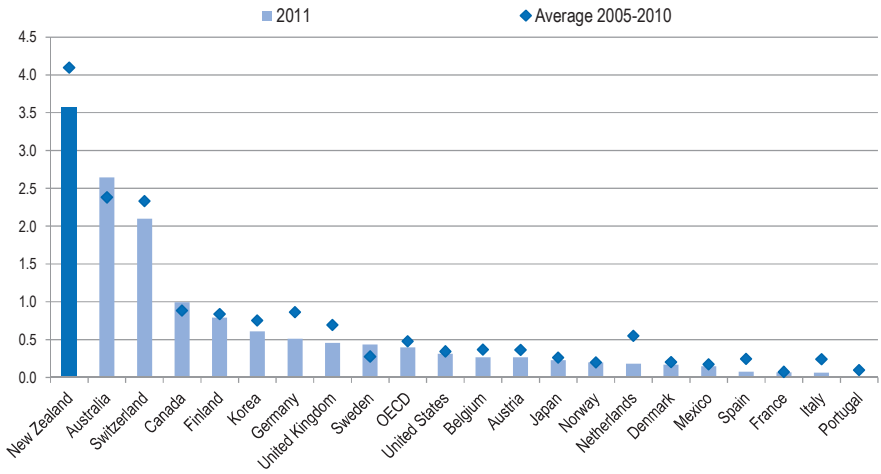


Source: OECD Secretariat calculations on the basis of Ministry of Business, Innovation and Employment.

Where New Zealand really sticks out, however, is temporary labour migration, accounting for 3.6% of the labour force in 2011 (Figure 1.6). These flows remain by far the largest among the OECD countries in relative

terms, in spite of a significant decline in 2011.[6] As will be explained in more detail in the following sections, temporary labour migration is also the most important source of permanent labour migration in New Zealand.

Figure 1.6. Temporary labour migration as a percentage of the labour force, selected OECD countries, 2011 and 2005-10 average



Source: OECD International Migration Database.

Most labour migrants are high-educated and, as a result, the percentage of high-educated among the immigrant population is 50% larger than among the native-born (36% versus 23.5%). Partly due to the high proportion of highly-educated labour migrants, the labour market outcomes of immigrants in New Zealand are also relatively favourable in international comparison. Although the labour market outcomes of immigrants lag slightly behind those of the native-born, the differences are not large compared with other OECD countries. Immigrants' employment rates are about 2 percentage points lower than those of the native-born, with slightly larger gaps for women. In contrast to the native-born, however, immigrants' employment rates have slightly increased in recent years. This is particularly notable for immigrant women, where a gap of almost 10 percentage points in 2008 has narrowed down to 3 percentage points in 2012. Immigrants also face higher unemployment rates, but again the differences are small in international comparison – below 1 percentage point. Indeed, the unemployment rate of immigrants – 7.6% in 2012 – is among the lowest in the OECD.

Regarding job quality, one observes no difference in the overqualification rate between immigrants and the native-born (OECD, 2012).[7] This stands in contrast with most other OECD countries, where the overqualification rate of immigrants tends to be above that of the native-born.

Evolution of New Zealand's immigration policy

Discovery and colonisation

Immigration has been a driving force in the development of New Zealand since its discovery by Polynesian explorers around the year 750.[8] The first migrants to New Zealand were Polynesian settlers who arrived in the North Island around 1300 and over time developed the indigenous Maori language and culture.[9]

The English explorer James Cook was the first to fully chart New Zealand's coast in 1769 and paved the way for future visits by European whalers, traders, and missionaries. Following his arrival, the settlement of Europeans in New Zealand gradually started and in 1840, the Treaty of Waitangi was signed between representatives of the British Crown and a group of Maori tribes. This was the first agreement signed between Maori and Europeans and allowed the British to claim sovereignty over the country in exchange for protection and British citizenship for all Maori. The early colonial governments did not impose any restrictions on arrivals to New Zealand and anyone who came after 1844 could stay and apply to become a naturalised British citizen (Beaglehole, 2009).

Policy of racial and national preference

The small size of the non-European population, the racial preferences of the time, and a strong identification with the British Empire, meant that the first 100 years of New Zealand immigration policy (from 1840 to 1947) were defined by the ethnicity and origin country of migrants. Immigration policy was expressed through assisted migration programmes and restrictions on non-white immigrants.

To grow the new colony (numbering only 2 000 Europeans in 1840), assisted migration schemes offered selected migrants, originally from the United Kingdom and Ireland and later from other European countries as well, subsidised passage or land grants to come to New Zealand. These schemes were used on an ad hoc basis until 1975 and have been an important component of immigration policy, appearing and disappearing with economic conditions.[10]

Early immigration policy also sought to limit non-European migration. The discovery of gold in 1859 attracted a number of Chinese immigrants in the subsequent decades, prompting the government to introduce the first laws limiting immigration in 1881. Although the actual number of Chinese in New Zealand was relatively small (fewer than 3 000 in 1871) the popular fear that Asian migration might overwhelm the colony's small European population caused the government to place further restrictions on the arrival of Non-Europeans in 1899.[11]

Policies favouring British and Irish immigration continued into the 20th century. In 1920, the Immigration Restriction Amendment Act further required anyone not of British or Irish parentage to apply for an entry permit, including non-white citizens of British Empire countries. This effectively created a "white New Zealand policy" which was also used to exclude southern European Italians and Dalmatians, in addition to Asian immigrants.

The beginnings of a labour market view of migration

After a freeze in migration during World War II, post-war labour shortages encouraged the government to restart assisted migration schemes for British-born in 1947 and to expand these programmes to Scandinavian and northern European countries in 1950.[12] The post-war years coincided with a shift in the focus of immigration policy from managing colonial population growth to resolving short-term labour-market shortages. This change in thinking is reflected in the choice to move immigration control from the Customs Service to the Department of Labour in 1951, under whose successor it remains today.

In addition to assisted migration programmes for Europeans, flows of labour migrants from the Pacific were also expanded. Cook Islanders were granted New Zealand citizenship in 1949 and began to migrate to New Zealand in response to economic and population pressures at home. After Western Samoa gained its independence from New Zealand in 1962, the two countries signed an agreement allowing a quota of Samoans to migrate to New Zealand each year. As the need for labour increased, further quotas for Samoan temporary work visas were created in 1967 (Beaglehole, 2009). As a result of these changes, the population of ethnic Pacific Islanders in New Zealand grew from 3 600 in 1951 to over 61 000 by 1976.[13]

In 1973, economic shocks from the oil crises and the loss of New Zealand's special trade relationships with the United Kingdom, following the latter's entry into the European Economic Community caused the government to reduce immigrant flows and tighten temporary migration policy.[14] The loss of its special trading status with the United Kingdom

meant that New Zealand was forced to look to other markets for its exports and review the logic of its "preferential source country" immigration policy. This resulted in the government dropping visa-free access to British immigrants although free movement between New Zealand and certain Pacific island countries was retained. While requiring British migrants to apply for residence was mostly a symbolic change since British immigrants were rarely rejected, it marked a significant shift in New Zealand's immigration policy paradigm.

Full shift to merit-based acceptance

A comprehensive review of immigration policy in 1986 (Burke, 1986) marked the final shift away from earlier selection policies based on ethnic and national origin. The Immigration Act 1987 was passed shortly thereafter and offered admission to any immigrant meeting certain standards of education, age, or professional status irrespective of their nationality. These standards form the broad selection criteria that, with some additions, are still used to select skilled migrants today.[15]

Prior to the 1987 reforms, migrants applying within the "occupational" stream were accepted if they had proven skills in an occupation included in the Occupational Priority List (a list of occupations deemed to be in "permanent" shortage) and a current job offer for that occupation. Migrants in occupations not included on the priority list could be accepted if they had a job offer from an employer that passed a labour market test. The 1987 act continued this policy but removed the national preference for British migrants and established a periodic review of the Occupational Priority List using a job vacancy survey as an objective measure of occupational shortages.

The only exceptions to the removal of national preference in New Zealand's immigration programme in 1987 were the continuation of long-standing free movement policies between Australia and New Zealand, first formalised in the reciprocal Trans-Tasman Travel Arrangement (1973), and the preferential selection of migrants from the Netherlands and selected Pacific island nations.

The 1987 reforms offered residence through four government-defined streams – occupational, business, social, and humanitarian. The occupational and business streams selected migrants on the basis of their skills and qualifications; the social stream provided for the reunification of overseas family members; and the humanitarian stream covered the entry of refugees and other migrants admitted on recognition of their personal hardship. With some modifications, this basic structure is still in place today.

The 1986 review also recognised the need for migrants to have adequate English skills for integration and suggested that English language ability should be a key element in the assessment of immigrants admitted in the occupational stream (Burke, 1986). However, concerns that English language ability could be used to perpetuate discriminatory policies caused policy makers to shy away from setting firm English language standards for occupational or business migrants at that time.

Human capital-based selection

The Immigration Amendment Act 1991 shifted the focus of New Zealand immigration policy from addressing short-term skill shortages to a medium-term human capital model of skilled migration. The Occupational stream was replaced by the so-called General Category which selected migrants using a points system instead of the Occupations Priority List. By switching to a points system, the New Zealand government hoped to make the selection of skilled migrants more transparent and consistent. Points were assigned to applicants based upon *employability* (determined by work experience and qualifications), *financial independence* (determined by the amount of settlement funds migrants brought with them), and *age*. The points system had an automatic pass-mark and a required minimum level of points. Applicants with total points greater than the pass-mark were automatically offered residence. Those with total points less than the pass mark, but more than the minimum level, were placed in a pool, ranked, and then selected monthly to meet an annual migration target. In line with the human capital model, most of the points were given to the applicant's qualifications (35% of all points possible) followed by age and work experience (both 23%).

English language standards for occupational migrants were raised, requiring immigrants in the General Category to have at least the reading and speaking ability of an 11-year old native English speaker. Applicants without a certificate to prove their English ability were assessed in an interview with an immigration officer. It seems that the subjective nature of these interviews often led to uneven assessment of applicants' English language ability.

The 1991 law also introduced an immigration target in line with similar targets introduced in Canada and Australia. As with Canada and Australia's targets, New Zealand's target is a goal rather than a limit meaning that it is possible for overall acceptances to exceed the limit. This limit, although now much higher and with a tolerance margin, continues to be part of immigration policy today.

Improving settlement outcomes of labour migrants

The policy changes in 1991 and favourable economic conditions in the early 90s resulted in a sharp increase in applicants through the General Category. The number of applications accepted through the stream went from less than 10 000 in 1992/93 to nearly 35 000 in 1994/95. The increases in the number of applications, coupled with an overall improvement in the quality of applicants, resulted in such a large number of applicants exceeding the automatic pass-mark that there were not any spots left over for pool applicants (those with enough points to be considered, but not enough to be automatically accepted). Since Immigration New Zealand was obliged by law to accept these migrants, it lost, in effect, the ability to limit the number of accepted General Category migrants. As a result, the number of applications accepted from all immigration streams exceeded New Zealand's annual immigration target of 25 000 migrants in each of the four years following the introduction of the points system in 1991 and by more than double the target in 1994 and 1995.

There was also some evidence that the lack of a consistent English language assessment and a general difficulty in getting migrant qualifications acknowledged by local industry bodies were causing settlement difficulties for skilled migrants and leading to a discount of their qualifications on the New Zealand labour market. These concerns and the oversubscription of the General Category lead to a review of the residence schemes in 1994.

Following the 1994 review, the General Category was replaced with the General Skills Category (GSC) in 1995. This increased the English language requirement to level 5 or above on the standardised International English Language Testing System (IELTS) and extended it to secondary as well as principal applicants. Secondary applicants scoring below this standard were required to pay a NZD 20 000 bond to be repaid if they reached the required level within 12 months. The 1995 changes also required applicants to have their qualifications registered with local professional bodies in order to receive points for them and replaced the monthly pool selection with a pass mark that changed from month to month. Applicants below this monthly pass mark were rejected rather than being placed in a pool. In 1998, the bond for GSC secondary applicants was removed and replaced with the option to pre-purchase English for Speakers of Other Languages (or ESOL) courses, at lower fees for the migrants concerned compared with the original bond.[16] In 2001, an annual numeric target for permanent residence approvals was set at 45 000, with a goal of accepting about 60% through the Skilled/Business Stream, 30% through the Family stream, and 10% through the international/humanitarian stream.

The change towards a hybrid selection model

The next major shift in immigration policy occurred in 2003. The country had just experienced four years of strong and sustained economic growth and was experiencing the lowest unemployment rate in 15 years, resulting in skill shortages in many industries. It was felt that the current human capital model of the General Skills Category should be modified to address those shortages. As a result, the government replaced the General Skills Category with the Skilled Migrant Category (SMC) which, with some modifications, is still used today.

The Skilled Migrant Category was given a completely different point structure that included new weightings for different point categories. The total number of points available increased from 48 to 240 with a minimum of 100 points to be considered for selection. In 2005, changes made meant that applicants with 140 points would be automatically selected. Following the new shift in focus, which in many ways implied a return to the demand-driven policies of the 1980s, points offered to migrants with job offers or current employment increased from 17% of the pass mark to 54% of the pass mark. Bonus points are given for migrants who have work experience, qualifications or a job offer in a "future growth area" or "area of shortage". Applicants eligible to claim the maximum number of these bonus points can earn up to 65 points, or 46% of the auto-pass mark. Other point categories were reduced. Age became less important with the maximum points available falling from 38% to 21% of the pass mark. Points for settlement funds and family sponsorship were done away with entirely (although family sponsorship was reinstated in 2005/06).

The 2003 changes also did away with the automatic pass mark system and initiated a two-step process, still used to this day, in which applicants are awarded points based on their skills, work experience, qualifications, age, and whether they have a job offer. Applicants with over 100 points can submit an expression of interest and are placed in a selection pool. Expressions of interest with 140 or more points are automatically selected. A selection point level for expressions of interest with fewer than 140 points is decided based upon current quotas and policies and a certain number of applicants from the pool are then invited to apply for residence through the SMC. Applicants who are selected and have been assessed as having sufficient points are then assessed for their ability to integrate into the New Zealand labour market and society. Having a skilled job or job offer is a proxy for settlement and contribution. Migrants without skilled jobs are interviewed to determine their suitability. As a result of the interview applicants who are selected and apply but who do not have a skilled job can be offered job search visas to help them find skilled work in New Zealand and therefore to be granted residence. Further changes to the point system

were implemented in 2007, changing the bonus points awarded for SMC applicants who had studied in New Zealand and a doubling of points for their partner's qualifications and employment/job offer.

New Zealand's immigration policy has remained relatively unchanged in the recession following the 2007 global financial crisis, which was less severe than in many other OECD countries. A new immigration act was passed in 2009 giving different point amounts for qualifications depending on the level of the qualification and removing bonus points for vocational New Zealand qualifications.

Key actors in managing labour migration to New Zealand

The main actor in regards to labour migration policy in New Zealand is the *Ministry of Business, Innovation and Employment* (MBIE). Its predecessor, the Department of Labour, took responsibility for immigration control from the Customs Service in 1951 and has retained this function ever since. On July 1st 2012, the Department merged with the Ministry of Economic Development, the Department of Building and Housing, and the Ministry of Science and Innovation, to form a new Ministry of Business, Innovation and Employment.

The ministry manages all immigration-related activities at the government level. In 2012, the immigration budget (NZD 131 million) made up for slightly more than two-thirds of the total annual labour-related budget of MBIE (NZD 211 million) and a similar proportion of its staff (1 466 out of 2 137 full-time equivalent staff).[17] Around two thirds of the immigration budget comes from visa fees charged to applicants. Fewer applications during the economic downturn and a government-wide savings drive have increased cost pressures and in response, application fees were increased by 16% in July 2012.

There are three divisions ("workgroups") in MBIE that deal with migration matters; namely the Immigration Group, the Policy and Research Group, and the Legal and International Group. The Immigration Group delivers all of New Zealand's front line immigration services such as the selection of applicants and visa issuing through the *Immigration New Zealand* service brand. The Legal and International Group provides corporate services to the ministry and maintains the international relations. The Policy and Research Group focuses on immigration research and strategic policy advice. The resources invested into research are significant. Together with a comprehensive data infrastructure, they have contributed to a close link between immigration research and policy making (Box 1.2).

Box 1.2. Data and research on labour migration to New Zealand

Compared with most other OECD countries, New Zealand has rich data about labour migration, a large part of which is publicly accessible.

One important source of information is migration data via border cards. Because of New Zealand's geographical position as a remote island, practically all in- and outward movements are registered. Anyone entering or exiting New Zealand must fill out a card with information such as citizenship, occupation, length of travel etc. This dataset provides a rather complete picture of migration flows and has been recently updated to include more information on "permanent and long-term" migrants.

Immigration New Zealand provides publicly available information on collected administrative data from permit applicants (both accepted and rejected) on their website. This information includes time series going back to 1997 and various characteristics of the applicants. Most of the administrative data are publicly accessible free of charge.

This information is fed into the Integrated Data Infrastructure (IDI) database which has been gradually extended. The IDI is an extension of a longitudinal database of administrative data, the so-called Linked Employer-Employee Database, which links monthly data on employee earnings with data on employers and firms derived from different administrative data sources. MBIE and Statistics New Zealand continue to integrate further administrative data, as well as survey data into the database. The IDI thus allows for detailed analysis of the settlement outcomes, employment characteristics and retention of labour migrants in New Zealand. A prototype with migrant data has been developed and the full infrastructure is scheduled to be completed by June 2015.

One rich survey dataset that has recently been merged with the IDI is the Longitudinal Immigration Survey New Zealand (LisNZ). It includes longitudinal socio-demographic and socio-economic data by visa type on principal applicants and their families who arrived at the end of 2004 and who were monitored during the first three years as permanent residents in New Zealand. The survey was conducted in three waves (6 months, 18 months and 36 months after take-up of permanent residence) and consists of a sample of more than 5 000 migrants.

Information on the recruitment of migrants by employers is available from the National Survey of Employers. This annual survey of employers is undertaken by the Migration Research, Evaluation and Analysis group at the MBIE. The main focus of the survey is on labour shortages, but the survey also intends to assess a number of issues associated with employing migrants, notably those related to the recruitment and retention of migrants. The survey also aims to monitor whether services provided by INZ are meeting the needs of employers.

In addition to the information above, a number of other surveys also contain valuable information related to labour migration. One of these is the Graduate Longitudinal Study NZ which was conducted in 2011. For this survey, more than 8 600 final year students in New Zealand were interviewed, among which more than 10% were international students. The survey started in late 2011 and the graduates will be followed up in two, five and ten years' time. The survey will allow for a thorough assessment of the contribution of international students to the domestic labour market.

Box 1.2. Data and research on labour migration to New Zealand *(cont.)*

The significant importance of labour migration for the country and the good data availability have been associated with a comparatively comprehensive research on labour migration issues that appears to be better linked with migration policy than in most other OECD countries. In addition to the main Universities, Economic Research Institutes such as the Motu Economic and Public Policy Research have also conducted a lot of research on this issue. A large part of the policy-oriented research is done within the Ministry of Business, Industry and Employment itself, through its research department. The ministry also funds an annual research conference on migration issues, the Migration Pathways conference, organised by academic institutions and providing for an exchange platform between the research community and policy makers.

The Market Services Group oversees the regulation of a number of professional groups, including immigration advisers. The *Immigration Advisers Authority* (IAA) is the regulatory body for immigration advisers.

The Immigration Advisers Authority was created in May 2008 and is responsible for granting licences to immigration advisers offering services to New Zealand's potential migrants. From 2009, all New Zealand immigration advisers, bar certain excepted groups, were required to hold a licence. The same licensing requirement was extended to overseas-based advisers in 2010.

Immigration advisers are important actors in the migrant application process (see Box 3.3 below). In 2011/12, they were involved in 39% of residence applications for permanent labour migration. Advisers were used less often for temporary labour migrants with only 15% of these applicants applying with the help of an adviser. Overall, according to data from Immigration New Zealand, one in six labour migrants, both permanent and temporary, applied with the support of an immigration adviser.

As will be seen in further detail below, an important tool in migration management are the so-called "Essential Skills in Demand lists" which are used to assess work visa applications and assign points for applicants to its Skilled Migration residence stream. In order to align migrant selection with New Zealand's labour market needs, the MBIE carries out periodic reviews of these lists. Industry and occupation groups are invited to nominate occupations for review, and submit evidence to support their claims. Contributors usually include trade unions or their representative body, i.e. the *Council of Trade Unions*; employers groups such as *Business New Zealand* and the *Employers and Manufacturers Association*; and industry training bodies. The unions are also consulted in the accreditation process for employers which is needed for the seasonal worker scheme and for fast-

tracking of applications in the Essential Skills visa (see below). Apart from this, the social partners are not directly involved in the policy setting.

Since immigration policy is closely related with international relations, the MBIE maintains a close relationship to the *Ministry of Foreign Affairs and Trade*. This latter ministry has a role in developing New Zealand's bilateral Working Holiday Schemes and offers some immigration support through its world-wide diplomatic outposts, generally by providing information whereas the processing is done at the MBIE. In addition, the Ministry of Foreign Affairs and Trade is the lead ministry negotiating New Zealand's free-trade agreements, some of which, for example the one with China, included provisions offering a limited number of work visas to citizens of participating nations in specific occupations.

The MBIE is a member of the *Border Sector Governance Group*, a collaboration of agencies with a stake in border affairs. Operating since 2007, this group investigates ways to streamline border processes to better fulfil import/export requirements, identify various immigration and security risks, and share agency information. The other participating agencies are the Ministry for Primary Industries, the New Zealand Customs Service, the Ministry of Transport, and the Department of Internal Affairs.

For migrants who wish to receive points based on their foreign qualifications, Immigration New Zealand requires pre-recognition. The entity in charge of this is the *New Zealand Qualifications Authority* (NZQA), an agency that reports to the Minister of Education. In addition to providing recognition services, it also monitors the non-university tertiary education sector, maintains New Zealand's National Qualifications Framework, and administers the National Certificate of Educational Achievement, which is the official secondary school qualification in New Zealand. The NZQA also helps Immigration New Zealand to maintain a list of qualifications that are exempt from pre-recognition or are recognised exceptions to certain visa requirements.[18]

The MBIE connects migrants with local settlement services through its *Settlement Support New Zealand* (SSNZ) brand. SSNZ acts as the interface for local organisations which co-ordinate their activities from eighteen offices across the country. These organisations are generally either non-governmental organisations or are part of the local civic administration. While some of these organisations operate nation-wide, the variation in the number and type of local organisations, as well as their co-ordination approach, means settlement support varies from region to region. The settlement support given to labour migrants and their families includes information on local services and community support organisations that host events to help integrate new migrants. Some business associations, such as

the Auckland Chamber of Commerce, are funded to provide support to both labour migrants and their employers.

The *Department of Internal Affairs* is responsible for granting New Zealand Citizenship. Migrants who hold permanent residence visas for at least five years and meet the language and character requirements may apply for New Zealand citizenship. The Department is also in charge of promoting multiculturalism and it does so through the *Office of Ethnic Affairs*.

The *Ministry of Social Development* is New Zealand's largest ministry and responsible for social policy and providing social services. Through its *Work and Income* offices, it provides job search and income support to persons not in employment. A significant part of temporary labour migration passes through a labour market check, and Immigration New Zealand consults Work and Income as part of the application review process. Work and Income also provides advice to Immigration New Zealand on how many seasonal visas should be issued in each region.

In contrast to federal countries, such as Canada and Australia, New Zealand's *sub-national governments* do not have the power to directly influence immigration policy. This means that policy-setting is centralised in New Zealand and that national immigration policy is, at least in principle, applied without distinction in all of its regions.

Notes

1. In the mid-2000s, New Zealand developed skill-shortage measurement using a combination of published job vacancies, surveys of employers who recently advertised positions, and in-depth occupational reporting to identify occupations in shortage. This monitoring work was part of a "Skills Action Plan" which was disbanded in 2008 and seemed out of date with the financial crisis. Nevertheless, there is a job vacancy monitor system that includes analysis of job advertisements in online vacancies (see Wall and Fale, 2011 for a discussion).
2. Out of the total number of employers surveyed, around 64% had a vacancy during 2011/12 (that they could fill or not).
3. The definition of skill levels follows the OECD definition based on the International Standard Classification of Occupations (ISCO) classification into high, medium and low-skilled occupations matching the ANZSCO to the extent possible. Since the survey provides only information on sub-major or major groups a classification following the national five-level skill definition was not possible.
4. Note that this refers to all hires of recent migrants, not only labour migrants.
5. This is particularly visible in the health sector, where outmigration to Australia is significant. In total, Dumont and Zürn (2008) estimate that around the year 2000, 23% of New Zealand-born nurses and 29% of doctors were working in another OECD country in their occupation, of which about 71% and 57%, respectively, were in Australia.
6. In a number of European OECD countries, Figure 7 does not include temporary labour migration from free mobility countries. However, this concerns countries where temporary labour migration is much lower than in New Zealand.
7. "Overqualification" is defined as persons working in jobs that require only a skill level that is below their formal education level. The data in OECD (2012) refer to the highly-educated.
8. For a comprehensive discussion of the history of immigration to New Zealand, see for example Spoonley and Bedford (2012).
9. Maori currently account for around 15% of New Zealand's total population.

10. The first migrants assisted in this way were brought from England in 1840 by the New Zealand Company, a private commercial venture. Between 1840 and 1852, almost 18 000 migrants had come to New Zealand through these schemes accounting for 75% of all migrants (Statistics New Zealand, 2010). By 1854, migration became the responsibility of New Zealand's provincial governments which continued assisted migration schemes funded from local land revenues (Phillips, 2009). These first schemes were strictly for British and Irish-born emigrants selected partially by age, gender, and occupation. From 1853 to 1870, New Zealand's non-Maori population rose from under 30 000 to close to 250 000 with over two-thirds of the increase coming from migration (Statistics New Zealand, 2010). In 1870, responsibility for immigration policy shifted one last time to the national government where it remains to the present day. With a vision to expanding the domestic economy through increased migration, the government extended previous assisted migration programmes and offered free passage to New Zealand. In addition to British and Irish nationals, small numbers of northern Europeans from Norway, Sweden, and Germany were also accepted. From 1870 to 1881, New Zealand's non-Maori population doubled with over half of the change coming from migration. In total, over 100 000 migrants came through assisted migration schemes between 1870 and 1881. This represents almost half of all arrivals to New Zealand at this time.

11. The Immigration Restriction Act 1899 prohibited the entry of migrants lacking British or Irish heritage unless they could fill out an application in a European language. Ships carrying Chinese immigrants could only carry one Chinese for every 100 tons of freight. Chinese were also subject to a GBP 100 poll tax.

12. Immigrants through these programmes were bonded for two years in exchange for free passage to New Zealand, a job, and temporary accommodation upon arrival. In addition to British migrants, over 6 000 Dutch were offered assistance between 1950 and 1954 as well as between 200 and 300 migrants from Austria, Germany, Denmark, Switzerland, and Greece.

13. As of the latest Census in 2006, there were 265 974 people of Pacific Island ethnicity representing 7% of the total population.

14. Prior to 1973, New Zealand had special access to British agricultural markets from a commonwealth free-trade agreement negotiated at the British Empire Economic Conference in 1932. Despite efforts to diversify New Zealand's trading partners, the United Kingdom was still purchasing almost a third of all of New Zealand's exports in 1972 (Dalziel and Lattimore, 1996).

15. The term "skilled migrants" refers to labour migrants who have been admitted for residence, i.e. what is referred to as permanent labour migration.

16. Research commissioned by the former Department of Labour (1998) suggested that the bond acted as a disincentive to apply for residence, particularly for migrants from North Asia. Logistical difficulties in attaining the required level of English within the specified timeframes meant that obtaining a refund of the bond was often not possible for many migrants. In addition, the English language bond was widely perceived as being discriminatory because it provided a stronger barrier to entry for migrants from lower-income countries.

17. Note that active labour market policy is handled by the Ministry of Social Development.

18. "Exempt from pre-recognition" means the qualification is already recognised by the NZQA and is easily connected to the occupation the applicant is using to claim points. "Recognised exceptions to visa requirements" are qualifications that would not normally fit well into the New Zealand structure and are awarded points as exceptions, usually as the result of an agreement with individual countries.

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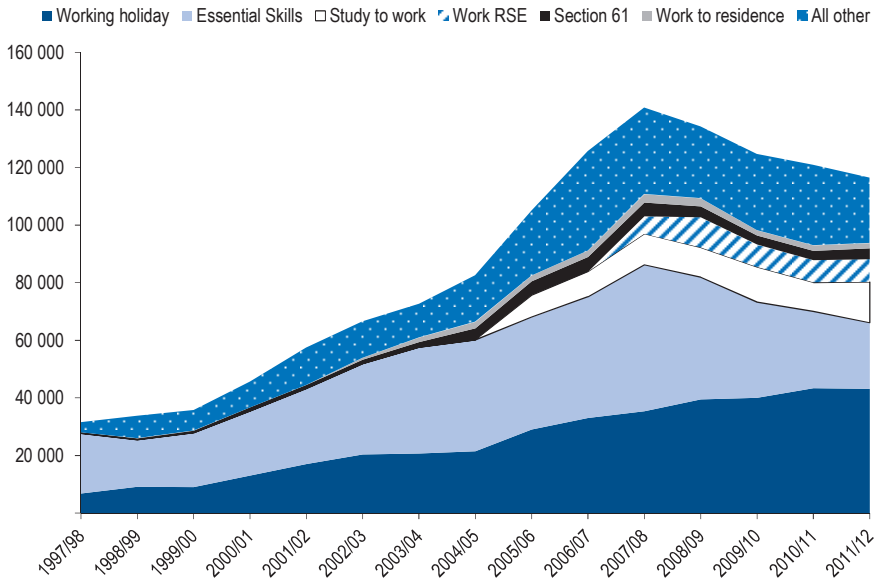
Chapter 2

International students and temporary labour migration to New Zealand

Temporary labour migration is the main means of entry for labour migrants into New Zealand, and has expanded massively since the late 1990s to stand at the highest level in the OECD, relative to its population. Currently, the single largest component of temporary flows is comprised of Working Holiday Schemes. Traditionally, the main category of admission for temporary labour migration has been the Essential Skills visa, which is intended for migrants who fill jobs for which no New Zealander or permanent resident is available. To ensure that priority is given to the domestic workforce while swiftly responding to employer needs, New Zealand has a rather elaborate system. A further important component of temporary flows is international students, who are not considered labour migrants but have some work rights. The bulk of temporary flows goes into low-skilled occupations, mainly through the Working Holiday Schemes and international students. Both of these are largely unmanaged, and there is little oversight of their working conditions.

Temporary labour migration is the main means of entry for labour migrants into New Zealand, and has expanded massively since the late 1990s. Figure 2.1 provides an overview over the main categories of temporary labour migration and their evolution. As can be seen, there has been a constant growth in temporary labour migration which further accelerated around 2004 until the beginning of the global economic crisis in 2007/08, and they declined since then. The decline was mainly attributable to the Essential Skills visa which has traditionally been the single most important component of labour migration to New Zealand. At the same time, numbers of visas under the Working Holiday Scheme continued to grow and, in 2009/10, replaced the Essential Skills visa as the largest single category of temporary work visa. In total, there are more than 80 different types of temporary work visas, which can be grouped into 13 main sub-streams. The most important ones will be discussed below in turn.

Figure 2.1. Temporary work migration by categories



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

Essential Skills visas

Application procedure and labour market test

More than 23 000 Essential Skills (ES) visas were granted in 2011/12. The main origin country is the United Kingdom, accounting for almost 16% of the grants, followed by the Philippines (14%) and India (11%).

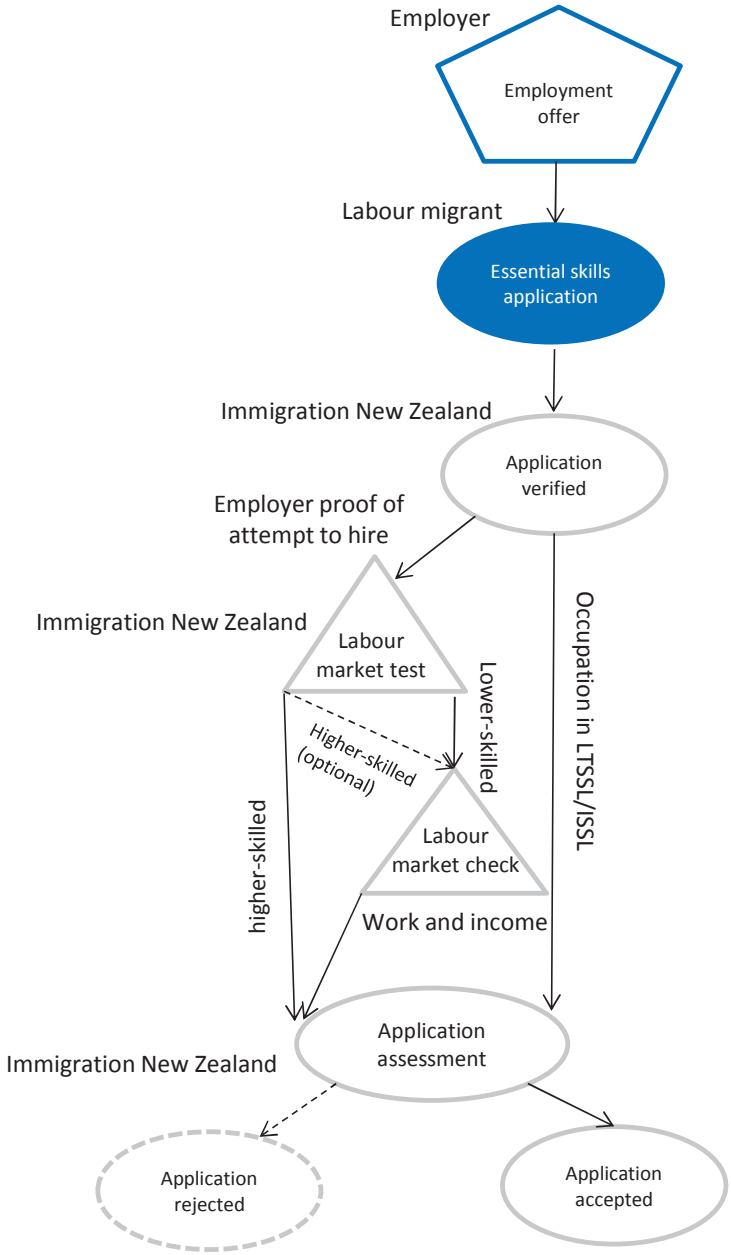
ES visas also grant labour market access to accompanying family of primary applicants. In order to apply for an ES visa, the individual must have a job offer. While legally the visa applicant is the driving force of the process, in practice the process tends to be largely employer-driven since a job offer is necessary and the employer must, where a labour market test applies, make the case with Immigration New Zealand. Figure 2.2 illustrates the procedure.

The Essential Skills visa aims at allowing foreign workers in New Zealand to fill shortages in jobs for which no New Zealand citizens or permanent residents are available. This is often referred to as the "New Zealanders first" policy. To ensure that priority is given to the domestic workforce, a labour market test applies, unless an occupation is in recognised shortage and thus on a specific shortage list.

In most OECD countries, particularly in Europe, the labour market test is carried out by the public employment service through the posting of the vacancy in its database for a specified period, generally four to six weeks, to see if someone from the domestic workforce applies for the job. In addition, unemployed jobseekers – both benefit recipients and others – who are in the database of the public employment service can be directly referred to the employer.

The current procedure in New Zealand differs from this.[1] For occupations not on a shortage list, a labour market "test" applies, which is carried out by an immigration officer at Immigration New Zealand. To initiate the procedure, the employer has to provide evidence of attempts to hire New Zealanders or permanent residents, for example by formal advertisements. If the occupation is considered high-skilled – that is, it is classified in the Australian and New Zealand Standard Classification of Occupations (ANZSCO) as level 1-3 – and if there are no doubts about the lack of availability of New Zealand residents, the labour market test is generally considered as passed. For lower-skilled jobs, i.e. at ANZSCO levels 4 and 5, an additional labour market "check" (to be distinguished from the "test" mentioned above) is required which is carried out by Work and Income – the agency in charge of bringing welfare recipients into employment. However, a labour market check can be waived if Work and Income confirms that there is a regional labour shortage for the respective occupation or industry.

Figure 2.2. Flowchart of Essential Skills' application process



Source: OECD Secretariat.

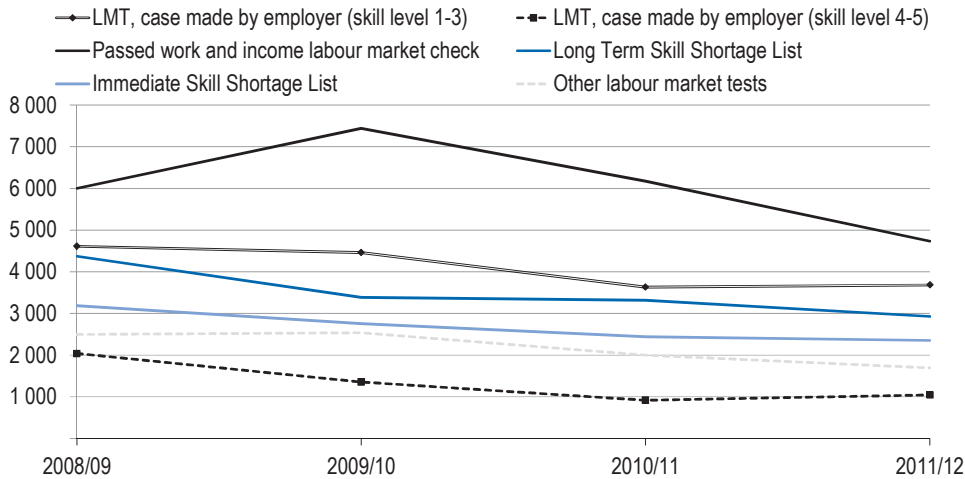
As part of the check, Work and Income has to provide an opinion as to whether or not there is a local benefit recipient available who is "suitable" or "trainable" to do the job.[2] In practice, it is not always clear how this term is to be interpreted and it seems that there is some uncertainty as to the "trainability" of unemployed local workers for specific jobs.

Work and Income essentially only has information about local benefit recipients,[3] which is a select subgroup of the domestic workforce that would potentially be available to do the job. In July 2010, only about one in three unemployed in New Zealand were recipients of unemployment benefits. Of those receiving benefits, only 4% reported their previous occupation as being at the professional or technical level. Unemployment benefit recipients thus tend to be relatively low-skilled, which explains why Work and Income is only automatically involved in the admission procedure for the lower-skilled. For higher-skilled positions, however, the immigration officer in charge of the application may also choose to consult Work and Income.

Since there is no mandatory vacancy posting period, the procedure at Work and Income is rather quick. It lasts about ten working days on average. The opinion given by Work and Income is not binding for Immigration New Zealand, which can grant the visa even if Work and Income stated that potential local candidates were available. This suggests that there is substantial discretionary scope for the immigration officers, which is often used in favour of the applicant.

Since 2008/09, information is available on the basis on which Essential Skills visas were granted. This is shown in Figure 2.3.[4] As can be seen, the single largest category concerns lower-skilled jobs for which visas are granted following a clearance through a labour market check by Work and Income. This is also the category which has shown the largest fluctuation and which accounts for the bulk of the decline since 2009/10, suggesting that the more difficult labour market conditions made it harder to pass this check. This is what one would expect, since it is essentially the lower-skilled jobs which were affected by the crisis and it is also these jobs for which more New Zealanders became available since then. The second largest category concerns higher-skilled jobs not subjected to a shortage list, which have gone through the labour market test at Immigration New Zealand. There is also a significant number of lower-skilled visas which are granted despite a negative opinion by Work and Income. Finally, the two shortage lists – discussed in more detail below – are both of roughly similar importance in quantitative terms, although the long-term list involves somewhat higher numbers. About one third of the admissions are based on one of the shortage lists.

Figure 2.3. Reasons for granting Essential Skills visa, since 2008/09



Note: "LMT" = Labour market test. For a discussion of the shortage lists, see further below.

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

In addition to the actual labour market testing, there is also an assessment of salary and working conditions. This is also carried out by Immigration New Zealand. Apart from the labour market test, the main reasons for visa rejection are wage conditions or lack of the skills needed for the job or insufficient health on the side of the applicant. While there is no general requirement regarding English language knowledge or a minimum level of qualification under "Essential Skills" visas, the worker's skills need to be adequate for the job he/she is required to do – either through a formal qualification or relevant work experience. The rejection rates are somewhat higher for migrants who are offshore. There is no further breakdown of rejections available and it is not possible to know if the reason for rejection was due to the employer´s job offer or certain characteristics of the candidate for labour migration. However, one observes that the rejection rates have reacted quite strongly to the deterioration of the labour market conditions with the global economic crisis (Figure 2.4). From 2007/08 to 2008/09, rejection rates increased almost twofold, suggesting that a large part of the rejections are indeed associated with the availability of the domestic workforce.

Figure 2.4. Rejection rate of Essential Skills applications

Source: OECD Secretariat calculations on the basis of Ministry of Business, Innovation and Employment, OECD Key Short-term Economic Indicators.

Globally, the rejection rates are not particularly high. It is not clear, however, what this reflects. On the one hand, it could be the result of a generous system that rarely leads to rejection independent of the candidate or employer. Or it may imply that the functioning of the system is well understood by employers and that only the ones who expect to be successful apply. However, the opposite is also possible – namely that a lack of transparency discourages many employers with labour needs from using this system, and only those with the most pressing needs use it.

Which of the above is actually the case is difficult to ascertain. On the one hand, the outcome of the process – and in particular the interpretation of "trainable" – is uncertain from an employer's perspective, and this lack of predictability is also repeatedly mentioned by stakeholders as one of the key deficiencies of the system. On the other hand, the system appears to be relatively open, since even in cases where the labour market test failed, an admission is often given. This suggests that the lack of transparency is not necessarily penalising employers.

Alternatives to the labour market test

Not all jobs are subject to the labour market testing, since temporary work visa applications for occupations under recognised shortage in

New Zealand are exempt from the test. In order to assess if an occupation is in shortage, the Ministry of Business, Innovation and Employment maintains Essential Skills in Demand (ESID) lists that classify those occupations deemed to be in shortage in New Zealand. Such lists are commonly used in OECD countries, although the scale and scope of the process seems particularly large in New Zealand (see Box 2.1).

Box 2.1. The shortage list in New Zealand compared with other OECD countries

The labour market test is a key element in the approval process of requests for work permits in many countries, to ensure that nobody in the domestic labour market (including migrants already in the country) is available for the job offered to the potential labour migrant. It is, for example, used in Australia, Canada and New Zealand as well as in most European OECD countries. Most of these countries using a labour market test have also a list of occupations that are excluded from the test, either for particularly highly-skilled (or highly-paid) occupations, or for occupations where there is a recognised shortage.

For the latter, countries generally operate so-called shortage lists. The rationale behind such lists is that for occupations in shortage, each individual labour market test would come to the same conclusion, i.e. that no domestic worker is available. The shortage list is thus essentially a tool to avoid red tape and to accelerate the admission procedure.

Countries generally establish their shortage lists at least in part on the basis of objective criteria, with the ratio of unemployed to vacancies – together with the vacancy duration – often being a key indicator. This is, for example, the case in Germany and Spain. In both countries, however, a range of stakeholders are also consulted and additional indicators taken into consideration. The Migration Advisory Committee in the United Kingdom uses a detailed algorithm with 12 indicators using parameters of vacancies, wages and employment, accounting also for soft evidence such as training data and stakeholder claims. Australia uses a broad-based approach, including both demand- and supply-sided information on vacancies, trainings, and industry projections. It complements this with a survey of employers who have recently advertised.

Like most other countries, New Zealand also uses a combination of indicators to establish the lists, and the process is rather elaborate. It is either initiated by industry associations or by the ministry itself. For each occupation under review, a "Preliminary Indicator Evidence Report" (PIER) is compiled and published. Annex E provides an example. The report is structured in three parts, as evidence must also be provided that the occupation is skilled and that it is of sufficient scale to warrant a listing.

Since administrative data commonly used elsewhere such as the ratio of unemployed to vacancies and the average vacancy duration are not available in New Zealand, a range of alternative indictors are used. The evidence on shortage – the main element – includes data from unemployment benefit recipients (via Work and Income), increases in vacancy advertisements on Online Jobs portals, past and expected future employment growth, as well as forecasted net replacement demand on the basis of the age-profile of the current job holders.

Box 2.1. The shortage list in New Zealand compared with other OECD countries
(cont.)

Whether or not the occupation is also on the shortage lists in Australia or the United Kingdom is also taken into consideration, although this is mainly used for distinguishing between immediate and long-term shortages. The consideration of shortages elsewhere is rather unique, and seems to be motivated by the fact that Australia is the main competitor for labour migrants and the United Kingdom the main source country for labour migration, at least as far as Essential Skills is concerned.

The distinction between immediate and long-term shortage is important, since long-term shortage occupations provide facilitations to residence, for example through additional points in the skilled migration category for permanent residence. In general, if the shortage is also elsewhere, this is seen as an indication for a structural and long-term shortage.

A long training time and the persistence of shortage – i.e. the number of years the occupation has already been on the list – are also taken as indications for a long-term/structural shortage, in addition to a salary criterion. There are some concerns, however, that the persistence on the list as an indicator for continued shortage results in a sort of "self-fulfilling prophecy". In some occupations, the evolution of the demand in Australia is also considered. Relevant stakeholders, such as employers, trade unions and other government agencies – including the Ministry of Social Development and the Tertiary Education Commission – are consulted.

Since qualitative information plays an important role in the establishment of the list, and since different indicators have to be weighed against each other, decisions on shortage lists almost unavoidably often also have a discretionary element. This is also the case of New Zealand, where formally the Minister of Immigration signs off the long-term shortage list whereas the immediate skill shortage list is signed off by the administrative head.

New Zealand has three different shortages lists: i) the Long Term Skill Shortage List (LTSSL); ii) the Immediate Skill Shortage List (ISSL) and; iii) the Canterbury Skill Shortage List (CSSL). Whereas the immediate list covers occupations where there is a short-term/immediate need, those skilled occupations likely to be under more structural and future shortage are included in the long-term list. The CSSL is a temporary shortage list designed to cater to the labour market needs of the Canterbury region after the earthquakes in 2010 and 2011.

Both the long-term and immediate lists are reviewed every year, while the Canterbury list is currently reviewed on a quarterly basis. The listings, in particular the ISSL, have been quite reactive to economic conditions and the shortage lists have notably been significantly cut since 2009.[5]

A new occupation is only added to the lists after confirming not only the labour shortages in that occupation, but also that the industry has committed to fully utilise the domestic labour force first. This commitment is only

vaguely defined. In addition, the labour shortage should not be employer-specific or arise as a result of recruitment and retention issues due to the terms and conditions of employment. The ISSL requires that an occupation is highly-skilled and the labour shortage in a particular geographic region is confirmed. The LTSSL requires, in addition, a minimum base salary of NZD 45 000.

As already mentioned, New Zealand does not have a national database for the unemployed – apart from benefit recipients and some voluntary registrations of non-recipients. There is also no national database on vacancies. Both of this stands in contrast with many other OECD countries, where such databases exist and are generally administered by the public employment service. Indicators commonly used to indicate shortages, such as average vacancy duration or the number of unemployed per vacancy (see Box 2.1), are thus not available, thereby rendering the process of establishing genuine shortages difficult. As a result, the procedure for establishing the shortage lists is rather elaborate. The review of the occupations included in the lists starts with a call for proposals and occupation nominations from the industry or other stakeholders providing evidence to sustain the claim that an occupation should be reviewed, either with a view of adding a new occupation to one of the lists or with a view of removing an occupation. The ministry can also become active upon its own initiative.

Following the nomination procedure, the ministry then assesses the proposals and selects the occupations to be reviewed. This concerns only a relatively small part of the occupations and in 2013, 22 occupations are being reviewed for inclusion to or removal from either ISSL or LTSSL.[6] The ministry then produces a Preliminary Indicator Evidence Report (PIER) describing the preliminary evidence on the status of the occupation and publishes it on its website. After the publication of the report, stakeholders have about a month to react to the PIER and to provide additional information. The evidence they submit, along with any relevant research, is reviewed by an independent contractor. Once submissions are received, the ministry undertakes further follow-up discussions with the submitters and consults with other government agencies, labour unions and the industry before a decision is being made.

In addition to the actual evaluation of shortage, for an occupation to be on the shortage list, a second requirement is that the occupation is skilled. For this, the ANZSCO skill level classification is used – in general, only occupations assessed by ANZSCO as levels 1-3 are considered to be highly-skilled for the purposes of the shortage lists. In addition, a base salary of at least NZD 45 000 is used as a proxy for a skilled occupation.

A third requirement is that the occupation meets the scale requirement – small-scale occupations are generally not considered for any of the lists; they have to go either through the labour market test or use alternative visa routes. It is generally expected that the occupation employs at least 2 000 persons in New Zealand, which is a relatively high hurdle given the small size of the country. Where the number of workers in the occupation is lower, the criterion is also considered to be met in cases where there has been a "reasonable number" (in practice, about 50) of Essential Skills visa approvals in the last year.

The process thus appears to be rather resource intensive, which seems at least in part to be attributable to the lack of comprehensive information on vacancies and on the unemployed beyond the limited group of benefit recipients. This is a key shortcoming compared with other countries not only for migration planning, but also for training and education policies. In the context of the post-earthquake rebuild of the Canterbury region, specific skills planning tools are currently being tested (see Box 2.2). If successful, it is planned to consider their nation-wide expansion at a later stage.

Box 2.2. The Canterbury earthquake and its implications for labour migration

Several large earthquakes hit the Canterbury region in New Zealand's South Island in late 2010 and 2011, causing substantial destruction and loss of life. In total 185 people died and over 100 000 houses were damaged or destroyed. To rebuild the region, there will be a strong demand for workers, in particular in construction-related jobs (Canterbury Employment and Skills Board, 2011). The economic growth forecast for the Canterbury region is expected to be 5.1% per year between 2011 and 2016, compared with 3% for the New Zealand economy as a whole (Infometrics, 2012).

Labour needs, however, will vary depending on the pace and the speed of the rebuild. The Canterbury Employment and Skills Board (2011) projects around 24 000 additional construction-related jobs at the peak of the rebuild, although other projections predict lower numbers. Most demand will be in construction-related occupations (carpenters and joiners, paint trade workers, concreters and plasterers), although many general labourers will be needed as well. Labour demand will increase as well in other industries, like business and property services, wholesale and retail trade and manufacturing, particularly in the medium term. In order to help the rebuild efforts in the Canterbury region, several special arrangements related to labour migration have been set up to help meet the labour needs in the region.

A first initiative is a specific occupational shortage list, the *Canterbury Skill Shortage List* (CSSL). The Canterbury list is updated every three months, in a process based on occupational demand information for the Canterbury rebuild, particularly in the construction sector, as well as supply data from jobseekers and training completions for the region. Most occupations in the CSSL are medium- and high-skilled in the sectors of Construction, Engineering and Trades. As elsewhere, if an occupation is not listed, a temporary work visa can still be granted after a labour market test.

Box 2.2. The Canterbury earthquake and its implications for labour migration *(cont.)*

A second initiative is aimed at meeting skills needs for lesser-skilled jobs not included in the list. For this purpose, a special *Canterbury Skills and Employment Hub* has been set up to help employers fill such vacancies. The "Skills hub" is a trial initiative that intends to better match labour supply and demand, by first trying to match prospective employers with available New Zealanders and afterwards looking for potential migrants from abroad if New Zealanders are not available. The initiative is a co-operation between MBIE (including Immigration New Zealand), MSD Work and Income, the Tertiary Education Commission and the Canterbury Earthquake Recovery Authority. Employers must contact the Hub before filing an application for an Essential Skills visa. The Hub may then refer suitable New Zealand job seekers to the employer for an interview. If no suitable New Zealanders or permanent residents are identified, and if there are no suitable students or trainees in the pipeline, the Skills Hub will issue a letter to the employer that can be used to support the visa application for a migrant worker. This enables Immigration New Zealand to fast-track their application and allows employment to begin more quickly. Similar fast-track procedures to frontload the labour market test are also applied in other OECD countries such as e.g. Germany (OECD, 2013). The "Skills Hub" job matching programme with local workers first and migrants later is being tested during the Canterbury rebuild effort and planned be extended to a nation-wide policy if successful.

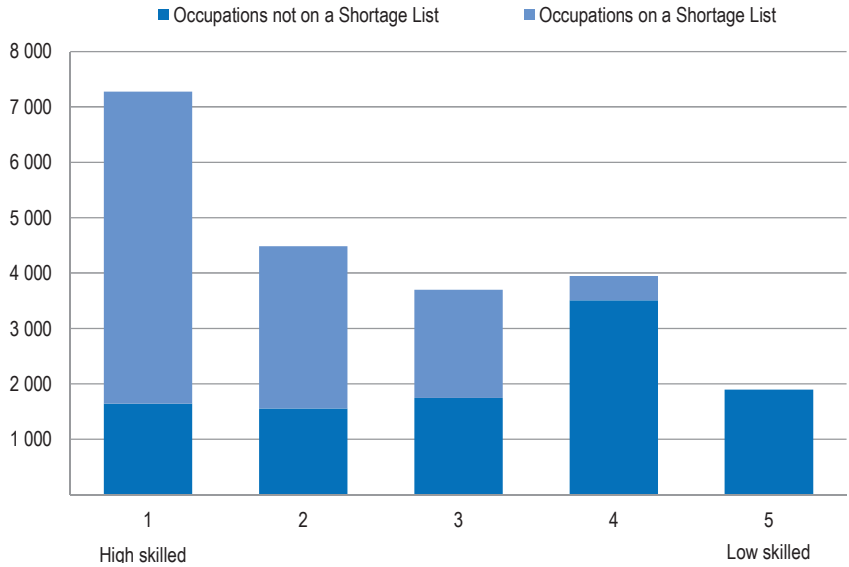
Finally, since 2012, work rights for English language students in Canterbury have been extended. This is aimed primarily at enhancing incentives to study in the region, with the added benefit of providing additional labour but.

Figure 2.5 below shows how many Essential Skills visas were granted in 2011/12, by skills level and whether or not they have been granted for an occupation on the shortage list. Three patterns become evident. First, there is a clear link between the skills level and the number of approvals – more than a third of all approvals are in the highest skills level. Second, most visas granted via a shortage list are also at the top end of the skill distribution – more than half were at the highest level. Third, the lower the skills level, the more important in relative terms becomes the labour market test. Unfortunately, no data are available regarding rejections by skills level, to see if these are more likely at the lower skills end. However, as seen above, the labour market test is certainly more rigorous for lower-skilled jobs. Other OECD countries, such as Canada, also apply stricter labour market tests for lower-skilled occupations. An additional check is also implicit in the New Zealand framework, as the visa duration depends in part on the skill level of the occupation (see below).

In any case, the above patterns suggest that the system seems broadly to be functioning as intended, although one may question the efficiency gain brought in by the shortage list procedure, since the labour market test does not seem to provide a strong burden for employers anyway. This mainly

concerns the ISSL, since the LTSSL is also used for other migration management purposes. Yet, simply abolishing the ISSL would not do the job, since the reviews for the skills levels 1-3 would still need to be done for the LTSSL. One could, however, consider a streamlining at the high-skilled end, since more than half of the occupations currently on the ISSL are at skills level 1. One option would be to exclude jobs that earn above a certain salary threshold completely from the labour market test, as has been done in several European OECD countries that have introduced the EU Blue Card, such as Germany (OECD, 2013).

Figure 2.5. Number of Essential Skills visas on 2011/12, by skill level and shortage list



Note: The categories 1-5 refers to the ANZCO skills levels which are classified from highest-skilled (1) to lowest-skilled (5).

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

Within the Essential Skills visa, there is also a further route available for employers who can demonstrate to have tried to recruit and/or train New Zealanders but who still have vacancies that they cannot fill. Such employers can request to obtain the so-called *approval in principle*. The approval in principle allows employers to go through the labour market test before they recruit foreign workers, thereby creating more certainty for employers and migrants. This status, generally used for larger employers

who have a foreseeable demand of larger numbers of migrants in the near future – for example for a specific project – allows admission of migrants who otherwise meet the requirements for an Essential Skills visa without passing individually through the labour market test. Before granting approval in principle, both Work and Income and the labour unions are consulted by Immigration New Zealand. About 8% of all ES visas are granted through this procedure.

Renewals and transitions to and from other visa categories

The duration of "Essential Skills" visa is equal to the length of the work contract, but depends on the skills level of the job. It can be granted for a maximum time that ranges between one year for low-skilled jobs (corresponding to ANZCO levels 4 and 5) to up to five years for high-skilled jobs (ANZCO level 1). The visas can be renewed indefinitely, although every time the employer has to demonstrate that no New Zealanders (or permanent residents) are available. Technically, there are thus no "renewals".

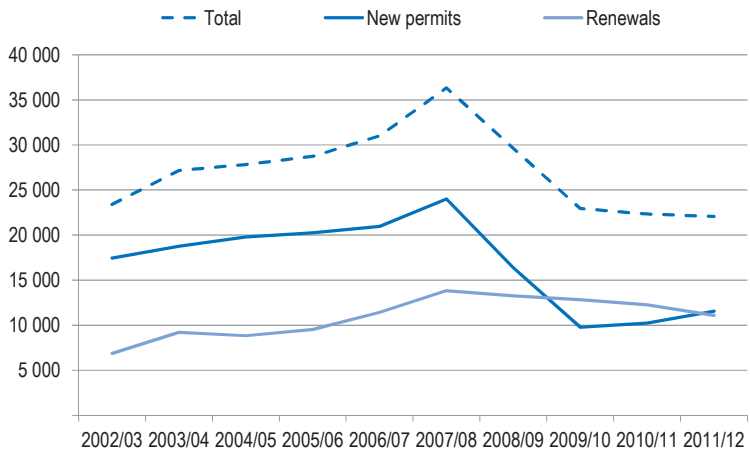
Although there is no limit on the number of renewals and thus on the maximum duration of stay on successive Essential Skills visa, relatively few visa holders stay within this category for long. Nevertheless, in 2011/12, there were still more than 4 100 persons in New Zealand who had held a valid ES visa for at least five years. In a number of occupations, it is indeed rather common to stay on an ES visa for a long time. This largely concerns lesser-skilled occupations (ANZCO levels 4 and 5) in which there is a structural shortage and which do not provide points under the points system, making it virtually impossible for most migrants working under an ES visa to be eligible for permanent migration. For example, more than half of the dairy cattle farm workers, 45% of the truck drivers and almost 30% of the aged care assistants who obtained a first ES visa around 2008 were still on an ES visa in mid-2012.

In general, however, migrants stay on the ES visa only for a short amount of time. Almost half of the migrants who get an ES visa for the first time stay in this visa category for less than a year, and most of the remainder do not stay within this visa category for much longer either. Only 2% of the total number of migrants who entered in a given year under an Essential Skills visa remained on continuous spells of ES visas for more than six years. Migrants thus seem to either manage to acquire residence and continue working as permanent resident or leave the country. A full 42% leave within one year after issuance but of those who remain thereafter, three quarters are still in New Zealand after seven years.

Changes of employers are subject to permission through an application for a "variation of conditions", which is generally granted if the migrant stays in the same occupation and region. If migrants wish to change the type of work or the region of employment, they need to apply for a new work visa.

As the visa is demand-driven, first issuances are largely cyclical. Their number peaked in 2007-08, at 24 000, and declined to less than 10 000 two years later before slightly growing again (Figure 2.6). Given that rejection rates remained modest during this time, despite some increase, the decline seems clearly due to the lower demand rather than to more stringent admission. The number of "renewals" – that is, subsequent issuances – in contrast remained stable, suggesting that there is a certain in-built preference in the system for persons already in the country, in spite of the fact that there is no formal procedural preference for the latter. Whether this preference is entirely attributable to employers who obviously prefer to keep their migrant staff rather than recruiting new migrants or whether this is also due to the labour market test being possibly less stringently applied in the case of renewals is difficult to ascertain. Currently, the number of renewals is broadly at the same level as the first issuances.

Figure 2.6. Essential Skills workers, first permit versus renewals, 2002/03-2011/12

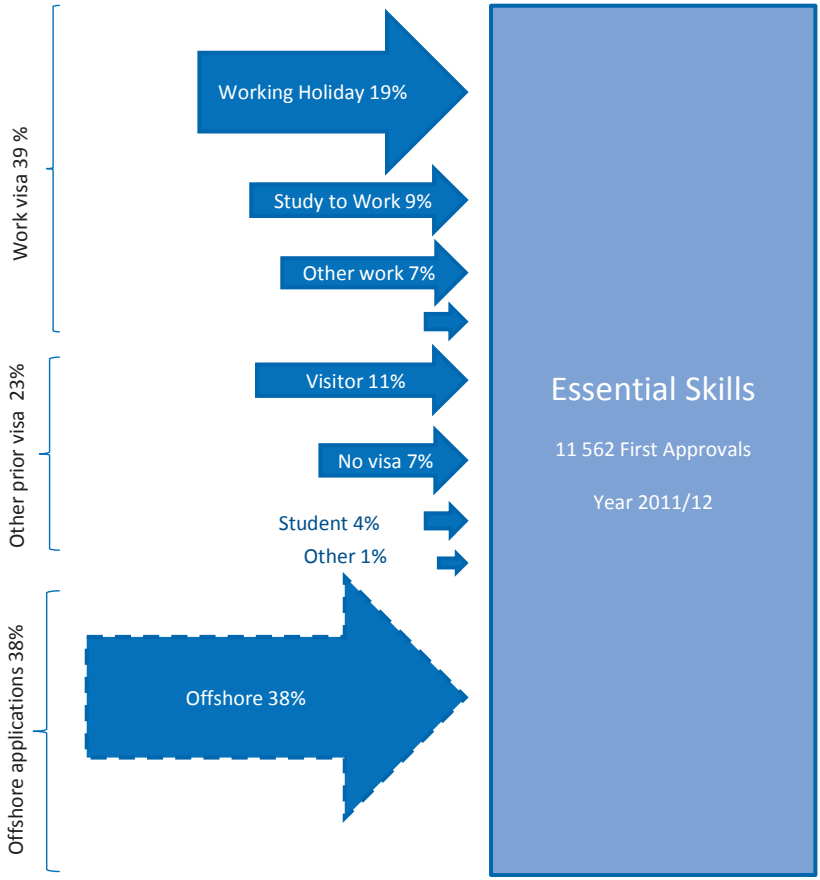


Note: Number of individuals with an Essential Skills approval in each financial year. Prior to December 2010, a person issued an onshore Essential Skills visa permit would need an additional onshore visa to travel out of New Zealand. Any onshore visas following an onshore permit have been excluded. Any approvals repeated within 30 days of previous approval have been removed and not considered a renewal.

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

Almost two thirds of the first-time approvals are granted onshore, that is, to migrants already in New Zealand. The majority of these had another temporary work visa before, with visas under the Working Holiday Scheme being the single most important source; almost one in five first approvals in 2011/12 concerned migrants who held a visa under the Working Holiday Scheme just before (Figure 2.7).[7]

Figure 2.7. Transitions to Essential Skills visa

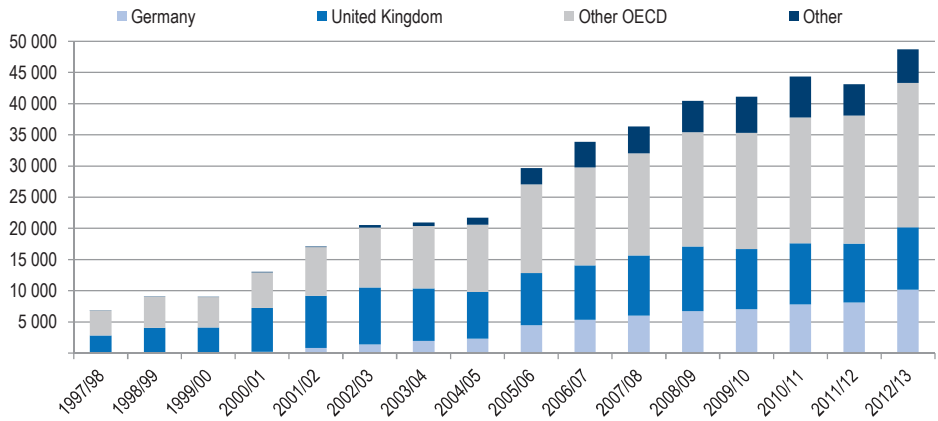


Source: OECD Secretariat calculations on the basis of data from the Ministry of Business, Innovation and Employment.

Working Holiday Scheme

The main objective of the Working Holiday Scheme (WHS) is to allow young persons from a select number of countries who mainly come to make holiday in New Zealand, to work and study during their stay. Such schemes exist in many OECD countries, and generally arranged via reciprocal bilateral agreements. New Zealand has agreements with 40 countries, and about a dozen additional ones are in preparation. The first scheme was established in 1985 with Japan. The WHS continuously expanded in the 1990s and particularly since the 2000s, in both scale and scope (see Figure 2.8). Initially, the Working Holiday Schemes were mainly with other high-income OECD countries, but have expanded over time also to Asian and Latin American countries. Most of the more recent schemes, however, are relatively small-scale. In 2012/13, over 48 700 individuals entered into New Zealand under the WHS – adding almost 2% to the working-age population. The two largest origin countries are Germany and the United Kingdom, both accounting for 21% of the total, followed by France (10%). The schemes with all of these countries are uncapped.[8]

Figure 2.8. Evolution of the Working Holiday Scheme, by origin



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

Similar programmes exist also in other OECD countries, notably in Australia and Canada. In particular the Australian programme is similar to that of New Zealand, both in terms of the share of the workforce and in terms of recent evolution (Table 2.1). New Zealand's programme, however, is the one involving the largest number of countries. The Canadian programme is much smaller relative to the workforce.

Table 2.1. The New Zealand Working Holiday Scheme in international comparison

	Total number of entries 2011[1]	Top three origin countries	% of labour force	Growth since 2002[1] in %	Number of partnership countries 2011/12
Australia	222 992	United Kingdom (19%), Korea (15%), Ireland (12%)	1.85	251	28, thereof 18 OECD
Canada	54 917	France (21%), Australia (14%), Japan (9%)	0.29	360	30, thereof 23 OECD
New Zealand	43 098	United Kingdom (22%), Germany (19%), France (9%)	1.81	212	40, thereof 27 OECD

1. For Australia and New Zealand, numbers are based on the fiscal year (2011/12 and 2002/03, respectively).

Source: OECD Secretariat calculations on the basis of government websites; New Zealand: Ministry of Business, Innovation and Employment; Australia: Department of Immigration in Citizenship; Canada: Citizenship and Immigration.

Employment and earnings of Working Holidaymakers

The Working Holiday Scheme is the single largest component of temporary labour migration in New Zealand. Following its continuous growth, both in absolute levels and as a share of total temporary labour migration, it now accounts for almost 40% of the total temporary labour flows. However, in contrast to the other temporary labour migration programmes, its main intention is not labour but travel. Thus, not all visa holders are necessarily in the labour market at a given point of time and most WHS visas have some restrictions to avoid that beneficiaries work throughout the entire time. Nevertheless, Working Holidaymakers (WHM) from some countries report earnings during up to three quarters of their stay in New Zealand (Table 2.2). On average, in 2009, at a given point of time, one in two WHM has been working, and the average monthly salary of all WHM was NZD 1 850.[9]

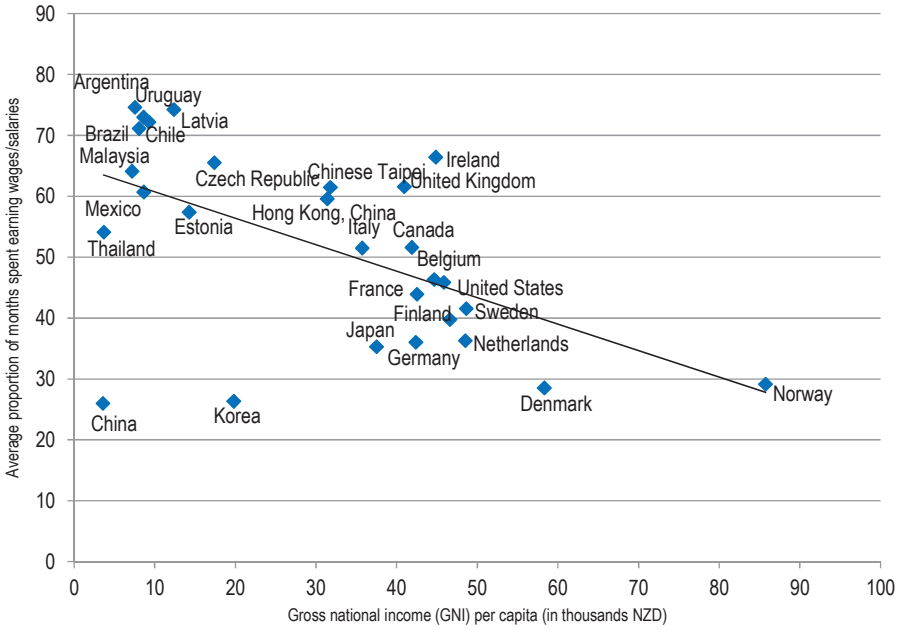
Table 2.2. Employment and earnings outcomes for WHM arriving in New Zealand, 2009

	Number arrived	Months spent in NZ as WHM	Months earned wages/ salaries	Time spent working (%)	Earned wages & salaries (%)	Mean jobs held	Mean monthly gross earnings, in NZD	Median monthly gross earnings, in NZD
Argentina	1 000	9.6	7.2	74.6	95.5	4.7	1 830	1 810
Belgium	210	7.9	3.7	46.3	66.7	2.5	1 710	1 580
Brazil	440	10.1	7.2	71.1	88.6	3.6	1 890	1 910
Canada	1 600	7.1	3.6	51.6	67.5	2.1	1 810	1 670
Chile	790	9.5	6.9	72.2	91.8	4.2	1 740	1 720
China	940	10.4	2.7	25.9	50	2.4	1 630	1 670
Czech Republic	960	9	5.9	65.5	89.6	3.4	1 740	1 740
Denmark	210	5.9	1.7	28.5	42.9	1.6	1 480	1 360
Estonia	55	9.5	5.5	57.4	83.6	2.7	1 790	1 670
Finland	200	7	2.8	39.7	62.5	2.1	1 580	1 360
France	2 900	7.8	3.4	43.9	66.6	2.3	1 650	1 520
Germany	6 800	7.4	2.7	36	60.3	2.2	1 400	1 280
Hong Kong, China	180	9.8	5.8	59.5	80.6	3.2	1 810	1 800
Ireland	2 300	8.3	5.5	66.4	77.8	1.9	2 670	2 400
Italy	480	7.3	3.8	51.5	72.9	2.7	1 740	1 680
Japan	1 700	10.2	3.6	35.3	65.3	2	1 360	1 330
Korea	1 600	9.2	2.4	26.3	48.8	2.1	1 410	1 420
Latvia	45	9.9	7.4	74.2	100	3.3	1 940	2 030
Malaysia	650	6.2	3.9	64.1	80	2.5	2 040	2 030
Malta	9	6.9	-	-	66.7	2.8	-	-
Mexico	160	10	6.1	60.7	81.3	2.6	1 780	1 740
Netherlands	760	6.6	2.4	36.3	51.3	1.7	1 800	1 570
Norway	60	6.1	1.8	29.1	41.7	2	1 280	1 260
Peru	6	12	-	-	100	4.2	-	-
Poland	9	8.3	-	-	100	2.5	-	-
Singapore	20	6.8	-	-	70	1.7	1 200	1 120
Slovenia	-	-	-	-	-			
Spain	-	-	-	-	-			
Sweden	590	6.7	2.8	41.5	61	1.9	1 490	1 450
Chinese Taipei	450	9.9	6.1	61.4	83.3	3.2	1 890	1 870
Thailand	75	10.5	5.7	54.1	88	2.5	1 560	1 600
United Kingdom	8 800	8.7	5.3	61.6	72.7	2.2	2 220	2 010
United States	2 300	7.1	3.3	45.8	59.1	1.9	1 820	1 720
Uruguay	170	9.7	7.1	73	94.7	4.1	1 970	1 890
Total	**37 000**	**8.1**	**4.1**	**50.5**	**67.6**	**2.4**	**1 850**	**1 700**

Source: Adapted from Merwood, P. (2013), "Labour Market Outcomes of Recent Migrants to New Zealand", Ministry of Business, Innovation and Employment, Wellington.

There is a rather strong negative correlation between income levels in the country of origin and the proportion of "work" during the working holiday period (Figure 2.9). Working Holidaymakers from lower-income countries tend to work more than those from high-income OECD countries which raises the question as to whether the primary intention of the former may be employment rather than travel. There are some exceptions to this pattern, however. Chinese, for example, seem to work relatively little, whereas Irish – and to a lesser degree also citizens from the United Kingdom – seem to work more than one would expect on the basis of the income level in their origin country. In the case of the Chinese, this may be due to the requirements for obtaining the visa in terms of qualification levels and English language proficiency, which makes the Chinese WHM a rather select group. In addition, in contrast to the UK and Irish nationals who may work up to 12 months without any change of employer, Chinese WHM can only stay for up to three months with a single employer.

Figure 2.9. Employment and earnings outcomes for WHM arriving in New Zealand, 2009



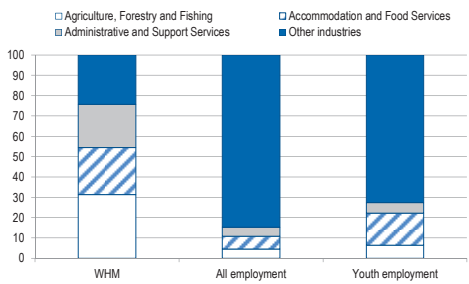
Source: Adapted from Merwood, P. (2013), "Labour Market Outcomes of Recent Migrants to New Zealand", Ministry of Business, Innovation and Employment, Wellington.

Globally, employer changes among the WHM are rather frequent and indeed, often required for many origin-country groups. Limiting the maximum amount of time to be spent with a particular employer adds an element of protection for the domestic workforce; even if an employer were to prefer a particular WHM over someone from the domestic workforce, he could not keep him for good, in contrast to a New Zealander or permanent resident. It also has the side effect of largely confining Working Holidaymakers into lower-skilled jobs where training costs are small, such as in the tourism industry, and/or where there are temporary or seasonal peaks in demand, such as in the horticulture and viticulture industry.[10] There are a number of websites which post specific offers for WHM which are all listed at a specific information website set up by Immigration New Zealand.[11]

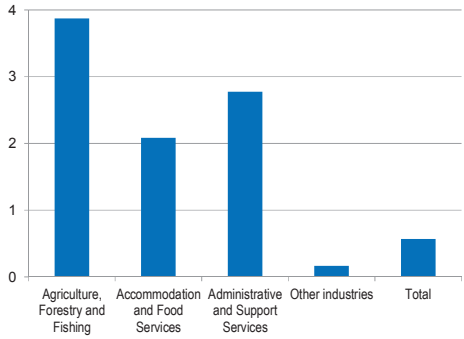
The majority of Working Holidaymakers are employed in the agriculture and the tourism industry (i.e., accommodation and food services), where they account for about 4% and more than 2% of employment, respectively (Figure 2.10). In particular the latter is also a significant employer for native-born youth. Visa holders who are able to show that they have undertaken three months or more of seasonal work in the horticulture and viticulture industries during their working holiday may get an extension of their WHS visa for an additional three months.

Figure 2.10. Sectoral distribution of WHM employment, 2009

a) % of jobs held relative to employment



b) % contribution of WHM to overall employment



Note: Administrative and Support Services include Tourism and Labour Supply Services, as well as menial service work.

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

The admission criteria for WHS visas differ by origin country. With a few exceptions, the duration of the WHS visa is 12 months. Regardless of the origin country, all visas require proof of a minimum amount of maintenance funds, and establish minimum health and character requirements.[12]

The WHM schemes with OECD countries are generally less restrictive than the ones with non-OECD countries as the former ones tend to be uncapped and do not place restrictions on the maximum length of time the visa holder can spend with one employer. More recent agreements, in contrast, limit the maximum length of time with a single employer to three or six months and are all capped (see Annex D).

A 2004 review of the WHM programme (Workforce Group 2004) suggested that due to the unique combination of holiday making – and thus spending – and paid employment, there may be more jobs created by Working Holidaymakers than they actually occupy. In 2003/04, when the number of Working Holidaymakers in New Zealand was less than half of the current number, the net gain in terms of employment creation was estimated at about 4 000 jobs; i.e. each WHM is created on average about 0.2 jobs.[13] This is a somewhat higher figure than the one estimated by Tan et al. (2009) for the Australian programme, where the respective figure was 0.06.

In summary, there is very little margin for management of the WHM flows, and also little oversight of the employment conditions as employer changes are frequent and the employment is generally in low-skilled sectors and occupations where working conditions are not easily monitored. However, to date there is little evidence that this has had a negative impact on the domestic workforce (see Box 2.3 below).

Transitions to Essential Skills

Interestingly, not only do the UK and Irish citizens work more often during their WHS period, but they also use this period more often as a stepping-stone towards an Essential Skills visa and eventually settlement. As Table 2.3 shows, 79% of Irish and 44% of UK nationals taking Essential Skills visa were previous Working Holidaymakers, compared with only 8% of the Chinese who obtained an Essential Skills visa.

In total, about 25% of all Essential Skills holders previously held a WHS visa. Note that several of the main source countries for the ES visa do not participate in the WHS programme, in particular India and the Philippines. That considered, the WHS visa is thus an important source for supplying New Zealand with the labour force it needs, well above its direct impact during the respective WHS period.

Table 2.3. Number of first-time Essential Skills workers in 2011/12 who previously held a WHS visa, by top source countries

Source country	Number of first time ES workers in 2011/12	No. held previous WHS visa	% held previous WHS visa
United Kingdom	2 151	956	44%
India	1 452	0	0%
Philippines	1 104	0	0%
China	793	66	8%
Ireland	663	521	79%
United States	654	167	26%
Total	11 562	2 908	25%

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

Recognised Seasonal Employer scheme

Seasonal work is an important component of temporary labour migration in many OECD countries, and New Zealand is no exception. For a long time, seasonal agriculture, in particular horticulture and viticulture, depended largely on irregular employment of migrants. To put an end to this, a pilot scheme for the recruitment of seasonal labour migration was established in 2004 which was made permanent through the Recognised Seasonal Employer (RSE) scheme in April 2007. The RSE allows the temporary entry of workers to work in the horticulture and viticulture sectors in New Zealand. The annual cap of the RSE scheme was set initially by the government at 5 000 but increased in 2009 to 8 000.

The policy prioritises the employment of New Zealanders first and then allows for the recruitment of Pacific Island Forum nationals, and finally recruitment from elsewhere in the world. The Pacific has been given priority over other regions in recognition of the relationship between New Zealand and its Pacific neighbours. Under the scheme, employers can only recruit migrants from other, non-Pacific countries if they can demonstrate pre-established relationships with workers of other nationalities and could not recruit Pacific Islanders. As a result, about 80% of the RSE migrants are from the Pacific Islands.

Seasonal migrants coming under the scheme are allowed to come for a maximum of seven months during a year to work with an approved

employer.[14] After that period, migrant workers are required to return to their origin countries in order to be able to go back the following year. About half of the RSE migrants take advantage of this opportunity. From a development perspective, it is probably desirable to have a high turnover among the RSE migrants, so as to make sure that a maximum number of households in the origin countries benefit from the programme. Employers, however, prefer to re-hire the migrants they had in the previous year. In practice, almost half of all RSE migrants in 2011/12 had already been participating in the programme the year before, the vast majority with the same employer (see Table 2.4). The number of migrants who entered under the RSE scheme increased from 4 500 in 2007/08 to 7 000 in 2011/12, although it never attained the maximum seasonal cap of 8 000 workers per year.

Table 2.4. Evolution of the number of seasonal workers, return rates, seasonal earnings and employment duration by country of origin

		2007/08	2008/09	2009/10	2010/11	2011/12	Return rate %	of which: Return to same employer (%)	Median seasonal earnings (NZD)	Median employment duration (months)
Pacific states	Kiribati	69	38	48	149	142	36	56.1	14380	6
	Samoa	647	1228	1021	1219	1162	45.3	80.1	9850	4
	Solomon Islands	238	311	256	252	407	48.5	90.3	11050	5
	Tonga	805	1355	1142	1411	1398	51.8	92.4	12640	5
	Tuvalu	99	49	54	51	88	27	100	8240	4
	Vanuatu	1698	2342	2137	2352	2412	51.2	84.7	11800	5
Pacific states total		**3556**	**5323**	**4658**	**5434**	**5609**	**49.3**	**85.8**	**11 327**	5
Other countries	India	41	77	25	40	15	53.5	100	-	-
	Indonesia	249	271	271	304	299	70.9	93.3	-	-
	Malaysia	364	374	406	375	317	38	94.6	-	-
	Philippines	80	76	75	74	74	13.6	100	-	-
	Thailand	195	684	727	827	658	47.5	84.7	-	-
Other countries total		**930**	**1498**	**1558**	**1657**	**1400**	**49.3**	**90.6**	**14500**	**6**
Total		**4486**	**6821**	**6216**	**7091**	**7009**	**49.3**	**86.9**	**12220**	**5**

Note: RSE arrival numbers sourced from www.dol.govt.nz/initiatives/strategy/rse/information.asp. The return rate corresponds to the proportion of first-time workers who return in the very next season for workers arrived between 2007/08-2009/10. Median seasonal earnings correspond to the median seasonal earnings for workers in 2009/10 in NZD. The median employment duration corresponds to the median number of months employed for workers in 2009/10. Return rates, earnings and employment duration are taken from Merwood (2012).

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

In order to participate in the programme, employers have to be approved. The procedure is rather elaborate, since many conditions have to be met. At first, employers must apply to become recognised under the scheme. For this, they must – among other requirements – be in a sound financial position, have human resource policies and practices of a high standard – including dispute resolution processes and have a clean record

regarding the relevant immigration and employment laws. In addition, they must have demonstrated their commitment to recruit and train New Zealanders. Employers can keep their status initially for two years, renewal is then possible for three-year periods.

Once an employer has obtained RSE status, he/she needs to make a further application for a so-called "agreement to recruit" before being able to start to employ overseas workers. To get this agreement, employers must demonstrate that they have first given preference to New Zealanders and tried to recruit and train these to the degree possible, e.g. through apprenticeships. Employers must also meet a range of requirements, including the payment of market wages. In particular, they have to provide so-called "pastoral care" to the migrants, including transportation to and from the port of arrival and departure; an induction programme; suitable accommodation; transportation to and from the worksite(s); access to medical insurance and banking, and translation where necessary. The cost for most of these can be deducted from the salary. The employer must also pay half of the airfare for the migrant. If any of the RSE workers breach the terms and conditions of their visa, the employers is obliged to pay the costs (up to a maximum of NZD 3 000) required to return them to their origin country.

Given the numerous and extensive requirements placed upon RSE employers, the number of employers participating in the scheme is limited; currently only around 100 employers are accredited to participate in the scheme. In many cases, the employer is a service provider for the viticulture and horticulture industry, and the RSE workers move from one agricultural producer to the next while remaining employed by the same service provider.

The programme is not only placing a significant number of obligations on employers but is also heavily managed by the authorities. From a total of 34 labour inspectors in New Zealand, three are devoted specifically to the programme, monitoring not only the workplace but also the accommodation requirements. These three labour inspectors are the only ones in New Zealand specifically concerned with labour migrants. The programme is also the only migration scheme that has a specific national manager at Immigration New Zealand.

In spite of the heavy red tape, stakeholders claim that the programme has been successful in alleviating labour shortages in the horticulture and viticulture industries. It seems to provide a stable source of reliable labour during the seasonal peak times, and strongly reduced the incentives to resort to illegal employment and work practices in a sector where these have often been a source of concern in the past.

The programme also includes a number of elements that aim at enhancing the development impact. For example, some training is provided to the RSE migrants and some of the employers have also engaged in community development projects in the origin countries. To avoid fee-taking, employers are generally not allowed to use a recruitment agent who seeks a commission from workers in exchange for securing an employment agreement. It also seems that the programme has disproportionately benefited the poorest in the Pacific Islands. Gibson, McKenzie and Rohorua (2008) found for Tonga – the second most important origin country after Vanuatu – that recruited workers come mainly from the agriculture, and had lower incomes and schooling levels on average than those Tongans who did not participate.

Other temporary labour migration visas

In addition to the main temporary work visas mentioned above, there are also many others. A full list of work visas can be found in Annex C. Most of those visas are only taken by a few labour migrants, but other categories are more prominent. There are five other main types of temporary work visas that are of significant scale: i) work-to-residence visas, ii) study-to-work; iii) silver fern visas; iv) long-term business visa; and v) the Section 61. The first three are essentially pathways for migrants who, in principle, may have the formal qualifications to obtain permanent residence, but lack a job offer and/or relevant New Zealand work experience to pass all necessary requirements.

The most important category are "Work to Residence" visas which are mainly targeted at temporary migrants with specific skills who did not meet the requirements for immediately passing through the points system for permanent residence under the skilled migration category (see below). All visas under this group have the specificity of providing a fast track for permanent residence – not subject to the points system described further below – to which temporary migrants with one of these visas can generally apply after two years if they meet standard residence requirements such as health and character. In contrast to other skilled migrants admitted permanently, however, there is no general minimum English language requirement, for reasons which are not entirely clear. There are three types of visas under this category.

The most important one is the so-called *talent visa* with *accredited employers*. It is for migrants below 55 who have a job offer earning at least NZD 55 000 to work in a job for an employer who has gone through a specific prior accreditation process because they anticipate skills shortages over the coming year that they intend to fill partly with immigrants. The

NZD 55 000 salary requirement corresponds to the average earnings of high-educated in employment in New Zealand. It is roughly about 1.3 times average earnings, which is also the threshold applied for shortage occupations in the framework of the EU Blue Card.[15]

Accredited employers have to demonstrate, among other things, that they make continuous efforts to train and employ New Zealanders. As part of the approval process, unions have an opportunity to comment on the application. The status of "accredited employer" must be renewed annually. Provided that the migrant meets basic "health and character" requirements and has the skills to fill the position – demonstrated either by qualifications or work experience – he/she can apply for permanent residence after two years of full-time work experience with the accredited employer. The visa was gradually introduced at the beginning of the millennium and issuances peaked in 2007/08 at more than 2200. Since then, there has been some decline and in 2011/12, about 1 400 such visas were granted.

A specific talent visa exists for *exceptional talents* in arts, culture or sports for persons who are sponsored by a New Zealand organisation of "national repute". The numbers admitted are small, between 20 and 90 annually.

More important is the subcategory for occupations on the *Long Term Skills Shortage List*. In 2011/12, about 450 temporary migrants obtained a visa on this ground. In contrast to the Essential Skills visa without a labour market test, the employment offer must be full-time and at least for 24 months. In return, if the migrant holds such as job for at least two years, is at maximum 55 years old and earns at least NZD 45 000, he/she can obtain permanent residence without having to pass the points test.

The second main category is "Study to Work" visas. These are intended at helping recent graduates from New Zealand educational institutions to either find work (*Graduate job search visa*) or to acquire experience (*Graduate work experience visa*) for subsequent work or residence visa applications. To be able to apply, the graduates must have successfully completed a qualification in New Zealand that would qualify for points under the Skilled Migrant Category and apply for the "Study to Work" visa no later than three months after the end date of the student visa. The job-search visa allows a graduate to remain for up to 12 months in New Zealand to find employment.

If the graduate finds a job during that period, he/she can apply either for the *graduate work experience visa* or any other work visa whose basic requirements the graduate may meet. The graduate work experience visa was introduced in the late 1990s and can be obtained if the graduate has a job offer related to his/her field of study. It is valid for a maximum of

three years in the case of a work experience subject to licensing, and two years in all other cases. In 2011/12, about 10 000 job-search visa and 4 200 graduate work experience visa were issued.

There is also a *Silver Fern job search visa* which was introduced in 2009 for young persons aged 20-35 who are outside of New Zealand at the time of application, meet the minimum English language requirements and have either at least a bachelor's degree or a recognised trade qualification with at least two years of work experience in this field. Proof of minimum funds of NZD 4 200 is also required. The visa allows the migrants to come to New Zealand and look for a job for up to nine months. The number of visas given per year is capped at 300 and places are filled rapidly after opening of the quota. Holders of Silver Fern job search visa who find skilled employment that would be eligible under the skilled migrant category (see next section) during these nine months can afterwards apply for a "Silver Fern Practical experience visa", a temporary work visa with duration of up to two years. However, less than half of the Silver Fern job search visa holders actually manage to make a transition into such employment. This situation is not unlike that of immigrants with job-search visa in other OECD countries, where transition rates into skilled employment tend to be even lower.[16]

A *long-term business visa* is available for persons who want to buy or establish their own business in New Zealand. Applicants need to submit a sound business plan, demonstrate knowledge about the New Zealand business environment, and demonstrate that their intended business venture is likely to benefit New Zealand, as well as providing evidence about previous business experience. There is no general minimum investment requirement. Once the long-term business application is approved, migrants are initially given a nine-month work visa, enabling them to buy or establish a business in New Zealand – about 600 persons obtained this visa in 2011/12. If they manage to start the operations within these nine months, they can apply for a further work visa for the balance of three years; this application is again assessed by a business migration specialist on the basis of the steps already taken. The business visa is a precondition for a fast-track access to residence under the entrepreneur stream (see next section). In general, migrants are expected to pass on to the entrepreneur stream if their business plan succeeded, and only in few cases the visa is renewed after the three years.

In addition, there is a relatively large discretionary category. *Section 61* of the Immigration Act gives the Minister of Immigration the right to grant a visa to persons who are already in New Zealand but do not have a valid visa although not subject to a deportation or removal order. This sort of regularisation is rather frequent, and more than 3 700 such visas were

granted in 2011/12.[17] The main nationalities concerned were India, China, Fiji, United Kingdom, Tonga and Samoa, each accounting for between 300 and 500 cases in recent years. The diversity of the origin countries involved suggests that this type of regularisation concerns a broad range of different categories of temporary labour migrants.

Procedural issues

As seen above, there is a broad range of admission categories for temporary labour migrants, with different conditions for admission. The vast majority of these are not labour-market tested. Indeed, since 2002/03, the percentage of those who have been labour-market tested has steadily declined, from about 40% to 20%.

The labour market test has a great influence on the length of the processing time for requests. As Table 2.5 shows, the processing time for approvals varies greatly across categories, from less than two weeks for job-search, WHS and RSE visas to almost 80 days for a long-term investor visa. An Essential Skills visa is approved on average within 20 days, unfortunately no separation is available regarding approvals for jobs on one of the shortage lists and labour-market tested jobs, to see to which degree the shortage lists speed up the process. The figures above refer to approved applications. For applications which are declined, processing times are, however, on average about three times as long. Compared with other OECD countries, these processing times seem relatively quick.

Table 2.5. Processing times by visa type, approved vs. declined, number of days

Application substream	Approved	Declined
LTBV/Investor	78	118
Crew	43	80
Section 61	30	67
Essential Skills	20	48
Work to Residence	15	50
Approved In Principle	11	39
Job Search	10	72
Working Holiday	8	42
Other	5	31
Work RSE	3	20
Average temporary work	11	46

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

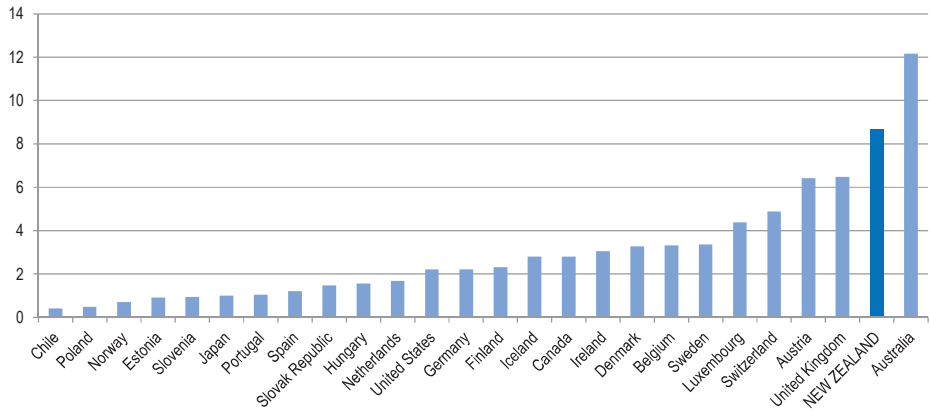
The application costs for a temporary work visa vary from NZD 165 for a WHS visa to NZD 360 for a work-to-residence visa.[18] Only the long-term business visa is out of this band, with NZD 2 700 to NZD 3 200, depending on the origin country. While these fees relate to the applicants, there may also be additional fees for employers where an accreditation procedure is required. For example, the fee for a recognised seasonal employer status is NZD 835 and an employer accreditation under the talent visa scheme costs NZD 1 700 in the first year. Fees are not refunded if an application is declined.

International students

The importance of international students for New Zealand

Although not considered part of temporary labour migration, international students are of key importance to New Zealand's labour migration system, both as a source of labour during their studies and thereafter. Only Australia receives more international students per capita than New Zealand (see Figure 2.11). Note that Figure 2.11 refers only to full-degree programmes at the tertiary level which excludes in particular many English language students and most private training sector. Both are considered international students in the national definition and are large groups in New Zealand. Indeed, the majority of international fee-paying students attend Private Training Establishments, most of which are English language schools (Figure 2.12). In addition, more than 13 000 international students have been enrolled in secondary education in 2011.

Figure 2.11. International students enrolled in full-degree tertiary education per thousand inhabitants, 2010

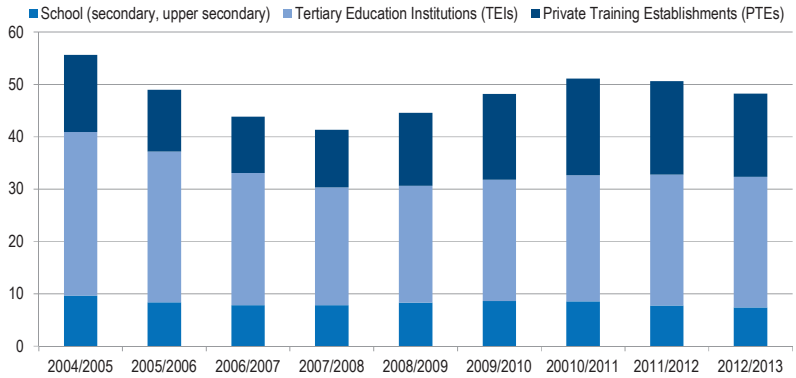


Source: OECD Education Database.

Focusing only on the university sector thus excludes a large part of the international student population in New Zealand. Compared with Australia, New Zealand's international students are much more often in non-university educational institutions. In 2012/13, about 38% of the international student visas in New Zealand were given to students in universities, whereas in Australia this was the case for more than 57%of the visas.[19]

Figure 2.12. Number of international fee-paying (IFP) students with a student visa, by provider type 2011

Thousands



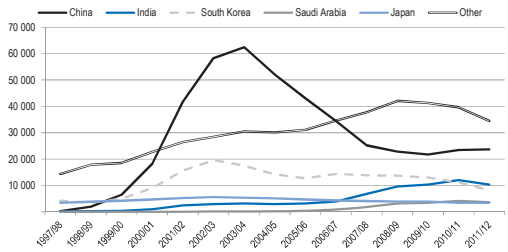
Note: Students in courses below three months are not included in the figure above as they do not require a student visa but may come under a visitor visa.

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

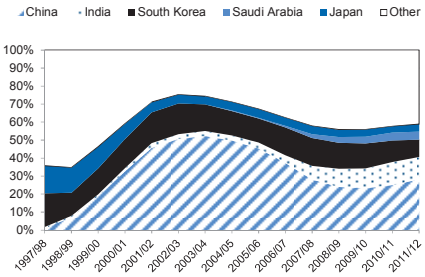
The international student population is concentrated in the region of Auckland. In 2011, almost two-thirds of all international students in the country were enrolled in this region. The main nationality has traditionally been the Chinese. While they remain the key origin country, numbers have declined by more than half since 2003/04 – from more than 60 000 to about 25 000, which has been associated with an overall reduction of the total international student numbers from more than 120 000 at the 2003/04 peak to currently somewhat below 100 000. The number of Koreans, who were for most of the past decade the second most important origin country after the Chinese, also declined. In parallel, the number of Indians has seen a significant growth in recent years and they are now the second most important origin country (see Figure 2.13a). Other nationalities also saw significant increases over the last few years, notably students from Saudi-Arabia. This has been associated with some diversification among the international student population in New Zealand (Figure 2.13b).

Figure 2.13. Nationalities of international students, 1997-2012

a) Numbers, by nationalities



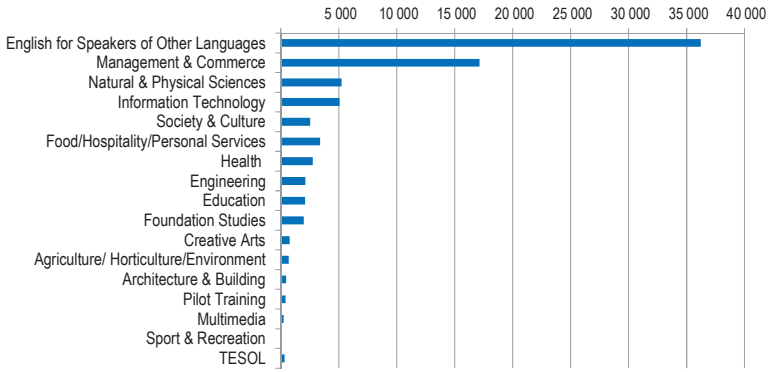
b) Distribution of nationalities



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

For international students at the post-secondary level, the main field of study is "English for Speakers of Other Languages", accounting for half of the total (see Figure 2.14).[20] The next important field is management and commerce, accounting for a further 25%. This concentration is important, since students from these two main fields seem to be less likely to seek residence in New Zealand after studies than students from the sciences, medicine and education fields. Whereas 59% of management and commerce students expressed residence intentions, this was the case of 73% for the latter three groups.[21]

Figure 2.14. Number of international fee-paying students enrolled in the post-secondary sector, by field of study of major course, 2011



Source: OECD Secretariat calculations on the basis of data from Export Education Levy Key Statistics.

The education sector for international students has also a considerable financial impact on the economy beyond labour migration. It was the fourth largest export service sector in New Zealand in the financial year 2011/12. Previous estimates suggest that export education foreign exchange earnings, as a proportion of GDP, are, together with Australia, the highest in the OECD, accounting for almost 1.2% of total GDP (Education New Zealand, 2008).

Work during study

Work rights for international students differ between tertiary-level students and English language students. The work rights for the latter are limited to those who already have a reasonable level of English and are enrolled in programmes of at least six months.[22]

All international students who wish to work during study must apply for a so-called "variation of conditions". They can either apply for the "variation of conditions" directly with their student visa and pay no additional costs or they can apply afterwards, in which case a fee of NZD 165 applies. The vast majority, however, seems to obtain the variation directly with their student visa. According to a survey commissioned by the Ministry of Education, in 2007, about three quarters of all international students with student visas have work rights. Assuming that this proportion still holds in 2012, this would amount to more than 1% of the working-age population and almost 6% of the youth population (aged 15-24). For Auckland, these figures even amount to about 2% and 11%, respectively. In 2007, about half of the students entitled to work have been actually working (Ministry of Education, 2008).[23]

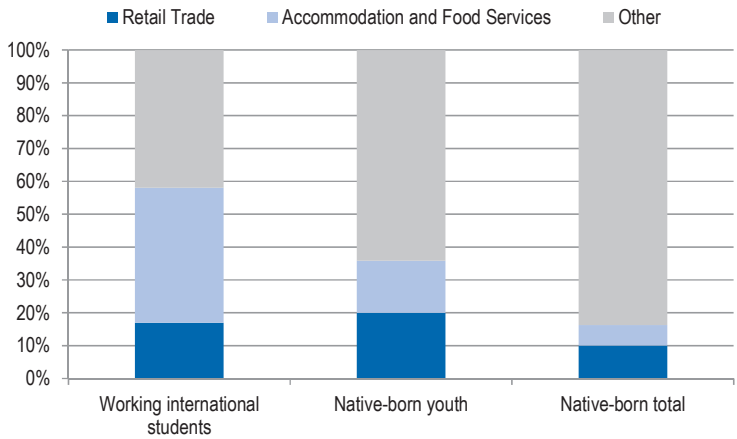
There seems to be a link between work experience during studies and further residence plans. Among those who work, 79% plan to apply for residence, while for those who do not this figure is only 36%. Most students who are in employment seem to go to the limit of the visa conditions. Almost half of all working students reported to work between 16 and 20 hours per week. 5% of working international students even claimed that they worked more than 20 hours per week, in breach of their student visa conditions.

In recent years, the policy stance with respect to the employment of international students has changed frequently. A first phase, from 2005 to 2008, was marked by liberalisation whereas more recent reforms have been somewhat more restrictive, aimed at preventing abuse.[24] Since July 2005, students are allowed to work 20 hours per week maximum – compared to previously 15 hours – and full-time during the summer holidays. The work is not restricted to certain sectors or skill levels. An overview of the recent

policy changes with respect to international students is provided below in Figure 2.16.

Given the large numbers of international students and their significant work rights, there has been some concern about the impact of international students on the labour market, in particular for (low-educated) youth for whom some competition for lower-skilled jobs may be expected. Indeed, the two main sectors for employment for working international students and native-born youth are identical and concern mainly lesser-skilled jobs (Figure 2.15).

Figure 2.15. Relative employment by sector for working international students, native-born youth and native-born total, around 2008

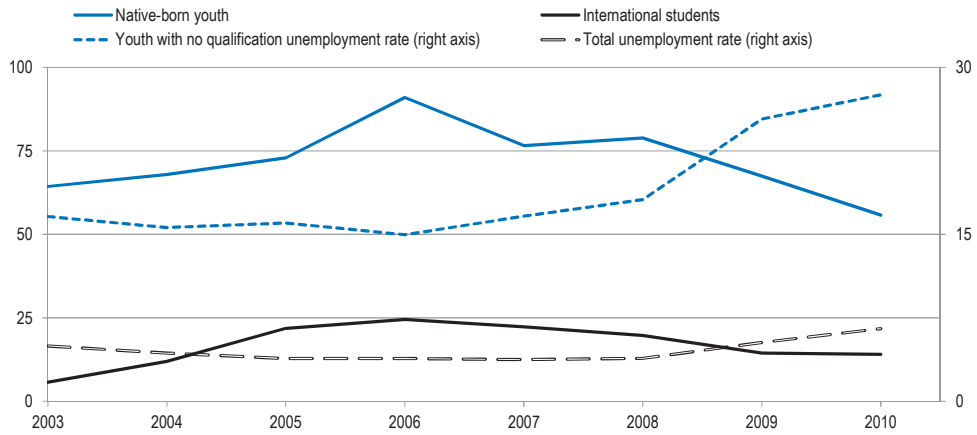


Source: OECD Secretariat calculations on the basis of data from Statistics New Zealand and National Survey of International Students.

These concerns have been fuelled by the fact that New Zealand youth – and especially the low-educated – has been particularly hard hit by the decline in labour market opportunities following the global economic crisis. The unemployment rate for the native-born youth with no qualification rose by a full 10 percentage points from 2006 to 2008, while the overall unemployment rate rose only by 2% over the same period (Figure 2.16). Total hires relative to the respective population for both the native-born youth and international students declined during the crisis. However, whereas hires of international students relative to the population stabilised soon thereafter, the relative hiring of New Zealand youth continued to decline.

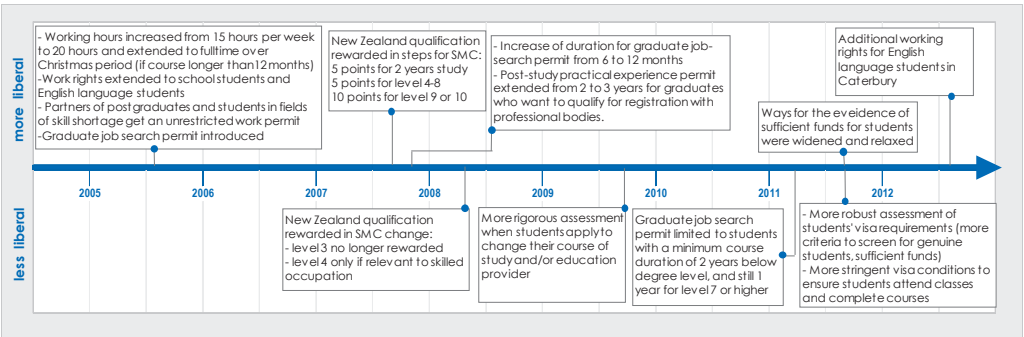
Recently, anecdotal evidence of abuses of student visa has grown, both regarding students abusing their visa conditions by working too many hours and by employers abusing international students in New Zealand on a student visa. One of the issues seems to be the absence of workplace and employment inspections in the main sectors of employment of international students. It also appears that students themselves are reluctant to report abuses since this would make them prone to deportation. To shed some further light on the employment conditions of international students and possible adverse labour market impact, an in-depth monitoring and two major research projects, one by the MBIE and one by Universities New Zealand – the umbrella organisation of country's universities – are currently under way. Of particular interest in this context should be the employment of students in Private Training Establishments (including for English language) of which – as seen above – there are many in New Zealand and for whom restrictions to work seem to be lower than in other OECD countries.

Figure 2.16. Hires as a percentage of population for native-born youth and international students (left axis) and unemployment rates (in percent) for the native-born youth with no qualifications and for total population (right axis)



Source: OECD Secretariat calculations on the basis of data from McLeod and Maré (2013) and from Statistics New Zealand.

Figure 2.17. Timeline of international student policy relevant to labour market since 2005



Source: OECD Secretariat.

Transition from study to temporary and permanent work

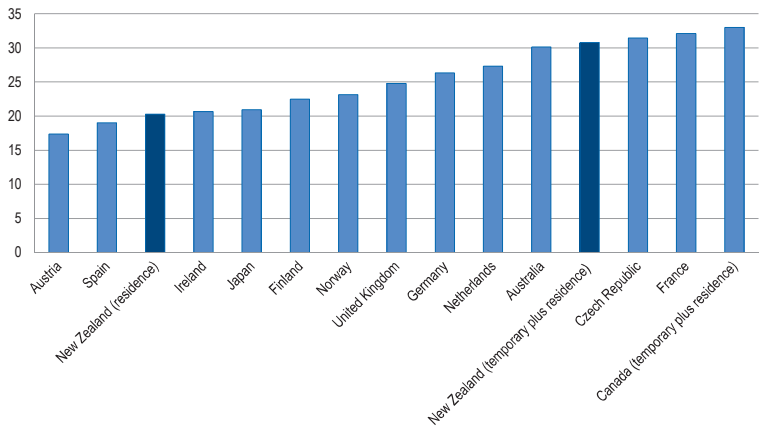
According to the findings of the International Student Barometer 2011, almost three quarters of international students coming to New Zealand rate long-term employment in this country as being an important factor in deciding to study there. The national survey of international students 2007 found that 48% of respondents stated that they intended to work in New Zealand on completion of their studies.

The transition of international students to work and residence has been facilitated by the introduction of the Graduate Job Search Work visa in July 2005. Originally, the visa allowed international students who have graduated from a course that would gain points under the skilled migration category – i.e. the main permanent labour migration pathway – a six-months graduate job search visa. This period was extended in 2007 to 12 months. If the student finds a job relevant to their qualification during that year, he/she can apply for a two-year work visa. These visas are not labour market tested and the job only needs to be linked to the qualification acquired during the study. Since April 2012, job search visas are restricted to students with minimum course duration of two years in New Zealand for students with qualifications below bachelor's degree level. Qualifications at degree level and higher require 12 months of study in New Zealand.

In practice, 31% of the international students coming to New Zealand between 1997 and 2006 made a transition to either work or residence. 23% transitioned from study to work and from there a further 57% transitioned to residence. 8% of the students transitioned directly from study to residence. Thus, about 21% ultimately made a transition to residence, on average about four years after the issuance of their first study visa.

At first sight, this figure does not appear to be particularly high in international comparison (Figure 2.18). Note, however, that for most European countries and for Canada, Figure 2.18 includes also some transitions to temporary labour migration. Including these for New Zealand would bring the country in the top group. In addition, as noted above, the bulk of the international student population in New Zealand are English language students, the large majority of whom are short-term visitors who do not have a pathway to work or residence. Their transition to work – through other work visa categories, such as Essential Skills – will tend to be less likely than for other fields of study which have a more direct link with labour needs in the host country, such as engineering, and have access to the "Study to Work" visas. Everything considered, transition rates thus do not appear to be unfavourable in international comparison.

Figure 2.18. Percentage of international students changing status and staying on in selected OECD countries, 2008 or 2009



Note: For European countries, covers only students from outside the European Economic Area. Data for Canada include changes from student to both permanent status and other temporary statuses.

Source: OECD (2012), *International Migration Outlook 2012*, OECD Publishing, Paris, http://dx.doi.org/10.1787/migr_outlook-2012-en. on the basis of national student visa statistics; data for New Zealand have been provided by the Ministry of Business, Innovation and Employment.

Wilkinson, Merwood and Masgoret (2010) looked at the transition rates of international students by origin for those who had arrived between 2003 and 2006 (see Table 2.6). By 2009, about 20% had taken up a temporary work permit and 13% even took up residence. Transitions to any of these categories were most likely for Indians, followed with some distance by the Chinese. Transitions for immigrants from OECD countries, in contrast, were low.

Table 2.6. Transition rates of international students by country of origin, student cohort arriving in 2003-06, by 2009

Percentage

Source Country/Region	Transition from study to work	Thereof (first work permit transition)					Transition from study to residence	Thereof (first resident permit transition)				
		Study to Work	Essential Skills	Family	WHS	Others		SMC	Business	Partnership	Other family	All others
India	71.6	56.3	32.0	6.3	0.0	5.4	46.7	88.1	0.4	7.8	3.4	0.3
China	42.5	72.7	7.7	13.2	0.0	6.5	22.9	73.1	1.1	21.5	4.0	0.4
South-east Asia	19.0	53.3	17.8	16.9	5.0	7.0	12.8	57.3	2.6	30.6	8.2	1.3
Europe	13.2	26.8	24.8	17.0	22.0	9.4	10.5	58.8	2.5	32.0	5.4	1.3
North America	8.9	17.1	21.3	15.0	36.1	10.4	5.1	56.1	1.5	37.7	4.0	0.7
Japan	7.6	19.3	15.8	13.0	46.0	5.9	2.3	51.2	2.8	44.7	1.4	0.0
South Korea	7.3	24.7	21.7	21.0	22.7	9.9	5.4	60.2	13.1	20.0	5.7	1.0
All others	18.5	32.4	27.0	20.8	4.1	15.7	15.7	47.9	1.3	24.6	12.7	13.5
Total	**20.3**	**52.1**	**17.9**	**14.2**	**7.8**	**8.0**	**12.8**	**66.7**	**2.5**	**22.5**	**5.8**	**2.5**

Note: The figures for transitions to residence may include persons who previously also transited to temporary work. They relate to all international students, including non-tertiary programmes.

Source: Adapted from Wilkinson, A., P. Merwood and A.-M. Masgoret (2010), "Life After Study, International Students' Settlement Experiences in New Zealand", Department of Labour, Wellington.

The retention of former students once they have transitioned to work seems to be rather low compared with other migrant groups. Almost 35% of the students who have been granted residence leave New Zealand within five years, which is the lowest survival rate among any group granted residence (Krassoi Peach, forthcoming). The reasons for this are not entirely clear and merit further investigation. In any case, there seem to be relatively few services available to provide settlement and employment assistance to international students, in contrast to the rather significant marketing efforts that are done to get them to New Zealand for study.

Conclusions

Temporary labour migration is a significant phenomenon in New Zealand, and there is a plethora of different temporary labour migration visas available. The overall number of visa types in operation has doubled over the last decade. Although the bulk of the growth came from WHS visas – there is a separate visa type for each origin country – the growth in the number of other visa types has also been substantial.

In many cases, the large and growing number of different visa types makes it difficult for someone not familiar with the migration laws to find the right visa type as often the applicant would meet the criteria for several different visas. However, conditions attached to the visa type may vary, and in particular the subsequent requirements regarding transition to permanent residence. For example, a Bachelor of Forestry Science who, following

two years of study at a New Zealand educational institution, has a relevant job offer for two years in his/her field and would like to stay in New Zealand for good but does not (yet) have sufficient points to qualify for permanent residence will have at least three different possibilities – an Essential Skills visa; a work-to-residence visa; or a study-to-work visa.

The main visa categories are the Working Holidaymaker, the Essential Skills visa, and the Recognised Seasonal Employer scheme. In addition, there is a significant number of international students with work rights who are not considered part of the temporary labour migration, but also participate in the labour market. Indeed, in terms of numbers, the two largest groups are Working Holidaymakers and international students. In contrast to the Essential Skills and the Recognised Seasonal Employer Scheme, which are both tightly managed and – at least in the case of the Essential Skills – strongly reactive to economic conditions, there is little to no scope for managing international students and Working Holidaymakers. Their number is also not linked with labour market conditions in New Zealand. Yet, most of the jobs in which these two groups work tend to be relatively low-skilled, and many are in sectors such as hospitality where competition with lesser-skilled unemployed New Zealand youth is stronger. This is a matter of potential concern, given the large and growing numbers involved and the rising unemployment among low-skilled New Zealand youth. However, the extent to which at least at present competition for low-skilled jobs is actually an issue is not easy to establish and the limited available evidence suggests that to date, temporary migration does not seem to have had a large impact on the hiring of New Zealanders (see Box 2.3).[25]

The issue of the labour market impact of the two groups – Working Holidaymakers and international students – also raises the question of policy trade-offs. The admission of Working Holidaymakers is essentially governed by bilateral agreements, and possible labour market impact has to be weighed, among other policy objectives, against the foreign policy and trade considerations associated with WHS. Likewise, the admission and labour market access of international students must be considered in the broader context of the importance of export education.

In summary, whereas the main low-skilled categories are thus essentially un-managed, a large part of the higher-skilled migration coming through the Essential Skills visa is relatively strongly managed, either through a labour market test or an impressive array of procedures to by-pass it, mainly through shortage occupation lists, which are established through a rather resource-intensive procedure. This raises the question of streamlining, for example by excluding high-skilled occupations earning above a certain salary from the labour market test, and restricting the shortage-list procedure to a few large occupations at lower skills levels.

Globally, however, the system seems to function relatively well, and to provide no major obstacles for immigration to address labour needs where they arise. Indeed, in a recent survey among New Zealand employers, only about 4% of the recruiting employers who did not hire a migrant in the last 12 months stated that this was because it was too difficult to hire a migrant or that the recruitment of migrants for the job was not possible under the current immigration system.

Box 2.3. The impact of temporary labour migration on the hiring of New Zealanders

Given the significant size of New Zealand's temporary labour migration programme, the issue of its labour market impact is particularly relevant. Several recent studies looked globally at the impact of immigration in general on the labour market prospects of New Zealanders (e.g. Maré and Stillman, 2009; Tse and Maani, 2012) and generally found little to no impact. The existing literature has been extensively reviewed by Hodgson and Poot (2010) who concluded that migration has contributed positively to the New Zealand economy, and that most evidence finds no negative impact of immigration on labour market outcomes of the native-born.

The only study to date that comprehensively investigated the labour market impact of temporary migration has been the one by McLeod and Maré (2013). The authors considered all temporary migration flows and thus not only migration for work, but also other categories with work rights, including international students and family of temporary migrants. Although not all of these temporary migrants are necessarily in employment, overall temporary migrants still accounted for more than 4% of the total number of months worked in 2011; more than four times the 2001 figure.

The impact under study was the hiring of young people and benefit recipients, through a model that looked at the hiring of migrants and the links with hiring of these native-born groups by industry and region, controlling for changes in labour demand and labour supply by New Zealanders. The study found that temporary migrants are going disproportionately to areas and industries where a lot of hiring occurs. Even after controlling for this, the authors still find a positive relationship between temporary migration and hiring of New Zealanders within an industry and region. However, region-based models provided some indications of negative impacts which seem to occur via an indirect impact on other industries, which could be due to certain industries employing temporary migrants gaining advantages over other industries. This "indirect" effect is, however, smaller than the positive direct effect, leaving to a net positive relationship for most temporary visa types with the notable exception of family migrants with a temporary permit. Findings for earnings were similar.

Notes

1. A process similar to those mentioned above is nevertheless currently being trialled in New Zealand as part of the Skills Hub front end loading pilot in Canterbury (see Box 2.2).

2. For a discussion of the links between education, training and immigration policies in New Zealand with a specific focus on the health sector, see Dumont and Zürn (2008).

3. Non-beneficiaries may also register to look for work, although they do not get access to placement services available to beneficiaries and as a result, only few do so.

4. There are also a significant number of cases where the basis has not been recorded. The number of such cases, however, has declined significantly between 2008/09 and 2011/12, from about 8 700 to 4 400.

5. In July 2009, 44 occupations – about one-third of the total list – were removed from the Immediate Skill Shortage List (ISSL) and a further eight were removed from the Long Term Skill Shortage List (LTSSL). Between early 2009 and early 2013, a total of 132 occupations have been removed from the lists and 47 occupations added.

6. However, all occupations on the ISSL and LTSSL were reviewed in 2009 and 2010 in response to the economic downturn.

7. Note that this only relates to direct transitions. The actual share of Essential Skills approvals to migrants who at some stage held a working holiday visas is even higher, at around 25% (see Table 2.3 below).

8. For planning purposes, there is a cabinet-mandated global cap of 52 000 for the entire WHS. As many of the country-specific schemes are uncapped, it is impossible to actually enforce this cap. The global cap on the programme is currently being reviewed.

9. By comparison, in June 2012, the average monthly salary of youth (20-24 years old) in paid employment was about NZD 2 400.

10. It would be of interest to study in this context to which degree the WHM for whom the requirement to change jobs does not apply, such as e.g. UK and Irish nationals, participate in such jobs.

11. Globally, however, according to the 2012 Employer Survey, most migrant recruitment for lower-skilled jobs in New Zealand seems to be through

informal channels – i.e. word of mouth or the migrant approaching the employer directly. In contrast, recruitment at the higher-skilled end often involves advertisements on the web or in newspapers or is done with the support of professional recruiters.

12. These so-called "health and character" requirements apply for a number of temporary labour visa and also for permanent residence. The character requirements exclude migrants who have been convicted of crimes, deported or considered a potential threat to public security. The health requirements aim at protecting public health in New Zealand and at ensuring that the migrants do not impose excessive costs and demands on health and social services. For labour migrants, this includes generally also the ability to function on the jobs for which they have been granted entry.

13. There is no indication that this may have changed substantially since. In particular, the average working time of WHM has remained virtually unchanged since 2004.

14. The maximum duration for workers from Kiribati and Tuvalu is nine months, because of the longer distance of these Islands from New Zealand.

15. Average annual earnings for all employed are currently about NZD 40 700.

16. In Denmark, for example, only about a third of those with a job-search visa managed to get a job.

17. Note that not all of these visas will necessarily allow work, as some might be student or visitor visas.

18. For about a dozen countries with which New Zealand has reciprocal agreements, visa fees are waived for certain categories.

19. Note that the figures for Australia include some students in short-term courses below three months, in contrast to New Zealand.

20. Note that Figure 2.14, in contrast to the figures 19 and 20, refers to enrolments, not individual students. Each student may enrol more than once during any particular year. It also includes short-term courses below three months for which no student visa is needed. Among the student visa holders, between 11% and 25% were granted admission for English language training in recent years.

21. To which degree such intentions actually translate into settlement is, however, currently unclear by field of study since the administrative education data is not yet fully integrated into the IDI.

22. Since August 2012, work rights have been extended to English language students who attend quality education providers in Canterbury if they are studying at least 14 weeks or at a Level 4 Foundation Certificate of one year's duration for a trial period of 18 months. This policy change has been introduced to promote export education in the Canterbury region after the earthquake (see Box 2.2).

23. Recent analysis with data from the IDI shows that around the same year, about 20-30% of international student visa holders had a tax-reported income (Merwood, 2013). This is slightly smaller than the number obtained from the survey which is based on students' self-reported income. The reasons for this discrepancy are not entirely clear. One possibility is that a part of students may be working in the informal economy.

24. Limiting abuse has also been an issue in other OECD countries, such as Australia.

25. In any case, the scope for changes in both of these two programmes is quite limited. The Working Holidaymaker visas are given on the basis of bilateral agreements, often in connection with other international agreements such as trade agreements. Although students' labour market access could be restricted, this would have a likely negative impact on New Zealand's position on the global market for international education.

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Chapter 3

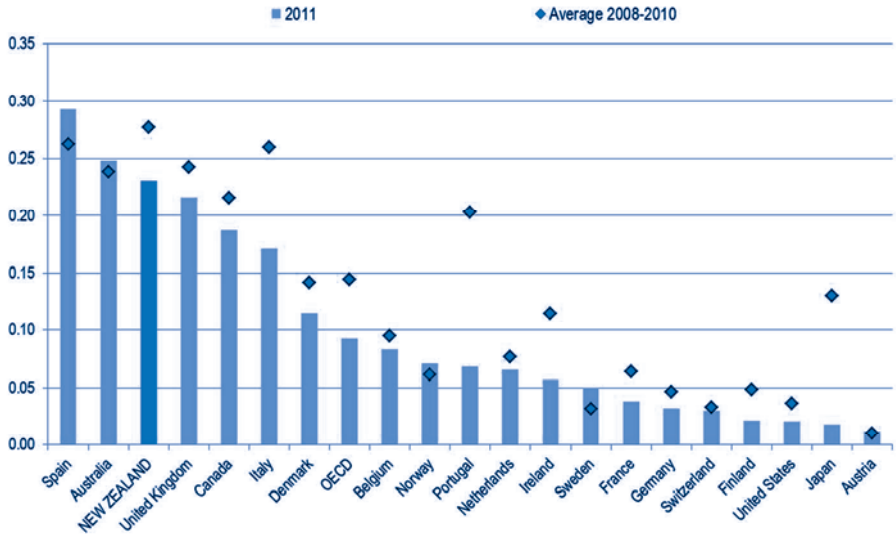
Permanent labour migration to New Zealand

A distinguishing feature of permanent migration to New Zealand is that it predominantly concerns migrants who are already in New Zealand, most of whom have a job. This is mainly attributable to the fact that employment in a job considered as skilled or an offer of such weighs heavily in the points system that is used for the admission of permanent labour migrants. However, only a select set of occupations provide points, making it essentially an "all or nothing" approach. One option to be considered would be to provide more variation in the system, by giving some – albeit fewer – points also for work experience in New Zealand in lesser-skilled jobs. Adjustments in the points system should also be considered regarding English language knowledge, by rewarding higher levels.

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

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

Percentages



Source: OECD International Migration Database.

Admissions for permanent residence

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

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

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

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

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

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

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

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

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

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

Box 3.1. Migration planning via target levels

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

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

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

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

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

Box 3.2. Immigration of Pacific Islanders

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

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

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

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

Approvals under the Pacific Access and Samoan quota

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

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

Skilled Migrant Category (SMC) visas

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

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

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

SMC: Skilled Migrant Category.

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

Selection procedure for permanent migrants under the SMC

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

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

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

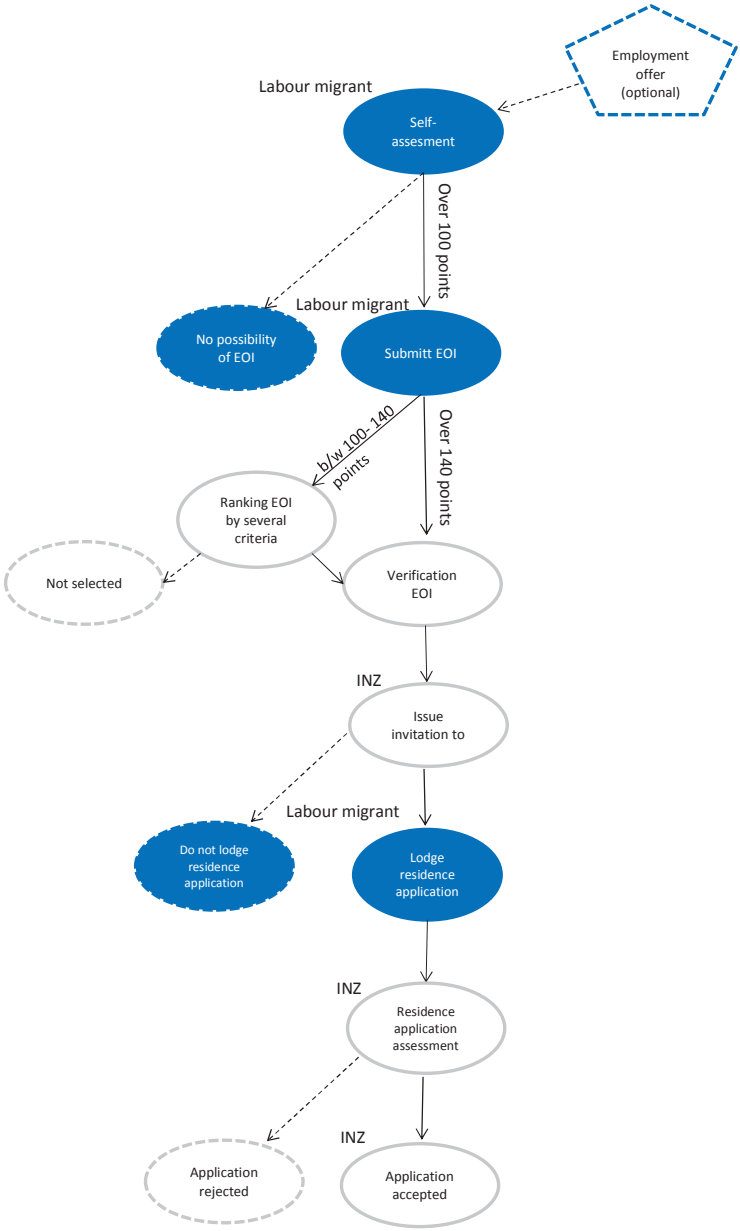
Following the automatic selection, the application is then verified by Immigration New Zealand which subsequently issues an "invitation to apply". If the migrant decides to further pursue the application, he/she must send, in addition to the formal application, the documents to prove he/she meets the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

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

The interview leads to one of three outcomes:

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

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



Note: INZ refers to Immigration New Zealand.

Source: OECD Secretariat.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Selection criteria under the points system

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

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

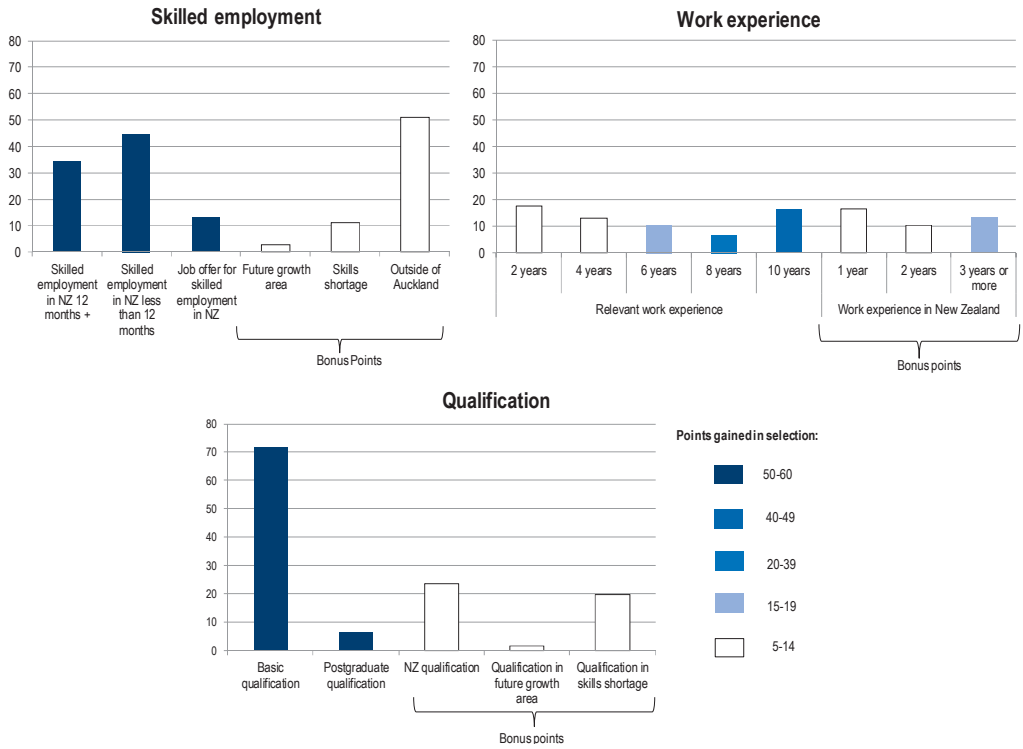
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Skilled employment (%)	12	11	10	16	19	20	20	21	21	19	17	54	61	61	61	64	64	64	64	64
Work experience (%)	38	36	41	39	46	48	48	50	50	44	41	32	50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

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

Skilled employment

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

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



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

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

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

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

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

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

Work experience

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

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

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

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

Qualifications

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

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

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

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

Age

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

Partner characteristics

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

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

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

Regional elements

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

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

English language knowledge

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

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

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

Summary

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

Business migrants

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

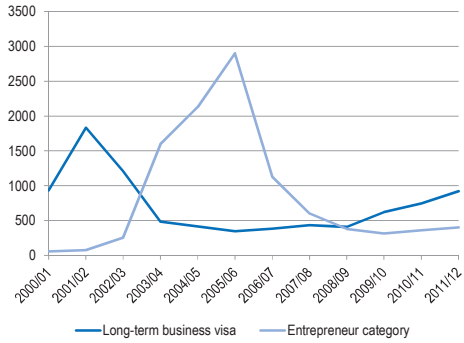
In New Zealand, a specific Entrepreneur and Investor policy has been first introduced in 1999 as a result of a larger business immigration review. Since then, the business visas have undergone successive policy changes, leading to the current visa policy introduced in July 2009.

Entrepreneurs

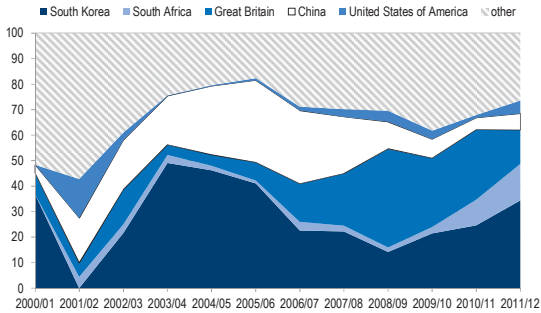
There are two visa categories for migrant entrepreneurs under the current policy – an "Entrepreneur" category, which accounts for the bulk of admissions, and a relatively small "Entrepreneur Plus" category. For both, the migrant must establish or purchase a business that is of benefit to New Zealand,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

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

a) Levels



b) Distribution



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

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

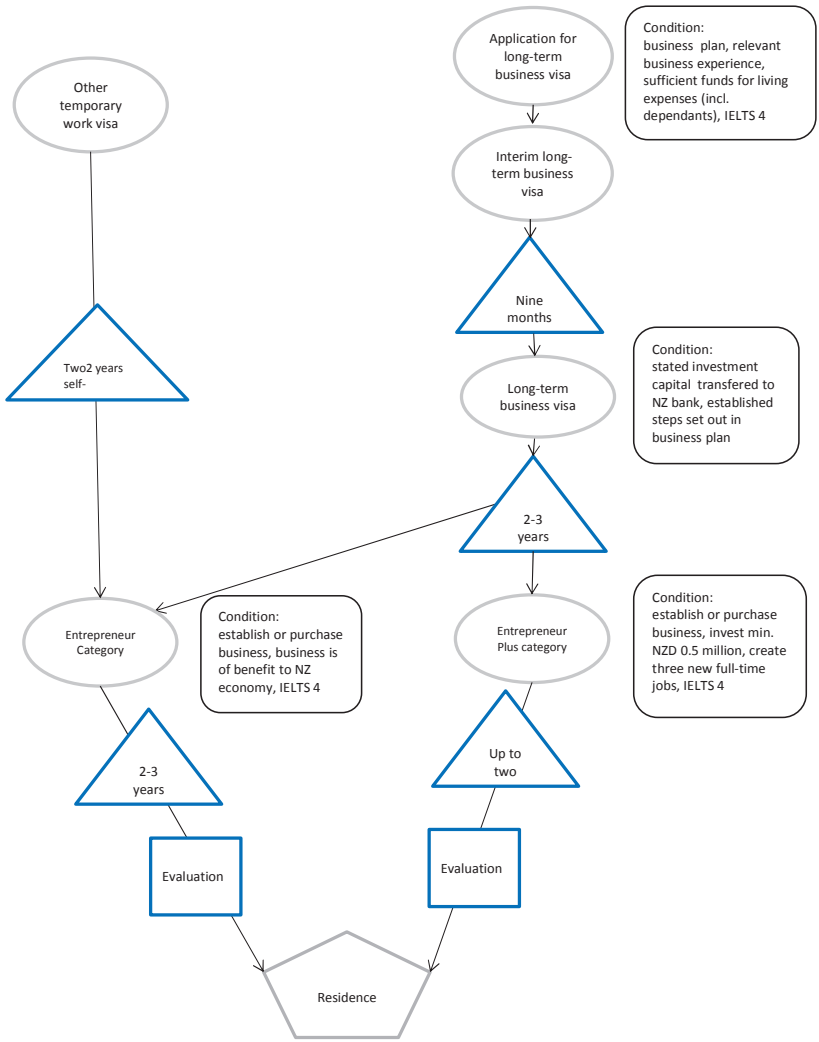
Conditions for obtaining a LTBV include a business plan, relevant work experience, sufficient funds and language requirements. The LTBV is issued in two phases. First, an interim visa is issued for nine months, which is extended for a period of two to three years if the investment capital stated in the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

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

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

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

Figure 3.6. Issuance process from entrepreneur visa to residence permit



Source: OECD Secretariat.

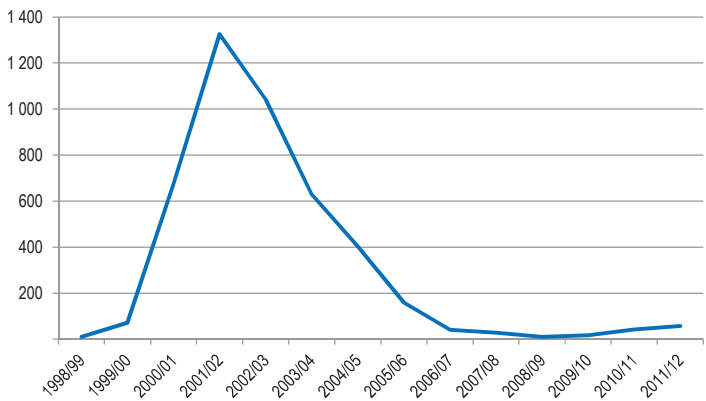
Investors

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

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

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

Figure 3.7. Investor category visas issued

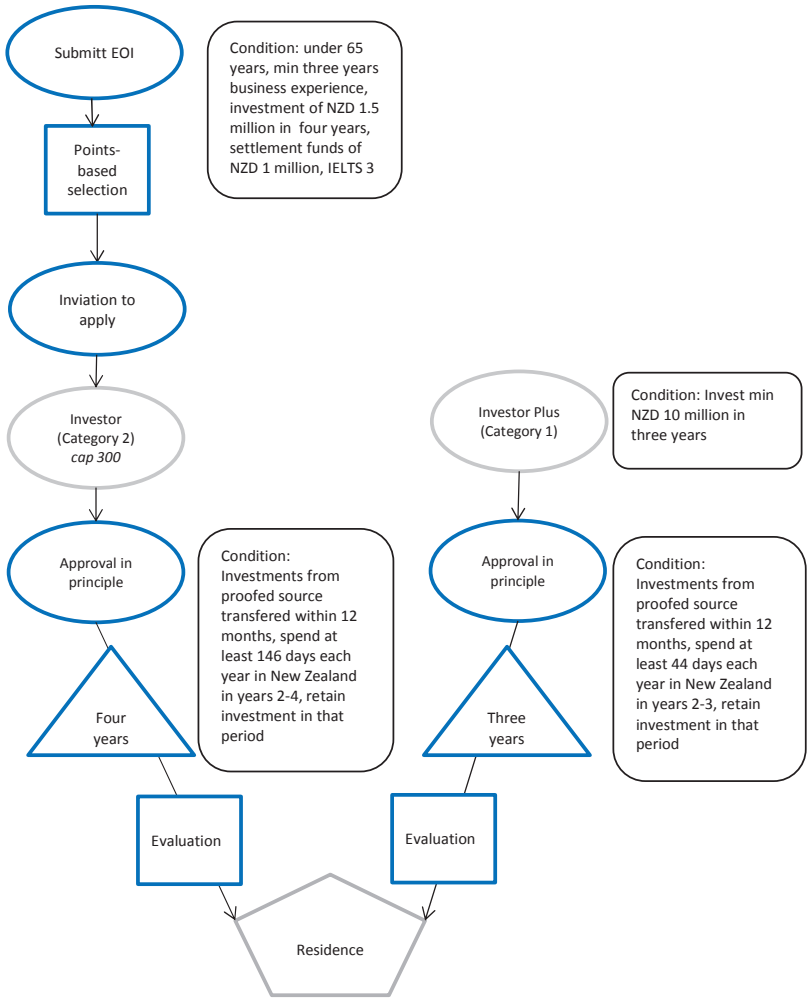


Source: OECD Secretariat calculations on the basis of data from Ministry of Business, Innovation and Employment.

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

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

Figure 3.8. Issuance process from investor visa to residence permit



Source: OECD Secretariat.

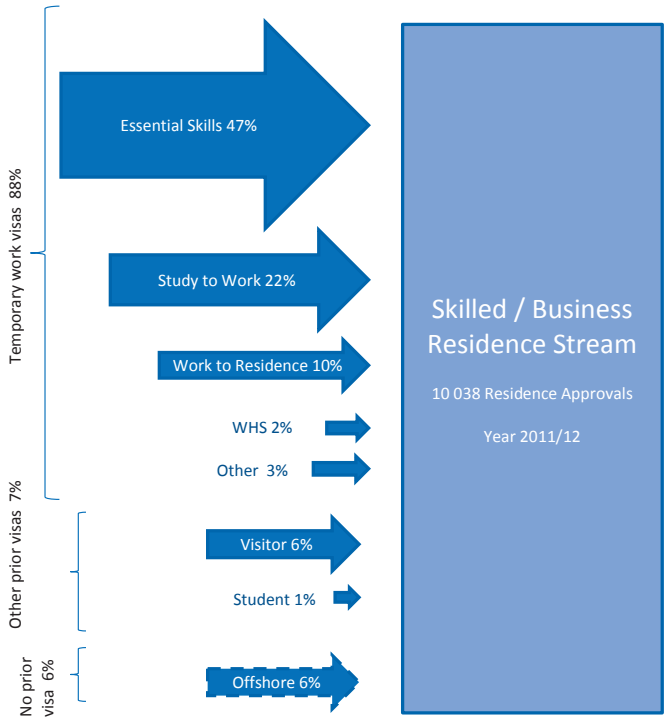
The total level of investment by Investor and Investor Plus migrants in 2011/12 was NZD 114.5 million. This suggests that most investment has been rather close to the minimum threshold.[17]

Transitions to residence

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

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

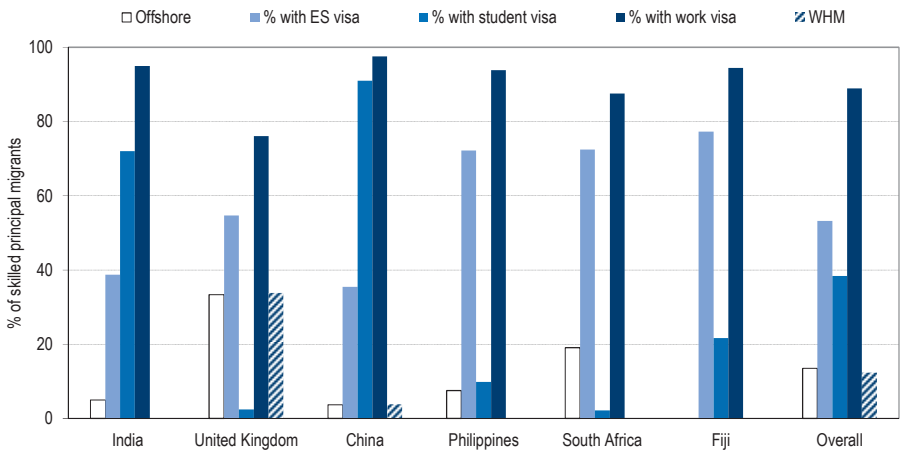
Figure 3.9. Visa prior to residence for principal migrants under the Skilled/Business Residence Stream, 2011/12



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

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

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



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

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

Notes

1. In many European OECD countries, in addition to labour migration, there is also significant migration for employment within the free-mobility zone. This type of migration exists also in New Zealand (see Box 1.1), but is relatively small.

2. Immigrants from Australia, New Zealand territories and New Zealand passport holders do not require a visa to immigrate to New Zealand and are thus not counted in the above target.

3. *Class 1*: migrants claiming 140 points which includes an offer of skilled employment; *Class 2*: 140 points which does not include an offer of skilled employment; *Class 3*:100 to 135 points which includes an offer of skilled employment; *Class 4*: at least 100 points which includes a claim to at least six years of work experience in an area of absolute skills shortage; *Class 5*: at least 100 points which includes a claim to two to six years of work experience in an area of absolute skills shortage; *Class 6*: at least 100 points which includes a claim to a recognised qualification in an area of absolute skills shortage; *Class 7*: all other candidates with at least 100 points.

4. Candidates may be also invited by the Australian Government to lodge a visa application, in which case the system will resemble the New Zealand one.

5. The migrant levy is earmarked for integration services.

6. Under the language bond system, secondary applicants who did not have the required English language level were required to pay a certain amount that was reimbursed if these managed to acquire the required level within twelve months after arrival.

7. Note that the bond that applied between 1995 and 1998 was much more expensive than the current pre-purchased language training, which was probably one of the reasons why it was deemed to deter potential migrants. The price of a new bond should thus be set at roughly the same level as the current fee.

8. A full list of the characteristics for which migrants scored points, their evolution since 2007/08, and the number of points attributed to each characteristic, is provided in Annex F.

9. Since the Australian Skilled Migration Points test does not take job offers into account, one can thus assume that the only people who arrived with a job offer were those under employer sponsored categories.

10. For a number of key origin countries, there are exceptions from this requirement, namely for trade and apprenticeship certificates.

11. The forthcoming link between the Longitudinal Survey of Immigrants and the Integrated Data Infrastructure will provide an opportunity for an in-depth study of the important issue of specific spousal characteristics on the family's economic success in New Zealand and on retention.

12. This corresponds to a level between B2 and C1 in the Common European Reference Framework for languages.

13. Following the New Zealand model, Australia introduced a similar business migrant policy in 2012, offering a two-stage visa for entrepreneur and investor migrants with an initial temporary visa and permanent visa after fulfilling the conditions. The conditions and duration of transition periods are similar, but in the case of Australia, an additional regional element is included. The Australian "Business Innovation and Investment" visa is a state/territory nominated programme enabling regions to attract the kind of business migrants needed for the regional economic environment. In addition to this visa, Australia also offers a business talent visa, which offers a direct permanent entry to high-calibre entrepreneurs and investors under restrictive conditions.

14. Access to self-employment is only available for very few temporary labour migrants, since most visas are for paid employment only.

15. Prior to 2009, there were three distinct Investor categories.

16. All forms of investment are accepted, except property.

17. Note that the admission figures include both primary applicants and their accompanying families.

18. This suggests that many students may take this route rather than going through the study-to-work visa which is designed for that purpose.

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Chapter 4

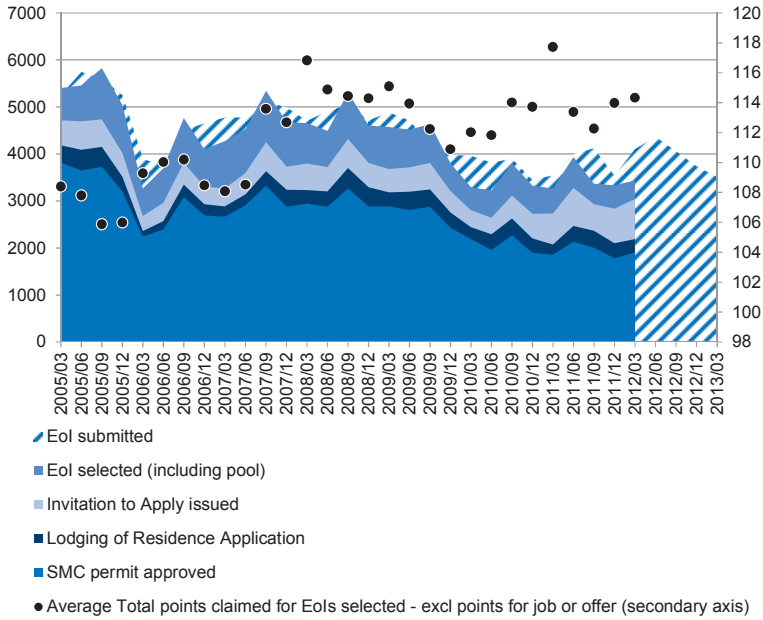
The attraction to and retention of labour migrants in New Zealand

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

Attraction of labour migrants

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

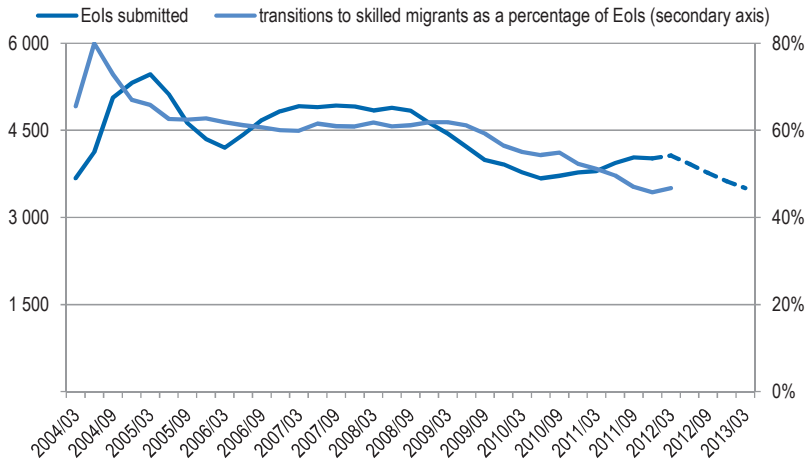
Figure 4.1. Administrative data on the Expression of Interest (EoI) system



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

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

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



EoI: Expression of Interest.

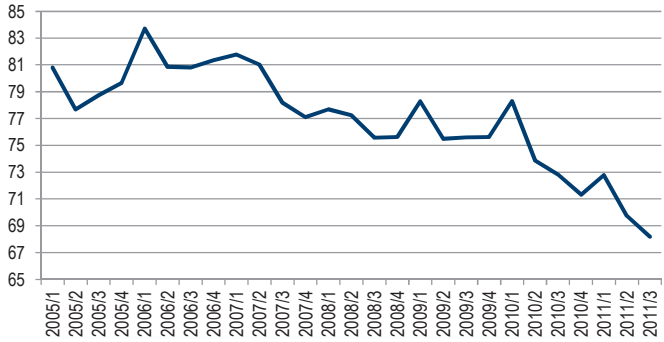
Source: OECD Secretariat calculations on the basis of data from the Ministry of Business, Innovation and Employment.

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

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

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

Percentages



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

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

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

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

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

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

Retention of labour migrants and outmigration

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

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

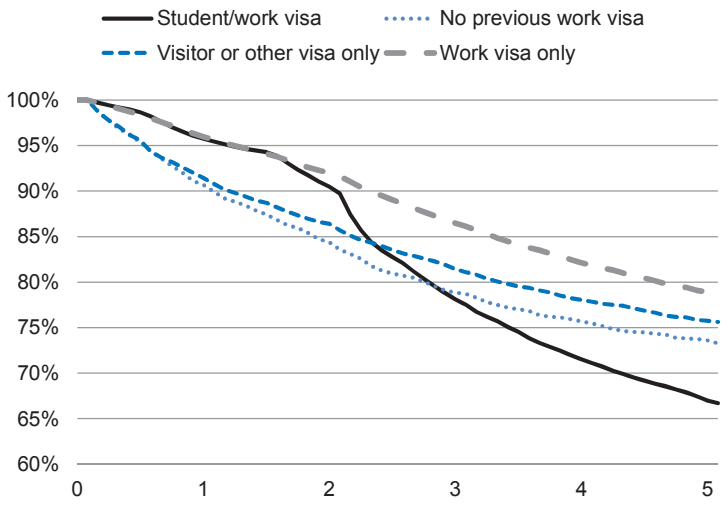
Retention varies along with migrant characteristics. McLeod, Henderson and Bryant (2010) found that four years after taking up residence, 30% of the skilled migrants who had an advanced qualification – defined as a master's level and above – had left the country, but only 20% of migrants with basic or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

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

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

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

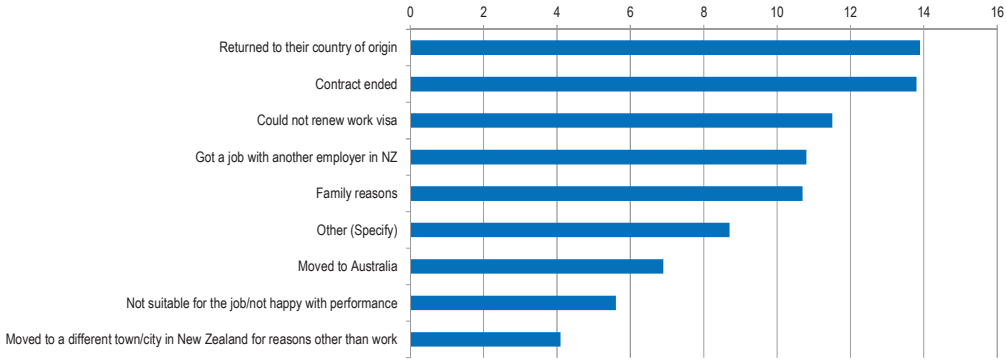
Figure 4.4. Percentage of skilled migrants still resident in New Zealand, by number of years since taking up permanent residence



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

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

Figure 4.5. Reasons for migrants leaving the employer



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

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

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

Notes

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

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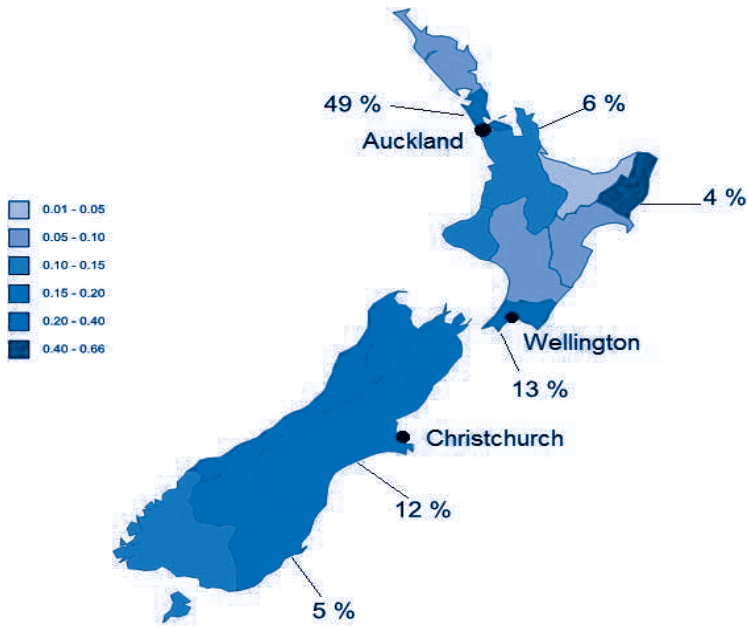
Annex A

Map of New Zealand

Figure A.1. New migrants under the Skilled Migrant Category (principal migrant) relative to total population, by region, and share of permits in the top seven host regions among the total, 2011/12

Percentage



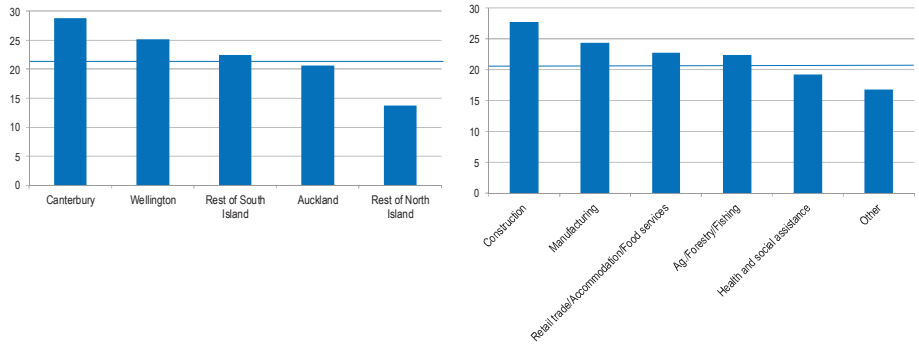
Note: The share of regions which only have a share of 2% of all permits are not displayed.

Source: OECD Secretariat calculations based on data from Immigration New Zealand and Statistics New Zealand. The figures in the map refer to the region of employment.

Annex B

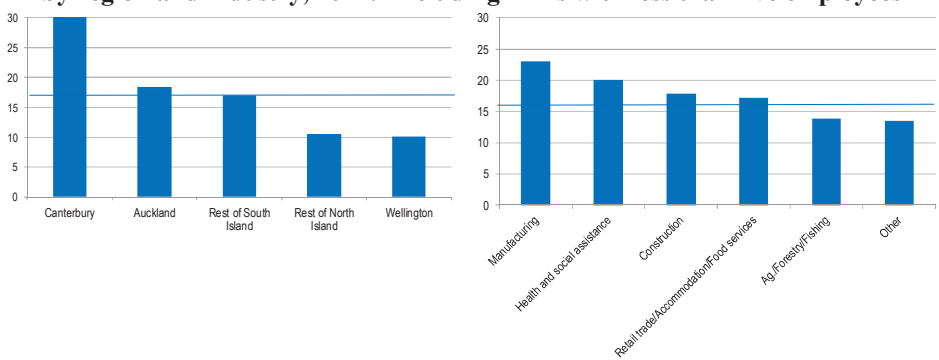
Share of firms with advertised vacancies that they were not able to fill, by region and industry, 2012

Figure B.1a. Share of firms with advertised vacancies that they were not able to fill, by region and industry, 2012: All employers



Note: The horizontal line at 16% represents the average share of employers reporting labour shortages in New Zealand.
Source: OECD Secretariat calculations on the basis of data from MBIE National Survey of Employers 2012.

Figure B.1b. Share of firms with advertised vacancies that they were not able to fill, by region and industry, 2012: Excluding firms with less than five employees



Note: The horizontal line at 20.5% represents the average share of employers reporting labour shortages in firms with more than five employees.

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

Annex C

Temporary work visa categories

		1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Working Holiday[1)]	**TOTAL**	**6 807**	**9 082**	**9 008**	**13 043**	**17 067**	**20 313**	**20 747**	**21 447**	**29 007**	**33 051**	**35 323**	**39 491**	**40 054**	**43 340**	**43 098**
Skilled Work	Essential Skills												32 431	30 489	24 322	20 704
	Essential Skills - Skill Level 1												1 968	1 162	888	907
	Religious Worker															428
	Minister/missionary/pastor	454	448	533	716	826	625	520	452	409	486	436	617	949	894	417
	General	17 357	12 480	14 467	17 409	21 188	30 016	35 705	37 875	38 445	41 317	50 248	7 095	353	408	217
	Medical & dental trainee	124	145	156	115	102	129	98	67	74	99	57	97	105	83	134
	Entertainers and Associated Workers															110
	China Special Work												63	91	87	54
	Chef from Thailand									30	55	82	100	58	32	40
	ASEAN Special Work														3	4
	China Skilled Workers													1		1
	Japanese interpreter	145	116	132	176	185	172	181	133	83	73	39	29	14	12	1
	Sports player/professional coach	419	374	272	388	532	292	160	55	31	32	24	10	7	6	
	Machinery installer/servicer	99	143	135	107	131	106	57	45	11	5	13	13	1	3	
	TOTAL	**20 922**	**16 375**	**18 846**	**22 434**	**26 214**	**31 585**	**36 822**	**38 714**	**39 093**	**42 090**	**50 905**	**42 425**	**33 232**	**26 738**	**23 017**
Other	Specific Purpose or event					78	1 218	2 665	6 734	8 562	11 393	13 556	13 220	14 173	15 055	14 547
	Work experience for student	382	611	685	770	1 015	1 232	2 029	2 384	1 763	1 152	1 163	1 074	1 311	1 416	1 302
	Exchange Work	214	543	632	671	791	951	1 279	1 004	1 096	1 139	1 253	1 173	1 176	1 267	1 194
	Practical experience post study									1 711	6 948	6 283	4 131	4 418	4 912	523
	Domestic staff for consular personnel	34	38	43	39	23	19	19	20	21	32	14	29	32	20	25
	Specialist skills					101	234	244	219	46	32	23	13		13	7
	Domestic staff for seconded business personnel	13	22	5	8	11	1	1	3	1	6			2		1
	Domestic staff for seconded senior executive	3	6	5	5	2	1	1	1		1				1	
	Entertainer/performing artist & support	1 672	2 280	2 185	2 235	2 312	2 000	900	590	441	315	402	220	343	94	
	Show judge/sports referee	7	7	18	3	8	1	2	2	1	3	6	3	3	1	
	TOTAL	**2 554**	**3 877**	**3 951**	**4 094**	**4 647**	**5 657**	**7 140**	**10 957**	**16 522**	**26 596**	**23 269**	**19 863**	**21 458**	**22 779**	**17 599**
Study to Work	Graduate Work Experience															4 210
	Graduate Job Search									7 595	8 742	10 772	10 325	12 169	10 009	9 954
	TOTAL									**7 595**	**8 742**	**10 772**	**10 325**	**12 169**	**10 009**	**14 164**
Work -RSE	Recognised Seasonal Employer											4 426	7 617	6 829	7 619	7 742
	RSE Variation of Conditions															152
	Supplementary Seasonal Employment													819	91	36
	TOTAL											**6 024**	**10 431**	**7 771**	**7 710**	**7 930**
Section 35a		**248**	**496**	**739**	**1 191**	**1 196**	**1 417**	**1 764**	**3 954**	**4 760**	**5 010**	**4 772**	**3 788**	**3 217**	**3 248**	**3 727**
Work to Residence	Talent (Accredited Employer)					3	393	878	1 477	1 523	1 666	2 222	1 966	1 146	1 449	1 361
	Long Term Skill Shortage List Occupation					8	139	666	717	473	567	662	842	581	456	433
	Talent - Arts, Culture and Sports						53	88	83	39	49	67	39	41	21	27
	TOTAL					**11**	**585**	**1 632**	**2 277**	**2 035**	**2 282**	**2 951**	**2 847**	**1 768**	**1 926**	**1 821**
Approved In Principle						**275**	**853**	**1 169**	**1 448**	**2 201**	**3 896**	**3 065**	**1 920**	**1 615**	**1 750**	**1 742**
Crew	Crew of foreign fishing vessel	162	118	51	175	98	221	142	176	59	1 485	1 599	1 278	1 125	1 113	1 034
	Crew of foreign fishing vessel - further work visa											92	113	204	156	181
	Crew of foreign fishing vessel Archive	814	3 809	2 930	2 672	2 732	2 385	2 370	2 728	1 616	158	45	66	79	21	
	TOTAL	**976**	**3 927**	**2 981**	**2 847**	**2 830**	**2 606**	**2 512**	**2 904**	**1 675**	**1 643**	**1 736**	**1 457**	**1 408**	**1 290**	**1 215**
LTBV/Investor	Long Term Business (Interim)							1	111	167	192	261	227	368	390	586
	Long Term Business (Balance of 3 years)							29	145	113	143	162	172	215	309	337
	Long Term Business (Change of plan)							2	7	2	10	11	11	13	30	44
	Long Term Business (Renewal)							1	34	113	39	20	13	31	28	29
	Long Term Business (Reconsideration)							3	12	8	13	9	4	3	2	12
	TOTAL	**1**	**13**	**156**	**1 099**	**2 223**	**1 637**	**648**	**556**	**423**	**401**	**465**	**429**	**631**	**759**	**1 008**
Skilled Migrant[2)]								**7**	**90**	**1 605**	**2 011**	**1 484**	**1 252**	**1 322**	**1 025**	**670**
Silver Fern	Silver Fern Job Search													61	286	315
	Silver Fern Practical Experience														71	138
	TOTAL													**61**	**357**	**453**
Job Search				**85**	**890**	**2 936**	**1 943**	**244**	**256**	**48**	**12**	**3**		**5**	**3**	**63**
TOTAL		**31 508**	**33 770**	**35 766**	**45 598**	**57 399**	**66 596**	**72 685**	**82 603**	**104 964**	**125 734**	**140 769**	**134 228**	**124 711**	**120 934**	**116 507**

Note: Totals of categories include sub-category permits not issued in the last two years (not displayed in the table).

1) In 2011/12 38 countries were included in the Working Holiday Scheme. A detailed list of these schemes is provided in Annex D. 2) Temporary work permits issued under the Skilled Migrant category are job search visas, which become permanent permits upon finding adequate employment.

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

Annex D

New Zealand's Working Holiday Schemes, by country, 2013

Requirements / Country	Length of stay	Amount of Maintenance funds required	Required to hold medical and comprehensive hospitalisation insurance?	Restricted length of time with one employer?	Study entitlement	Special country requirements:	Number of places available	Starting date
Argentina	12 months	NZD 4 200	Yes	No	up to 6 months	Aged 18 to **35**	1000	2003
Austria	6 months	NZD 4 200	Yes	No	up to 6 months	N/A	100	2012
Belgium	12 months	NZD 4 200	Yes	No	up to 3 months	N/A	Uncapped	2004
Brazil	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	300	2008
Canada	12 months	NZD 4 200	No	No	up to 6 months	Aged 18 to **35**	Uncapped	1994
Chile	12 months	NZD 4 200	Yes	6 months	up to 6 months	Aged 18 to **35**	1000	2001
China	12 months	NZD 4 200	Yes	3 months	up to 3 months	Have a senior high school qualification (gao zhong xue li) granted in respect of a minimum of 3 years' full-time study; **AND** have a level of proficiency in English that is assessed as at least functional.*	1000	2008
Czech Republic	12 months	NZD 4 200	Yes	No	up to 6 months	Aged 18 to **35**	1200	2005
Denmark	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	Uncapped	2002
Estonia	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	100	2007
Finland	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	Uncapped	2004
France	12 months	NZD 4 200	Yes	No	up to 3 months	N/A	Uncapped	1999
Germany	12 months	NZD 4 200	Yes	No	up to 6 months	N/A	Uncapped	2000
Hong Kong, China	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	400	2001
Ireland	12 months	NZD 4 200	No	No	up to 3 months	N/A	Uncapped	1996
Israel	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	200	2011
Italy	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	Uncapped	2001
Japan	12 months	NZD 4 200	No	No	up to 6 months	N/A	Uncapped	1985
Korea	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	1800	1999
Latvia	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	100	2009
Malaysia	6 months	NZD 4 200	No	No	up to 3 months	N/A	1150	1996
Malta	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	50	2004
Mexico	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	200	2008
Netherlands	12 months	NZD 4 200	Yes	No	up to 3 months	N/A	Uncapped	1998
Norway	12 months	NZD 4 200	Yes	No	up to 3 months	N/A	Uncapped	2005
Peru	12 months	**NZD 4 200** with IELTS level 5 or over; **OR** NZD 7 000 with No IELTS	Yes	3 months	up to 3 months	Provide evidence of having completed a minimum of three years' full time study towards a tertiary qualification.	100	2009
Poland	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	100	2010
Singapore (work exchange programme)	6 months	NZD 2 250	Yes	No	up to 3 months	**Undergraduate students** must: be registered with a Singapore university or polytechnic; **AND be** participants in agreed exchange between their university or polytechnic in Singapore and a New Zealand university or polytechnic; **OR a**rrange their own employment by applying directly to a New Zealand employer (offer of employment not required). **Graduates** are also eligible if they apply within 3 years from the date of their graduation and meet the same conditions for undergraduate students set	200	1999
Slovak Republic	12 months	NZD 4 200	Yes	6 months	up to 6 months	Aged 18 to **35**	100	2012
Slovenia	12 months	NZD 4 200	Yes	3 months	up to 3 months	N/A	100	2010

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

New Zealand's Working Holiday Schemes, by country, 2013 *(cont.)*

Spain	12 months	NZD 4 200	Yes	3 months	up to 3 months	Must not work for a period exceeding 6 months	200	2010
Sweden	12 months	NZD 4 200	Yes	No	up to 3 months	N/A	Uncapped	2001
Chinese Taipei	12 months	NZD 4 200	Yes	3 months	up to 6 months	Have household registration under the laws of Chinese Taipei. Household registration is used to prove a person's right to reside permanently in Chinese Taipei. The household registration certificate shows a person's name, date of birth, address, marital status, and their parents' details and, most importantly, a unique Chinese Taipei ID number. If in doubt, branches may scan a copy of the household registration certificate and forward it to the Visa Unit, the New Zealand Commerce and	600	2004
Thailand	12 months	NZD 7 000	Yes	3 months	up to 3 months	Have a tertiary qualification granted in respect of a minimum of three years' full time study, **AND** Have a level of proficiency in English that is assessed as at least functional.**	100	2005
Turkey	12 months	NZD 7 000	Yes	3 months	up to 3 months	Have a tertiary qualification granted in respect of a minimum of four years' full time study, AND have a level of proficiency in English that is assessed as at least functional (see WI2.157.1)	100	2011
United Kingdom	23 months ***OR*** 12 months and balance of 23 months if applies while in NZ within the validity of the first WHS permit.	Minimum of NZD 350 **per month**	No	No	up to 6 months	Must meet the 'ordinarily resident' requirement***; **AND** Must not work for a period exceeding 12 months	Uncapped	1992
United States	12 months	NZD 4 200	Yes	No	up to 3 months	Must meet the 'ordinarily resident' requirement***	Uncapped	2004
Uruguay	12 months	NZD 4 200	Yes	No	up to 6 months	N/A	200	2003
Viet Nam	12 months	NZD 4 200	Yes	3 months	up to 3 months	Have a tertiary qualification granted in respect of a minimum of four years' full time study, **AND** have a level of proficiency in English that is assessed as at least functional (see WI2.157.1)	100	2012

Source: Adapted from Ministry of Business, Innovation and Employment.

Annex E

Example of a preliminary indicator evidence report

Ministry of Business, Innovation & Employment

Review of Essential Skills in Demand Lists

Preliminary Indicator Evidence Report (PIER) June 2013

Internal Auditor (221214)

Purpose:

The purpose of the Preliminary Indicator Evidence Report (PIER) is to collate relevant statistical data about each occupation selected to be part of the review of the Essential Skills in Demand (ESID) lists; and to provide a **preliminary** view on the status of the occupation based on that data.

PIERs are prepared by the Ministry of Business, Innovation and Employment (the Ministry). Each report is based on an assessment of the occupation against three key indicators:

- **skill level** – does the occupation meet skill level requirements?
- **scale** - is the occupation of sufficient scale, in terms of employment or work visa application numbers, to warrant a listing?
- **shortage** – how strong is the evidence that there is a shortage?

The PIER provides a summary of the evidence considered by the Ministry under each of these indicators. Further information on the measures and data sources is available on our website www.immigration.govt.nz.

Our preliminary view of the status of the occupation is based on an assessment of the combination of measures, rather than any single factor – the measures are not weighted.

In the interests of transparency we have tried to be as explicit as possible about the thresholds that will be applied to each measure. However, these are ultimately a matter of judgement and the Ministry will consider the merits of each occupation under review on a case by case basis.

What happens next?

You are invited to make a submission in response to this report. The submission process provides an opportunity for industry groups and others to provide additional information and evidence about the nature and extent of skill shortages in their area. You may also present an alternative view on the status of an occupation in relation to the ESID lists. For further information on the submission process please visit our website www.immigration.govt.nz. Submissions for the current review must be provided to the Ministry by **26 July 2013**.

Where no submissions are received on an occupation, the Ministry may not assess the status of the occupation on the ESID lists. **Groups that have successfully submitted an Occupation Nomination Form in relation to an occupation must also complete a full submission.**

In assessing the merit of submissions, the Ministry will consult with employers, trade unions and other employee and industry bodies, as well as relevant government agencies such as the Ministry of Social Development and the New Zealand Qualifications Authority.

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Example of a preliminary indicator evidence report *(cont.)*

Final decisions on the status of occupations under review are made by the Ministry (in the case of the Immediate Skill Shortages List); and by the Minister of Immigration (in the case of the Long Term Skill Shortage List).

The results of this review will be published on the Ministry's website about December 2013.

ANZSCO occupation title: Internal Auditor

ANZSCO code: 221214

Current ESID List status: On the ISSL and the LTSSL

Rationale for review: Nominated by the Ministry of Business, Innovation and Employment because of low visa numbers and practical difficulties in claiming points under the Skilled Migrant Category.

MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT

PRELIMINARY VIEW

○ In shortage ● Not in shortage ○ No view

☐ Add to an ESID list ☐ Do not add to an ESID list

☐ Retain on an ESID list ■ Remove from an ESID list

The low number of visa approvals for this occupation suggests that retention on the skill shortage lists may not be warranted.

Please note: if you see the rating "Inconclusive information for reviewed occupation" this means that our statistical information is not available at a level specific enough for the particular level of shortage within an occupation. This is generally where the shortage within the occupation is for people who are very experienced or who have specialist qualifications within an occupation or where information is only available at a very broad level and is less useful as an indicator.

We are particularly interested in robust information held by industry that will supplement the information contained in this report relevant to the occupation as defined in this review.

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Example of a preliminary indicator evidence report *(cont.)*

SUMMARY OF EVIDENCE

1) Skill level The ESID lists are designed to cater for skilled occupations. The ANZSCO skill level classification and salary information are used as indicators of skill level. In general terms, only occupations assessed by ANZSCO as levels 1-3 are considered 'highly skilled' for ESID purposes. In addition, a base salary of at least $45,000 is used as a proxy indicator for skill level. Exceptions to these thresholds may be made on a case by case basis.	**Meets skill level requirements?** ■ Yes ☐ No ☐ Inconclusive information for reviewed occupation
ANZSCO skill level classification: 1	
Average annual base salary:[1] $58,000 ***Salary range:*** $42,200 to $68,500 ***Qualification and experience requirements:***[2] LTSSL: Certified Internal Auditor qualification. ISSL: Degree level (level 7) qualification majoring in accounting	
Other relevant factors: N/A	

2) Scale The ESID lists are designed to facilitate the entry of skilled workers into occupations that are likely to generate a reasonable number of Essential Skills visa applications each year. Small-scale occupations are encouraged to make use of alternative work visa avenues. Large-scale occupations, employing approximately 2,000 or more workers will meet the 'scale' test. However, where occupation numbers are lower than this, there must be evidence of a reasonable number of Essential Skills visa approvals (approximately 50 or more) in the last 12 months.	**Meets scale requirements?** ☐ Yes ■ No ☐ Inconclusive information for reviewed occupation
Occupation size[3]***: Estimated total number employed in the occupation is*** **896**	
Essential Skills work visa approvals: Number of Essential Skills work visa approvals in the past 12 months (1 May 2012 to 30 Apr 2013) is **11**	
Other relevant factors:	

[1] Please note that data on salaries is derived from the last Census (2006). Up-to-date data on these factors is welcomed through the submission process.
[2] Qualification and experience requirements are drawn from existing requirements for the Lists or from the Occupation Nomination Form.
[3] Occupation size is derived from the Detailed Employment Estimates model in December 2012.

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Example of a preliminary indicator evidence report *(cont.)*

3) Shortage
The ESID lists are designed to facilitate the entry of skilled workers to New Zealand to fill skill shortages, and to reduce costs and time delays for employers seeking staff. At the same time, it is important to ensure that appropriately skilled New Zealanders who are available to work are not displaced.

Five indicators of shortage are used: estimated job seekers; *Jobs Online* index (measure of vacancies); visa approvals; employment growth; and the likelihood of the shortage being long term.

a. Estimated suitable jobseekers available

National data on people available to work or train suggests that there are 70 suitable jobseekers available to fill vacancies within this occupation. (Based on the Ministry of Social Development data as at 26 Apr 2013).	Evidence that few suitable jobseekers are available: ☐ Strong evidence ☐ Moderate evidence ■ Weak evidence ☐ Inconclusive information for reviewed occupation
Additional information/comment:	

b. Jobs Online index

Data The Ministry of Business, Innovation and Employment collates information on recent job vacancy advertisements from *Jobs Online index*. In the year ending April 2013, 619 online advertisements were placed for vacancies in the occupation Internal Auditor. This represented a decrease of 51% from the April 2012 figure of 1,271. In turn, this represented an increase of 37% from the number of advertisements placed in April 2011. Please note: that more than one advertisement may be placed for each vacancy and that advertisements relate to all Internal Auditor positions not just those holding the qualification and experience requirements specified for the reviewed occupation.	Evidence of demand: ☐ Strong evidence ■ Moderate evidence ☐ Weak evidence ☐ Inconclusive information for reviewed occupation
Additional information/comment:	

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Example of a preliminary indicator evidence report *(cont.)*

c. Visa approvals

Data

The Ministry of Business, Innovation and Employment collects information on visa approvals. Changes in the numbers of visas approved for an occupation can indicate an occupational labour shortage.

i) In the period *1 May 2011 to 30 Apr 2012*:

11 Essential Skills work visas and 13 Skilled Migrant Category resident visas were approved for Internal Auditor.

ii) In the period *1 May 2012 to 30 Apr 2013*:

11 Essential Skills work visas and 5 Skilled Migrant Category resident visas were approved for Internal Auditor.

iii) This represents no change between years for Essential Skills visas and a -**62%** change for Skilled Migrant Category resident visas.

iv) The number of current year migrants (Essential Skills work visa and Skilled Migrant Category resident visa) as a **%** of total occupation size is **2%.**

Evidence of visa approvals:

- ☐ Strong evidence
- ☐ Moderate evidence
- ■ Weak evidence
- ☐ Inconclusive information for reviewed occupation

Additional information/comment: Essential Skills work visa approvals unchanged from the previous year, but Skilled Migrant Category resident visa approvals was down 62%.

d. Employment growth

Data

The Ministry of Business, Innovation and Employment prepares data on past trends in employment (measures i and ii, below) as well as forecasts of future occupational employment growth (measure iii). The fourth measure, forecast net replacement demand, refers to the expected level of demand to replace workers expected to retire from the occupation.

i) Annual average employment growth for Internal Auditor in the past 5 years (2007-2012) is 1.5%.

ii) Employment growth for Internal Auditor in the last 12 months is -0.2%.

iii) Employment forecast for Internal Auditor

From 2010 to 2015 expecting to grow by 3.6% per annum

From 2010 to 2020 expecting to grow by 3.1% per annum

iv) Forecast of net replacement demand

From 2011 to 2016 demand due to retirement is 1.5%

From 2016 to 2021 demand due to retirement is 1.6%

Evidence of employment growth

- ☐ Strong evidence
- ☐ Moderate evidence
- ■ Weak evidence
- ☐ Inconclusive information for reviewed occupation

Additional information/comment:

Internal Auditor (221214) Page 5

Example of a preliminary indicator evidence report *(cont.)*

e. Additional shortage information

Data
To be included on the ISSL or the LTSSL, there must be evidence that the occupation is in skill shortage.

These two indicators provide additional context to the data above.

The first – length of training – indicates the time lag for training an individual and readiness to enter the occupation. The information is obtained through the New Zealand Qualifications Authority.

The second measure provides an indicator of demand from other countries. Both the United Kingdom and Australia release similar occupational skill shortage lists.

i) Training time required
Three to seven years of training usually required including a commence degree and registration with New Zealand Association of Chartered Accountant.[4]

ii) United Kingdom Shortage Occupation List or Australian Skill Shortage List [5]
This occupation is not on the United Kingdom List or the Australian List.

Overall evidence of shortage:
(This assessment takes into account the indicators listed above)

☐ *strong evidence of shortage* ☐ *moderate evidence of shortage*

■ *weak evidence of shortage* ☐ *inconclusive information for reviewed occupation*

[4] http://www.careers.govt.nz/jobs/finance/auditor/how-to-enter-the-job.
[5] The United Kingdom Shortage Occupation List was published in April 2013 and the Australian Skill Shortage List was published in February 2013.

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Source: Ministry of Business, Innovation and Employment.

Annex F

Percentage of principal applicants scoring points for each characteristic under the points system, and maximum possible points

		2007/08	2008/09	2009/10	2010/11	2011/12	Max. points possible
Skilled employment		**84%**	**79%**	**81%**	**90%**	**92%**	**70**
	Current skilled employment in New Zealand for 12 months or longer	24%	28%	40%	40%	34%	60
	Current skilled employment in New Zealand for fewer than 12 months	45%	39%	30%	38%	45%	50
	Offer of skilled employment in New Zealand	15%	12%	10%	12%	13%	50
Bonus points for employment or an offer of employment							
	Identified future growth area	5%	6%	4%	3%	3%	10
	Area of absolute skills shortage	15%	13%	12%	11%	11%	10
	Region outside Auckland[1]	57%	55%	55%	51%	51%	10
	Partner employment or offer of employment	3%	2%	2%	1%	1%	20
Relevant work experience		**66%**	**65%**	**72%**	**70%**	**65%**	**60**
	2 years	11%	12%	15%	17%	18%	10
	4 years	10%	10%	12%	13%	13%	15
	6 years	9%	9%	11%	11%	11%	20
	8 years	8%	7%	8%	8%	7%	25
	10 years	28%	27%	26%	21%	16%	30
Bonus points for New Zealand work experience							
	1 year	11%	21%	27%	20%	17%	5
	2 years	4%	8%	13%	15%	11%	10
	3 years or more	2%	4%	7%	12%	13%	15
Additional bonus points for work experience in an identified future growth area		3%	4%				
	2 to 5 years			1%	1%	1%	10
	6 years or more			2%	1%	1%	15
Additional bonus points for work experience in an area of absolute skills shortage							
	2 to 5 years	6%	6%	7%	6%	7%	10
	6 years or more	10%	8%	7%	8%	7%	15
Qualifications		**79%**	**74%**	**73%**	**73%**	**78%**	**95**
	Recognised basic qualification	69%	65%	65%	67%	72%	50
	Recognised postgraduate qualific	10%	9%	8%	6%	6%	60
Bonus points for qualifications							
	Recognised New Zealand qualification	25%	30%	44%	38%	24%	15
	Recognised qualification in an identified future growth area	3%	3%	2%	2%	2%	10
	Recognised qualification in an area of absolute skills shortage	32%	31%	30%	20%	20%	10
	Partner qualifications	17%	18%	18%	15%	13%	10-20
Close family support in New Zealand		7%	7%	7%	7%	6%	10
Age (20–55 years)							
	20–29 years	43%	43%	41%	43%	47%	30
	30–39 years	35%	34%	37%	36%	35%	25
	40–44 years	12%	12%	11%	11%	9%	20
	45–49 years	6%	6%	7%	7%	5%	10
	50–55 years	4%	4%	4%	4%	3%	5

1. The percentage is calculated from the Skilled Migrant Category principal applicants who were awarded points for a job or job offer and specified a region of employment.

Source: Adapted from Ministry of Business, Innovation and Employment.

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Chapter 3. Permanent labour migration to New Zealand

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