

# The Treasury

## CBC-21-SUB-0032 - Productivity Commission Inquiry into Immigration Settings for New Zealand's Long-Term Prosperity and Wellbeing

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Office of the Minister of Finance  
Chair, Cabinet Business Committee

## **Productivity Commission Inquiry into Immigration Settings for New Zealand's Long-Term Prosperity and Wellbeing**

### **Proposal**

1. This paper seeks agreement to the attached Terms of Reference for a Productivity Commission inquiry into "Immigration Settings for New Zealand's Long-Term Prosperity and Wellbeing".

### **Relation to government priorities**

2. This proposal will support the Government's manifesto commitment to make the most of the opportunity provided by the changes to our border settings by updating our immigration settings.
3. An optimised working-age immigration policy will also indirectly contribute to other Government priorities such as ensuring affordable housing for every New Zealander, supporting the training and upskilling of local workers to adapt to new markets, ensuring a strong recovery from COVID-19, promoting regional economic development and boosting productivity, as well as promoting the wellbeing of migrants.

### **Background**

4. The Productivity Commission is an independent Crown entity. It generally undertakes two inquiries per year following referral from the Minister of Finance and other referring Ministers as required. It is established practice to gain Cabinet agreement to inquiry Terms of Reference before referral.
5. In light of COVID-19, in March 2020 I placed on hold the commissioning of a Productivity Commission inquiry into "Data and Digital Technologies". I propose to replace that inquiry topic with one of more direct relevance to our current priorities. I also note that the Organisation for Economic Cooperation and Development (OECD) is undertaking an Economic Survey for New Zealand in 2021 which will focus on digitalisation.
6. The Commission is set to finish its inquiry into Frontier Firms on March 2021. I propose that the Commission then commence an inquiry into "Immigration Settings for New Zealand's Long-Term Prosperity and Wellbeing". I have nominated the Minister of Immigration as a fellow referring Minister for this inquiry.

### **Rationale for selecting this topic**

7. Immigration makes a significant contribution to New Zealand's labour market. Before COVID, immigration was at historical highs and the Government had set in train policy changes to improve the skill mix of new migrants, which are now being implemented. These changes, while important and valuable, are modest in scope and impact.

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8. The disruption caused by COVID-19 poses a rare and possibly unique opportunity to strategically optimise immigration policy for the long term. The pandemic has all but frozen inwards migration, with the exception of returning New Zealanders and a small number of high-priority migrant workers and their dependents. This freeze offers an opportunity to design policies that best promote our nation's economic productivity and the long-term wellbeing of New Zealanders.
9. We need to take full advantage during 2021 of the opportunity to design and implement rapid improvements to immigration settings before our border re-opens. For example, the Minister of Immigration has indicated his intention to urgently review the Skilled Migrant visa category; and work underway pre-COVID to improve the skill mix and labour market matching of migrants, including via the Reform of Vocational Education, needs to continue. We are also considering where faster and further changes than originally planned would maximise the opportunity to build back better when the border re-opens. The Productivity Commission will need to take such work into account as it proceeds with its inquiry.
10. As with other inquiries, consideration of the Commission's findings will allow us, if we choose, to make further decisions for the long term or modify existing policies (including through any formal government response in 2022 to the inquiry) based on a further year of data and experience from a rapidly evolving post-COVID or COVID-vaccinated international environment.
11. An independent inquiry could provide further insight and analysis into what immigration outcomes would be better for New Zealand and, wherever we get to on the current reset, what the longer-run objectives should be. It also presents an opportunity to carefully examine the evidence as to economic (and other) impacts of immigration. The benefits to New Zealand of skilled immigration are very significant in terms of increasing productivity and generating employment opportunities. At the same time, research has noted that the availability of migrant labour may be disincentivising firms from developing skills locally and undertaking capital investments.<sup>1</sup> We also need to ensure that housing and other infrastructure is able to meet the demands of population growth.
12. In undertaking this inquiry, the Commission will be building on its previous work and expertise in labour market economics, firm dynamics, the tertiary education system, housing supply, local government and resource management. In previous inquiries on *New Models of Tertiary Education* and *Frontier Firms*, the Commission noted how immigration settings might be affecting the domestic labour market and the productivity of the New Zealand economy.

### **Timing of the inquiry**

13. I propose that the Commission be asked to deliver a final report by 30 April 2022.

### **Topics for future inquiries and alignment with the Government's wellbeing agenda**

14. I have recently appointed Dr Ganesh Nana as Chair of the Commission [APH-20-MIN-0183 refers]. In making this appointment I am seeking to bolster the Commission's efforts to deliver on the full breadth of its mandate of improving productivity for wellbeing. I want the Commission to look beyond GDP as a measure of success and to have the wellbeing of current and future generations of New Zealanders front of mind as it generates new knowledge and advice.

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<sup>1</sup> NZIER (2020), *Could do better: Migration and New Zealand's frontier firms*. Retrieved 3 March 2021 from [www.productivity.govt.nz/assets/Documents/4aff59dd7d/Migration-and-NZs-frontier-firms-NZIER.pdf](http://www.productivity.govt.nz/assets/Documents/4aff59dd7d/Migration-and-NZs-frontier-firms-NZIER.pdf)  
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15. I have also encouraged the Commission to reform the mode and products through which its analysis is presented to the public, policy advisors and Ministers, and to interact more dynamically with a wider range of voices.
16. The Commission has scope to start a second inquiry from late 2021 subject to funding decisions at Budget 2021. I have asked the Treasury and Commission to prepare to develop Terms of Reference for an inquiry into social mobility and economic inclusion. I will encourage the Commission to start a public conversation about these issues while concurrently doing in-house research and analysis, with a view to using both streams of information as inputs to Terms of Reference which I will bring to Cabinet later this year.
17. [33]

## **Consultation**

18. The following agencies have been consulted on this paper including the Terms of Reference: Ministry for Business, Innovation and Employment, Ministry of Primary Industries, Ministry of Foreign Affairs and Trade, Ministry for Pacific Peoples, Te Puni Kōkiri, Ministry of Education, Ministry of Housing and Urban Development, Ministry of Transport, Ministry of Health, Ministry of Social Development, Office of Ethnic Communities, Education New Zealand, Tertiary Education Commission, New Zealand Trade and Enterprise, Tourism New Zealand, the Reserve Bank of New Zealand and the Department of Prime Minister and Cabinet.

## **Financial Implications**

19. This paper has no fiscal implications.

## **Legislative Implications**

20. This paper has no legislative implications.

## **Impact Analysis**

21. This paper has no regulatory implications.

## **Human Rights**

22. This paper has no human rights implications. Immigration policy settings relating to refugees and asylum seekers are explicitly out of scope of this inquiry.

## **Population Implications**

23. This paper has no direct population implications. The inquiry will provide advice on how government should think about the interaction between immigration policy settings and New Zealand's population size and composition; governmental decisions in response to such advice could have population implications.

## **Communications**

24. I will announce the referral of the Terms of Reference to the Productivity Commission shortly. I will work with the Minister of Immigration to produce a press release.

## **Proactive Release**

25. I intend that the Treasury will proactively release this Cabinet paper within 30 days of the announcement of the Terms of Reference.

## Recommendations

26. The Minister of Finance recommends that the Committee **agree** that the Terms of Reference (see annex one) be referred to the Productivity Commission.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

The Terms of Reference can be found at  
<https://www.productivity.govt.nz/assets/Documents/Terms-of-reference-v5.pdf>