

## **Gareth Morgan - Immigration Impasse**

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The recent maneuvers by government to 'adjust' the criteria for immigration reflect a number of conflicting factors. Even though the net immigration numbers remains below the unofficial ceiling of 25,000 clearly the characteristics of the migrants thus far accepted, have not fully satisfied the government's objectives set when the major changes to migrant assessment were made.

The total number of immigrants is running around 68,000 per annum representing almost 2% of the population. If this magnitude of flow is maintained over a 10 year period then clearly NZ stands to experience up to a 20% switch to 'new faces' - clearly an exciting demographic prospect in terms of its impact on average age structure, geographic location, ethnic composition, and consumer preferences of the NZ population.

The second aspect of such high gross flows is that they put substantial pressure on the country's infrastructure. For instance, to the extent that the folk leaving NZ permanently are of a younger age and of single status then they don't necessarily release ownership of residential property to the extent of the immigrants' additional needs. The net upward pressure on house prices can be substantial.

Part of the rationale for encouraging immigration was to augment the range of skills available within the resident workforce so that the new folk not only add to the demand in the economy - through their call on housing, schools, transport etc., but also contribute to the labour supply. Indeed by manipulating the 'qualifying criteria' appropriately the government would be able to influence the type of migrant to meet perceived needs. The business immigration scheme can be viewed in this respect.

It is with some trepidation then that those responsible for managing the immigration inflow must view the obvious imbalance which has arisen with migration over recent years. In particular, the extent to which migrants are using NZ as a temporary 'permanent base' for the education of children while at least one spouse remains in the country of origin earning the family income, is a call on NZ taxpayer resources (schools) which could be done without. To boot, the additional demand in the economy that they contribute without concomitant contribution to supply via domestic labour force participation, only exacerbates the inflationary pressures domestically. Given the numbers involved these effects are not piffle and arguably have already driven inflationary pressure in the Auckland region.

From the Reserve Bank the response has clearly been a tighter interest rate regime - a fairly blunt response and one which has highlighted the impact of the problem. For the government the choice becomes one of modifying the immigration criteria so as this impact is dampened. The recent tightening of immigration criteria, including the move to raise qualifying points from 29 to 31 will not in itself address the issue other than by decreasing overall immigration numbers - and even that may not result. Government would be better to alter the points system to favour more migrants with the technical and professional skills which are in short supply, and downplay the so-called entrepreneurial or 'lump of money' criteria. Capital inflows which drive up asset prices as a side effect of an altogether different rationale for immigration, should be unwelcome.

URL: <http://nbr.infometrics.co.nz/column.php?id=699>

You are invited to forward any comments, requests for elaboration to [Gareth Morgan](#).