

## Topic 2: source country, human capital and immigrants to New Zealand

### **Introduction**

Immigration in New Zealand, the 1990s have brought the largest influx of immigrants into labour force of the NZ of any decade in this nation's history. This essay uses the Roy model to explain immigration policy and regulations in New Zealand and discuss how human capital can impact on New Zealand immigration using Asian case to support.

### **Source country**

The Asian migration wave into Auckland over the early 90s is one of the largest labour market influences on the NZ economy over the 1991 to 1996 period. During the early 1990s immigration into New Zealand from Asia, especially from Hong Kong, Taiwan, China and Korea immigrant to New Zealand. It was this immigration that gave NZ its first “Asian invasion” slogan for the 1996 national elections. As we know immigration from Asia fell back significantly after the Asian economic crisis at 1997. The economic of New Zealand was very slow during the late 1990s. Result in booms in immigration at 2001 again which there are approximately 237,000 people who identified with Asian ethnicities. It is about over six percent of the New Zealand population. During the year ended June 2002, the New Zealand Immigration Service approved entry for just under 53,000 new residents. Of these, 8,700 were Chinese and 8,400 were Indians — well above the third placed United Kingdom (6,600 approvals for residence) and fourth placed South Africa (4,300). Just over half (54 percent) of all approvals were for people who were citizens of countries in Asia. In addition to the approvals for residence, there were 64,000 approvals for work permits (37 percent granted to citizens of countries in Asia) and 78,000 approvals for student visas/permits (82 percent granted to citizens of countries in Asia). Who chooses to immigrate to the New Zealand? The answer is that workers from low wage countries will immigrate generally. On average, people expect those who immigrate to have higher expected earnings in NZ. Roy model describes how workers sort themselves among employment opportunities. Diagrams illustrate the relationship between wages and skills for each of the countries. The slope of these wage-skill lines gives the payoff to an additional efficiency unit in the New Zealand. The main reason for Asian migrant to the New Zealand whenever New Zealanders’ earnings exceed earnings in Asian country. In Asian immigrants case there is a negative selection of the immigrant flow as figure 1 illustrated. For those low skill workers can earn more if they immigrate to New Zealand. On the other hand, there is a positive selection of the immigrant flow as figure 2 illustrated. For those high skill workers will be able to earn more if they immigrate to New Zealand. This is the assumption we have to consider in this Asian case we assume that earnings in both Asian and New Zealand depend on skills that is completely transferable across countries.

### **Policy**

Given that the great majority of immigrants, temporary workers, and international students from Asia reside in Auckland, it is not surprising that this population component has become an increasingly visible target for anti-immigration political and public comment in New Zealand's largest city. The migration policy is the acid to select the highest proportion of migrants who will be economically successful in NZ and lowest proportion of migrants who will not be. In Asian case some new immigrants even suffer communicate in English. It raises the unemployment rate of

New Zealand. The new policy have been set up in November 2002 the New Zealand government raised the level of competence in the English language from 5.0 to 6.5 on the proficiency test for applicants who seeking residence visas or permits. This is the first of several policy adjustments that are being introduced. Due to this policy the percent of immigrants from Asian have been sharply decreased.

Investor immigrants can be considered as migrants who will be economically successful in the county. Under NZ immigration policy in order to qualify as an investor, the applicant must have:

- you are under 85-years of age
- you have at least NZ\$1million in investment funds.

Investor immigrants not only bring new investments to New Zealand, but also more job or opportunities for everyone who live in NZ. Investor immigrants also help to create more jobs and reduce the unemployment rate. Because they have to employ some labours. Another thing to mention is that the incomes of investor immigrants living in NZ are higher than the incomes of people born in NZ. In 1990 immigrants had an average income form all sources of 25300, while NZ born people had only an average income from all sources of 23700. With the immigrants receiveing the higher income, it is only right to say that immigrants pay more income tax to the government of New Zealand.

New Zealand's current immigration policy has several objectives, all of which are designed to produce tangible social and economic benefits for the country. Since the late mid-1980s, the proactive immigration policies of successive governments have sought to:

- Contribute to New Zealand's human resource base by selecting migrants who are able quickly and effectively to match their skills with opportunities in New Zealand. A points-based selection system, similar to those used in Australia and Canada, was introduced in 1991 and is used to achieve this objective.
- Foster the development of strong international linkages by, for example, facilitating the entry of residents and travelers who will contribute to the building of strong economic and social connections with other countries. A system of bilateral visa-waiver agreements with 52 countries in Europe, the Americas, Asia, and Africa contributes to achieving this objective.
- Contribute to the development of a culture of enterprise and innovation by attracting migrants and business visitors with entrepreneurial skills and experience. Specific business migration and talent visa schemes are designed to assist in achieving this objective.
- Complement skills training and employment strategies by allocating temporary work permits to fill short-term skills shortages. Several initiatives have been adopted to fill skills shortages in the information and communication technology (ICT) sector, especially in recognition of the high level of international competition for skilled labor.
- Reunite the families of New Zealanders and respond to the humanitarian needs of those who have close family connections with residents in New Zealand. The current immigration program allows for 32 percent of the total approvals to be in the family and humanitarian categories.
- Meet New Zealand's obligations as a member of the international community through refugee programs. New Zealand has a long-established annual quota of 750 refugees selected by the United Nations High Commissioner for Refugees (UNHCR) for resettlement. Approximately 700 asylum seekers are granted refugee status each year.
- Maintain high levels of social cohesion in a bicultural society that is becoming more diverse in terms of its ethnic composition. New Zealand's immigrant selection system, while non-discriminatory on the basis of source country, is biased towards immigrants who have a good command of the English language, and have

educational and professional qualifications that are recognized by New Zealand's Qualifications Authority and professional associations. It is believed that immigrants with these attributes will be able to integrate more effectively into a society that acknowledges a bicultural ideology rooted in the principles of the Treaty of Waitangi, which was signed between representatives of the indigenous Maori tribes and the British Crown in 1940.

### **Human capital**

Immigration as an investment in human capital, like education: current consumption is foregone by incurring cost in moving location so as to increase future earnings or any other benefits. So if the present value of the expected increased earnings exceeds the present value of these investment costs, the person are willing to move. In earlier research established that their average income levels across the origin for New Zealand migrants (Asian counties) were under those of New Zealand. For example, for the first forty years of the post-war period the migrant opportunity cost was an average growth rate for per capita income of 1.52 percent as opposed to an actual growth rate of 3.38 per cent in average incomes achieved by relocating to New Zealand (Withers 1985) Age family circumstance, education distance and unemployment are the factors of migration. There are 4 groups: childhood migration, labour force age migration, retirement migration, and a constant level of migration. Age of migrant is recognised as an major variable which explaining differences in migration propensities and choices. Age of migrant is recognised as an important variable explaining differences in migration propensities. The young people group have more willingness to migrate when all else being equal. Migration mobility peaks at around 20-29 years of age. This young age group is probably the most mobile group and most likely to have incentive to migrate by employment. There two main reasons why young people are likely to migrate. First older people have fewer years to recoup their investment cost. They consider the risk of moving is too high. But young person's view it is a relative small differential to consider. Secondly older people tend to have higher levels of human capital which are specific to their present employers. As we know the longer a person's job tenure, the greater the amount of on-the-job training and investment of a specific variety the worker will contain.

### **Estimated population of New Zealand, 1991 -99**

	Total population at 31 December	Mean population for year ended 31 December
<b>Year</b>	<b>Resident population</b>	
1991	3,498,100	3,477,900
1992	3,534,400	3,515,000
1993	3,579,900	3,555,800
1994	3,630,400	3,603,700
1995	3,688,700	3,657,900
1996	3,743,400	3,715,700
1997	3,781,300	3,762,300

1998	3,805,600	3,793,200
1999	3,825,800	3,812,800

Source: Statistics New Zealand

### **Conclusion**

Immigration has been a significant driver of population change in New Zealand since the mid-19th century, and in the early years of the 21st century net migration gains are at the highest levels ever recorded. From the discussion of how immigrants will be able to relief New Zealand's problem of its aging society, importing of skilled workers and business immigrants and create jobs opportunities for New Zealand citizens and permanent residents of NZ.

**<http://www.stats.govt.nz/>**