

NZ APEC Study Centre Annual Workshop: Immigration and its Economic Impacts

The New Zealand APEC Study Centre hosted a workshop at the University of Auckland on 27 September 2024. The workshop focused on the phenomenon of immigration, its recovery as borders reopened after the pandemic, and its economic impacts. It featured internationally renowned keynote speakers and panel discussions, which established a dialogue among senior government officials, business leaders, and top researchers from academic institutions. The workshop was structured around three key sessions focusing on *Immigration and Inflation - International Experiences*, *Global Talent Flows*, and *Immigration and the New Zealand Economy*. This report summarizes the key insights from each session.

Session 1: Immigration and Inflation - International Experiences (Chatham House Rules apply) Panel Discussion

- **Impact on population and the labour market**
 - Immigrants largely contribute to population growth.
 - Immigrants help ease tight labour markets, eliminating critical labour shortages.
 - In earlier years, the focus of migration was on workers. In recent years, international students have become the biggest driver of overseas migration, and they also participate in the workforce.
- **Impact on demand**
 - There is an initial burst of demand for goods and services as immigrants set up a home, which can put pressure on inflation.
- **Impact on housing**
 - Migration has been part of the housing inflation challenge. Demand for housing exceeds supply.
 - Vacancy rate, a measure of how many apartments and houses are available to rent or buy, falls when immigrants arrive.
 - The housing imbalance has serious consequences for house price inflation.
 - Most immigrants rent when they first arrive, which pushes up demand for rental housing and can lead to short-term rent inflation.
- **Overall impact on inflation**
 - The net impact on inflation is neutral due to offsetting demand and supply forces.
 - Younger migrants were previously found to have a smaller inflationary impact than older migrants. Recent data shows age might play a less significant role than previously thought.

Session 2: Global Talent Flows

Keynote Address: Navigating Global Talent: Opportunities, Challenges, and Strategies in a Changing Asia-Pacific (Prof Gi-Wook Shin)

- **Significance of Talent Flows**
 - The flow of skilled talent across borders is more critical than the mere accumulation of skills in one location.
 - Talent should be viewed not just as a stock but as a flow with multiple layers, including domestic, foreign and diaspora.
 - Talent as human capital and social capital plays a crucial role in creating the vibrant, resilient networks that drive innovation and collaboration in today's interconnected world.
- **Four Strategies of Talent Development (Four “B”s)**
 - Brain Train: Developing domestic talent through education and training

- Brain Gain: Attracting skilled foreign talent from abroad
- Brain Circulation: Facilitating the return of brains that have flowed overseas
- Brain Linkage: Utilizing the social capital of overseas talent who do not reside in a country, in the form of transnational cooperation
- **Case Studies in Four Countries**
 - Japan – Brain Train: Focuses on homegrown talent but struggles to attract foreign talent due to cultural and institutional barriers.
 - Australia – Brain Gain: Relies heavily on foreign talent and successful in attracting skilled workers and international students but faces challenges from geopolitical tensions and the COVID-19 pandemic.
 - China – Brain Circulation: Initially experienced brain drain but converted it into brain circulation. Faces risks due to geopolitical tensions.
 - India – Brain Linkage: Strong emphasis on brain linkage, maintaining ties with the diaspora.
- **Policy Recommendations**
 - Investment in education and R&D
 - Promotion of cultural diversity and inclusivity
 - Diversification of talent portfolio
 - Insulation from geopolitical risks

Session 3: Immigration and the New Zealand Economy

Panel Discussion

- **Lessons from nearly 40 years of research on immigration economics in Aotearoa New Zealand (Jacques Poot)**
 - Migration Impact Assessment (MIA): MIA provides a scientific quantification of the effects of migration on various economic factors.
 - Population growth
 - New Zealand’s net international migration makes, on average, an increasing contribution to de facto population growth but generates considerable volatility in population growth.
 - Temporary migration (with work rights) is very common in Aotearoa New Zealand.
 - Housing market
 - The impact on the housing market is very localized, affecting only some cities and some parts of cities.
 - Immigrants are attracted to booming cities with rapidly increasing rents and house prices.
 - Other impacts
 - Fiscal impact; Entrepreneurship, innovation, and economic growth; Trade, tourism and networks; Spatial distribution, inequality, and social cohesion.
- **Pay gaps and the NZ labour market (Gail Pacheco)**
 - Gender pay gap
 - Estimated size of the gender pay gap, controlling for all observables, using NZ individual-level data.
 - Apportion the gap into ‘explained’ (male/female differences in average characteristics like age, education, children) and ‘unexplained’ (male/female differences in returns to characteristics like subject of degree, preferences, discrimination, unconscious bias)
 - 83% of the gender pay gap remains unexplained, a proportion that has increased over time.
 - Gaps are minimal at the lower end of the wage distribution (e.g., minimum wage jobs) but widen significantly (up to 20%) at higher wage levels, indicating a glass ceiling effect.
 - Parenthood

- Mothers' employment rates drop significantly post-childbirth, with a slow recovery that never fully returns to pre-parenthood levels. Fathers' employment rates remain unaffected.
- Mothers taking 1–6 months off work took, on average, 10 years to return to pre-motherhood earnings.
- Employed mothers' working hours drop significantly after they have their children. Fathers' hours do not change.
- Ethnic pay gaps
 - The Human Rights Commission is conducting the Pacific Pay Gap Inquiry.
 - The Pacific Pay Gap (with Europeans) was 24 and 15 percent in 2020 for males and females respectively,
 - A significant portion of the pay gap is unexplained, 73% for Pacific men, 61% for Pacific women.
- Industry portrait
 - Estimated gender, ethnic and intersectional pay gaps by industry over 2016-2022
 - In most industries, over 80% of pay gaps were unexplained, whether gender- or ethnicity-based.
 - Highlighted significant Asian pay gaps that are often overlooked.
- **Infrastructure and relationships with migration (Alan Bollard)**
 - Infrastructure in New Zealand
 - New Zealand spends around \$17 billion annually on infrastructure, with significant challenges due to topography, demography, seismic activity, regulatory frameworks, and climate change.
 - Infrastructure spending in New Zealand has low productivity and slow returns compared to OECD standards.
 - 60% of infrastructure spending should focus on maintenance rather than new construction.
 - Drivers of infrastructure demand
 - Population growth is a particularly significant factor on infrastructure demand in New Zealand.
 - Migration, as a large part of population growth, impacts infrastructure demand through requiring housing and related infrastructure, including roads, water supply, and public services (e.g., healthcare and education).
 - Infrastructure supply and workforce
 - Infrastructure employs 100,000-120,000 full-time equivalents evenly split between construction and maintenance, and between vertical (buildings) and horizontal (roads, utilities) projects.
 - The workforce includes blue-collar workers with high representation of Pacific workers, and white-collar workers, where 25% are immigrants, with a significant portion on temporary visas.
 - New Zealand faces international competition with Australia and global markets for international workers and skilled labour in specialized infrastructure.
 - New Zealand is running a pipeline of infrastructure work at various stages of readiness over the next 5 years, but much of it cannot be implemented because it is too large for New Zealand's industry and needs.
 - Migration and the leaky economy
 - Skilled infrastructure workers (both blue-collar and white-collar) are leaving New Zealand for higher wages in Australia and other countries.
 - Other things such as capital and businesses are on the move as well.