

DETAILED RESPONSE TO THE PRODUCTIVITY COMMISSION'S REPORT: *IMMIGRATION – FIT FOR THE FUTURE*

#	Recommendation	Discussion	Status
1	<p>To address particular cases where evidence exists of immigration displacing local workers, the Government should implement policies to empower displaced workers, such as improved access to education and training; tailored active labour market programmes; and Industry Transformation Plans. An approach that included such policies should be the primary focus regardless of the reason for displacement (e.g., economic shock, or automation). Short-term support policies or programmes, or bespoke interventions, may need to be considered to protect particularly vulnerable people. Policies aimed at improving the employment prospects of displaced workers or workers at risk of displacement are more likely than restrictions on immigration to deliver positive and long-lasting labour market and wellbeing outcomes. The risk of displacement (alongside absorptive capacity, productivity impacts, and the working conditions of migrants) should continue to be a consideration in the design of future immigration policy</p>	<p>The Government supports the intent of this recommendation. The Government has recently delivered major reforms across the education, labour market, economic development and immigration system to drive a more coordinated approach to workforce planning and to incentivise employers to hire from the domestic workforce and invest in training, ahead of hiring migrant workers. These reforms set the strategic direction and require the immigration, education, training and skills systems to be better connected, responsive to workforce needs and support better wage and working conditions for workers. Examples includes the establishment of Regional Skills Leadership Groups, Industry Transformation Plans, Workforce Development Councils, the Reform of Vocational Education and the Immigration Rebalance. The Cabinet paper and interim response provide more detail.</p>	Underway
2	<p>The Government should introduce the concept of the country's absorptive capacity when setting its objectives for immigration policy</p>	<p>The Government supports the intent of this recommendation. An immigration focussed approach to absorptive capacity is proposed that will explore the demand impacts and support needs of particular categories of migrants, particularly where these impacts are likely to be highly concentrated e.g. geographically, or seasonally, or on particular government services such as health or welfare provision (distinct from a population policy or net migration generally – as the government can only control immigration inflows). As noted by the Commission, immigration is not the cause or solution of New Zealand's productivity challenge. This also holds true in respect of New Zealand's infrastructure deficits. The intent is to provide planning signals to those responsible for wider infrastructure investment. It could also inform the development of a National Population Plan as recommended by Waihanga/The Infrastructure Commission. Officials will provide further advice by mid-2023.</p>	Further consideration required

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3	<p>The Government, in an Immigration Government Policy Statement, should describe:</p> <ol style="list-style-type: none"> a. what the Government considers New Zealand's absorptive capacity to be (based on a range of indicators); b. where and how short-term immigration flows are likely to put additional pressure on that capacity (if at all); and c. how the Government intends to invest to expand capacity (if needed) to align it with expected population growth over the medium to long term. 	<p>The Government supports the intent of this recommendation. The proposed approach for considering absorptive capacity is outlined in response to recommendation 2. MBIE officials have been directed to undertake targeted consultation with Māori, key stakeholders, and the recently established Migrant Reference Group on a draft Government Policy Statement (GPS) that brings together strategic intent for the immigration, transparency and the link with absorptive capacity considerations. More detail is set out in the Cabinet paper and interim response. The Government will consider options in mid-2023.</p>	Further consideration required
4	<p>The Government should encourage wages to reflect scarcity, rather than exempt specific industries, firms, and occupations from general labour-market rules.</p>	<p>The Government supports the intent of this recommendation. The Rebalance does not provide exemptions from general labour market rules. Changes to immigration settings have been introduced to help prioritise skilled migrants and reduce complexity. The introduction of a wage threshold as part of the Accredited Employer Work Visa (AEWV) (currently set at the median wage) encourages wages to reflect scarcity. Some sectors have agreements to support them to transition to meet the wage threshold. These changes require employers to increase their effort on recruiting from the existing domestic workforce or open work rights holders (as a shorter-term solution to labour need) and improving education and training ahead of hiring migrant workers. Low wage migrant labour is now a less straightforward or permanent option. Consistent with the Commission's finding that the immigration system alone is not the cause of issues nor the solution to improving productivity, the reforms outlined in the response to recommendation 1 also support businesses to make shifts.</p>	Underway
5	<p>The Government should reduce the use of shortage lists for approving temporary work visas and design them to inform education and training priorities, active labour market programmes, careers advice, industry strategy, and future resident-selection priorities. These lists should be data-driven and based on a set of indicators including vacancy data, wage</p>	<p>The Government supports the intent of this recommendation. The Green List (the List) has been introduced. It replaces previous skills shortage lists and streamlines pathways to residence for highly skilled occupations on the List which addresses the intent of this recommendation. New sector agreements for the care; construction and infrastructure; meat processing; seafood; and seasonal snow and adventure</p>	Underway

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	<p>movements, and demand for migrant labour. They should be monitored and updated regularly and reviewed every two years.</p>	<p>tourism sectors provide for a short-term or ongoing need for access to lower-paid migrants. Lower wage thresholds will apply in the interim.</p> <p>The List and sector agreements have been informed by available data and significant engagement with industry and sectors. They will be regularly reviewed to ensure they are responsive to labour market needs or challenges.</p> <p>Lists can capture some useful elements of workforce gaps and provide a useful prompt for a conversation about training gaps, or retention issues and what suitable responses may be from industry or the education and training system.</p>	
6	<p>As part of the design of the Accredited Employer Work Visa (and/or future employer sponsored visas), the Government should enable migrants to move between any accredited employer with minimal government-imposed transaction costs for the migrant or employer. Information on migrants' movements within the employment system should be collected to monitor for risks of gaming the system and for risks of poor employer behaviour.</p>	<p>The Government supports the intent of this recommendation.</p> <p>At the end of 2022, a variation of conditions (VoC) policy for the AEWV was introduced allowing AEWV visa holders to change to a new job (or employer), provided the job has been labour market tested. The policy is more flexible than the previous Essential Skills policy which required the occupation and region to remain the same (unless the new job is on a skill shortage list). The VoC policy for Essential Skills visas will be amended to align with the AEWV.</p> <p>Poor employer behaviour will be monitored by Immigration New Zealand (INZ), particularly through the accreditation process.</p> <p>The new Migrant Exploitation Protection Work visa also enables workers to leave exploitative situations, and gives them time to search for a new job without becoming unlawful.</p>	Underway
7	<p>The Government's proposal to introduce wage thresholds is a likely improvement over selection based on the use of skill and occupational shortages. However, the Government should consider and evaluate the full range of alternative tools to manage the composition of low-skilled migrants on temporary visas. It should use the tool or tools with the greatest net benefits for productivity and wellbeing.</p>	<p>The Government supports the intent of this recommendation.</p> <p>This recommendation is an endorsement of the introduction of a wage threshold as part of the AEWV (currently set at the median wage). The use of sector agreements also help to manage low skilled migration.</p> <p>The recent reforms outlined in the response to recommendation 1 support improved labour market outcomes.</p>	Underway
8	<p>Before visa availability is committed to in international agreements, the Government should assess the likely net benefits and note the risk that additional visa availability may be hard to manage, limit, or remove in the future.</p>	<p>The Government supports the intent of this recommendation.</p> <p>MBIE works closely with the Ministry of Foreign Affairs and Trade when proposed working holiday schemes are being considered or changes to current caps. This helps to balance migrant flows with</p>	Underway

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		New Zealand's international commitments and international relations objectives.	
9	<p>The Government should be clearer with prospective migrants about their likelihood of attaining residency in the Skilled Migrant Category by linking the residency criteria to the planning range. To do this, the Government should:</p> <ul style="list-style-type: none"> d. revise each year the points threshold for entering the Expression of Interest (Eoi) pool; and/or e. enable applicants to continue to accrue points and select applicants from the Eoi pool with the highest points first. <p>Each year the Government should publish the points ranges of successful applicants to emphasise that minimum thresholds for considering applications are not the targets for selection.</p>	<p>The Government supports the intent of this recommendation. The Skilled Migrant Category (SMC) is under review and simplified points system that sets a clear skill threshold, provides greater certainty to migrants and improves wait times is proposed. It is also proposed that there will be no cap on the number of eligible applications that can be processed. This relies on setting an appropriate skill level to help manage demand.</p>	Underway in part
10	<p>The Government should speed up processing and increase the certainty of visa status (including rights to residence and the recognition of comparable foreign qualifications) for highly productive and highly paid workers by reducing complexity and administrative discretion.</p>	<p>The Government supports the intent of this recommendation. The Rebalance supports faster residence processing times by streamlining the requirements for Green List roles. For example, employers do not need to provide proof of advertising and migrants will have a pathway to residence. Migrants earning twice the median wage can also qualify for residence after two years on an AEWV. Other migrants may have pathways to residence through the SMC. A priority for INZ is to improve immigration processing timeliness.</p>	Underway
11	<p>Immigration New Zealand should more regularly update the SMC points system criteria and weightings based on systematic evaluation of migrant outcomes. Criteria not found to be strongly associated with good labour-market outcomes should be considered for removal or reduced weighting.</p>	<p>The Government supports the intent of this recommendation. In addition to the response to recommendation 9, the proposed SMC changes focus on granting residence to people who can fill medium- to long-term skill needs that would be hard, or take time, to fill from the domestic labour market, even under the right conditions. A clear skill threshold for residence is proposed with several ways for people to demonstrate their skill level using either formal qualifications, professional registration or income. People in occupations that require lower levels of formal training will generally need to meet 1.5 times median wage income threshold to be eligible. New settings will be monitored and adjustments may be made if e.g. the number of approvals is higher (or lower) than expected, or the</p>	Underway in part –

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		types of skills are not well-aligned with New Zealand’s long-term needs.	
12	<p>The Government should make it easier for top talent to enter New Zealand to help develop innovation ecosystems in areas of economic activity on which New Zealand is focusing to achieve superior productivity performance (in line with the Commission’s recommendations in its Frontier Firms report). Immigration New Zealand should work with businesses, researchers, educators, iwi and other stakeholders to identify, prioritise and refine over time the conditions of entry of top talent. Top talent consists of migrants with the skills, knowledge, smart capital and connections needed for the innovation ecosystems to become world class.</p>	<p>The Government supports the intent of this recommendation. The response to recommendations 1 and 5 outline how the government is making it easier to attract and retain highly-skilled migrants. The Government already has small pilot programmes in place and has made larger changes to immigration settings in pursuit of this goal. This includes recent enhancements to the Active Investor Plus visa category. However, in addition, the Government also recognises the need to continue to make New Zealand a place that is attractive to, and best amplifies the impact of, entrepreneurs, innovators, scientists, and other skilled migrants. Through the reforms set out in Te Ara Paerangi – Future Pathways White Paper in December 2022, the Government has signalled that we want to make our science and innovation system more receptive to talent, and the international networks and ideas that such migrants bring to New Zealand. Officials leading on Research, Science and Innovation continue to work with Immigration officials to attract talent and achieve these goals and will provide further advice on opportunities and potential initiatives for Ministers’ consideration.</p>	Underway
13	<p>The Immigration Act 2009 should be amended to require the Minister, in consultation with the public, to regularly develop and publish an immigration Government Policy Statement (GPS). These amendments should specify that a GPS must include:</p> <ol style="list-style-type: none"> a. short-term and long-term objectives, and relative priorities; b. performance measures or indicators; c. how, in partnership with Māori, immigration policy will reflect Te Tiriti o Waitangi; d. how the demand for temporary and residence visas will be managed taking account of significant pressures (if any) on New Zealand’s absorptive capacity over the period of the GPS including: – specification of a planning range for the intake of new residents over the period covered by the GPS; and – the criteria for managing access to temporary work visas and projections of migrant flows based on these criteria, over the period covered by the GPS; 	<p>The Government supports the intent of this recommendation. There are opportunities to improve transparency over the strategic intent for the immigration system and to address the recommendations relating to the role of Te Tiriti o Waitangi in immigration policy settings and institutions. As noted in response to recommendation 2, a GPS is an attractive option for bringing together the Government’s strategic intent for the immigration system, transparency and a link to absorptive capacity considerations.</p> <p>Officials also have work underway to identify how to better track the total number and composition of both temporary migrant workers and recent skilled residents. The aim is to inform choices about when settings might need to be adjusted. This work is at an early stage and involves considering relevant economic, labour market and other factors to identify whether there is an issue and what responses (immigration or non-immigration) may be appropriate. Officials will report back to Cabinet by mid-2023 with options.</p>	Further consideration required

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	<p>e. description of how the residence planning range and the criteria for selecting migrants for temporary and residence visas will contribute to the objectives of the GPS as well as other government policy objectives, including but not limited to links with education and training.</p>		
14	<p>The Ministry of Business, Innovation and Employment should develop a rolling programme of independent evaluations for major visa categories, to assess their productivity and other economic and wellbeing outcomes. These evaluations should be published and should inform immigration policy and any future immigration Government Policy Statement.</p>	<p>The Government supports the intent of this recommendation. Prior to COVID-19, a review of immigration settings to address imbalances that were emerging in the mix of temporary and permanent migrants and in the mix of skills has commenced. The settings are also more flexible to respond to changes in the labour market.</p> <p>Officials will monitor the changes to ensure they are delivering intended outcomes. Options to better monitor and ensure performance will also be considered as part of the draft GPS. Options will be provided to Cabinet by mid-2023.</p>	Underway
15	<p>The Government should actively monitor the labour market for impacts on particular groups or communities over the economic cycle, with a particular focus on times of significant changes in immigration policy and/or migration flows at a regional or national level. If indicators of job displacement are found, the Government should undertake further work to understand their cause (for example, by applying the methods undertaken in the Ministry of Business, Innovation and Employment (MBIE) 2018 study). At the same time, the Government should address any impacts through improving access to education and training, tailoring active labour market programmes, and through Industry Transformation Plans. The Government may need to consider short-term support policies or programmes, or bespoke interventions, to protect those particularly vulnerable. In addition, MBIE should regularly update its analysis of migration, employment and wages to assess the impact of current migration on local wages and employment. MBIE should undertake this analysis at the aggregate level, as well as with a distributional lens.</p>	<p>The Government supports the intent of this recommendation. The response to recommendation 1 applies to this recommendation. A priority for the immigration system is strengthen connections with the skills, education and training systems in order to respond appropriately to identified skills shortages. Making use of current labour market data will be part of this approach.</p>	Underway in part

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16	<p>The Government should fund the Labour Inspectorate to support labour-market regulation, the proposed accredited employer scheme, and the integrity of the immigration system. Resourcing should increase over the next three years to match the International Labour Organisation benchmark of one inspector for every 10 000 workers.</p>	<p>The Government supports the intent of this recommendation. Protecting migrant workers from exploitation is a priority for the Government. A comprehensive approach to stamping out migrant exploitation is underway and Employment Services New Zealand has recently received increased funding to respond to migrant exploitation.</p> <p>The Worker Protection (Migrant and Other Employees) Bill has also been recently introduced that will:</p> <ul style="list-style-type: none"> • Disqualify persons convicted of migrant exploitation or people trafficking from managing or directing a company • Allow labour inspectors and immigration officers to issue an infringement notice where employers fail to provide requested documents within a reasonable timeframe • Expand the stand-down list to cover offending under the Immigration Act. 	Underway
17	<p>The Government should require Workforce Development Councils (WDC) to report on how demand for migrant labour and skill gaps are informing their training priorities. The Government should provide additional funding that incentivises education and training providers to respond to skill gaps identified through labour-market modelling.</p>	<p>The Government supports the intent of this recommendation. This is an area for further consideration once WDCs are fully implemented. As part of future work to strengthen connections across the immigration, skills, education and training systems (and deliver on the strategic direction set by recent reforms) a focus is to improve feedback mechanisms and to make better use of current labour market data to ensure an appropriate response to identified skills shortages.</p>	Underway in part
18	<p>The Government should invest in more up-to-date labour market data to identify skills supply and demand to:</p> <ol style="list-style-type: none"> a. test and inform decisions in response to employer claims of labour shortages; and b. identify opportunities and needs for immediate and longer-term skills development. 	<p>The Government supports the intent of this recommendation. A priority is to make better use of current labour market data and ensure that information is being shared across the immigration, skills, education and training systems. Engagement with key stakeholders and greater involvement of the WDCs and RSLGs within the immigration system will be a key focus in 2023.</p>	Underway in part

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19	<p>To support more up-to-date labour market data, MBIE and Stats NZ should:</p> <ol style="list-style-type: none"> a. evaluate options for adding vacancy indicators of skill shortages to the Business Operations Survey; and b. update statistical definitions of occupational categories in the Australian and New Zealand Standard Classification of Occupations to reflect functional skill. 	<p>The Government supports the intent of this recommendation. The Government notes that the Business Operation Surveys can provide information on what skill shortages exist at a macro level. The data needed for immigration decisions is at a more micro level, which MBIE collects and it is up-to-date. Stats NZ will review the definitions after the 2023 census.</p>	Not considering at this stage
20	<p>Stats NZ should work with the Department of Internal Affairs to add citizenship data to the Integrated Data Infrastructure to enable evaluation and research into outcomes for citizens and permanent and long-term residents.</p>	<p>The Government supports the intent of this recommendation. MBIE currently receives citizenship data directly from the Department of Internal Affairs. MBIE will submit an expression of interest to Stats NZ for consideration.</p>	Further consideration required
21	<p>The Government should work with Māori on how to reflect Te Tiriti o Waitangi in immigration policy and institutions. This engagement should be in good faith and allow Māori to define their own interests. As a starting point, engagement with Māori should be a fundamental part of the proposed Government Policy Statement process.</p>	<p>The Government supports the intent of this recommendation and agrees that there are opportunities to improve engagement with Treaty partners to better understand their perspectives on the goals for the immigration system. Treaty partners will be consulted with as noted in the responses to recommendations 2 and 3. This will set the foundation for building ongoing and enduring relationships necessary for dialogue on how Te Tiriti o Waitangi could be better reflected in the immigration system.</p>	Further consideration required
22	<p>The Government should increase resources for settlement support to improve the retention of migrants and promote economic and social inclusion and acceptance of migrants in communities. Settlement initiatives could include business mentorship, civics courses, personalised settlement plans, and information on the labour market and living in New Zealand.</p>	<p>The Government supports the intent of this recommendation. The New Zealand Migrant Settlement and Integration Strategy (the Strategy) is the Government's approach to effectively settle and integrate migrants into New Zealand. MBIE is currently refreshing the Strategy in phases to ensure it supports successful settlement outcomes and is flexible to respond to changes in the settlement environment. Advice to Cabinet will be provided in mid-2023.</p>	Further consideration required

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23	<p>The Government in partnership with Māori should seek to reflect Te Tiriti o Waitangi into settlement policy with first steps such as these.</p> <ul style="list-style-type: none"> a. Direct Immigration New Zealand to work with Māori on actions to incorporate manaakitanga and other relevant te ao Māori concepts within the design and implementation of activity included under the Settlement and Integration strategy. b. Increase funding for iwi involvement and partnership in the expansion of the Welcoming Communities initiative, so that migrants have opportunities to connect with and learn about te ao Māori as part of the expansion. c. Engage with Māori on how the immigration system could positively recognise migrants' voluntary efforts to learn Te Reo Māori and about te ao Māori. 	<p>The Government supports the intent of this recommendation. Further consideration will be given after the Strategy Refresh (refer to recommendation 22 response).</p>	<p>Further consideration required</p>
24	<p>The Government should discontinue the issuance of new Permanent Resident visas for new Residents and require new Residents to renew their Resident visas every six years. Eligibility criteria for this renewal should include residence (e.g., a minimum of two years residence in the last six years) and other measures of commitment (e.g., investment, running a business, or having the rest of the family living in New Zealand).</p>	<p>While the recommendation has some merit, other priorities on the immigration policy work programme this year mean that consideration of this proposal will not occur before 2024. The permanent resident visa policy settings have been in place since 2000 and strike the balance between ensuring migrants demonstrate an ongoing commitment to New Zealand and to make New Zealand an attractive destination for highly skilled migrants.</p>	<p>Not considering at this stage</p>