



Improve immigration for the long term

Immigration is in the news again – being blamed for Auckland’s housing problems, with suggestions that immigration should be drastically cut, to around say 10,000 new permanent residents per year, to restrain Auckland house prices.

The numbers involved –with roughly 30,000 new permanent residents settling in Auckland a year alongside a current shortfall of about 30,000 houses in Auckland – would seem to support the suggestion.

But the suggestion doesn’t stand up to scrutiny.

Reducing the quota to 10,000 would not by itself solve Auckland’s housing problem, and would bring problems of its own.

Immigration must be seen in context: we are a country of high outflows and high inflows of people.

Traditionally, large outflows of New Zealanders leave every year to live and work elsewhere. There are probably up to a million New Zealanders living overseas right now.

At the same time New Zealand has also traditionally relied on immigration inflows to meet labour and skill needs. Immigration is important for the skills and investment needs of business.

These inflows and outflows tend to occur at different points of the economic cycle, and at times can become controversial.

Prior to the global financial crisis of 2008 there was a lot of talk about the brain drain of Kiwis leaving for Australia. Now we have the converse fear of being swamped by those returning Kiwis plus others from overseas.

So we shouldn’t over-react to these turns of the economic cycle.

It’s true that migrant inflows to Auckland contribute to rising house prices, but they are not the main reason. The main factor is lack of land supply, and the remedy is not to severely restrict migration, but to increase land supply to allow more house builds. Without

adequate land supply, even with restricted migration there would still be difficulties building enough houses for Auckland. The Government's National Policy Statement to direct local government to free up land for housing looks like being a more appropriate remedy for the problem.

Restricting immigration as proposed would harm the economy. With a birth rate just above replacement level, an aging population and baby boomers retiring, we need immigrants to sustain the economy and pay for our superannuation, just as in decades past.

That's not to say our immigration system doesn't need change. There are a number of ways it could be improved.

For example, employers would like simpler processes for achieving temporary work visas to get key skills from overseas, and for the registered seasonal employer scheme and others.

And the system that delivers new permanent residents could be improved to provide a better skill mix.

Many new Kiwis achieve the status of permanent resident after coming here on temporary work visas. They get a temporary visa – 'essential skills visa' – if there aren't New Zealanders available to do the job.

The jobs being filled by temporary work visas right now are mostly chefs, dairy farm workers and carpenters, showing the current growth points in the economy: tourism, dairy and construction.

There's no problem using migrants to fill these current needs - but they are not necessarily the needs of the future.

Our aspiration for the future is to grow businesses and industries in high value areas – engineering, high tech manufacturing and services, digital technologies and high value addition to primary products. We should be welcoming new permanent residents who have skills relevant to these areas to help these sectors to grow.

Rather than cutting immigration, we should continue to refine our immigration processes to better provide for the economic future we want.

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