

Lessons from nearly 40 years of research on immigration economics in Aotearoa New Zealand

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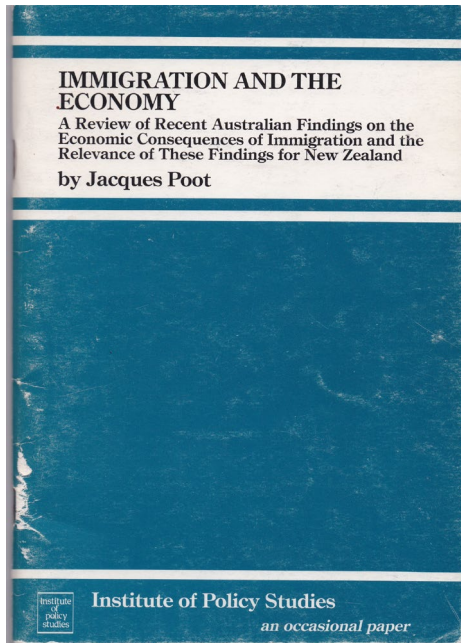
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Quantifying consequences of immigration

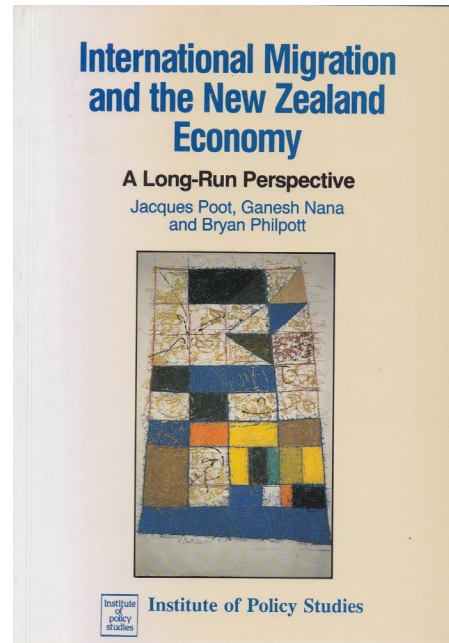
- **Migration Impact Assessment (MIA)** provides a scientific quantification of the effects of migration on:
 - Demographic trends (short run, long run)
 - Labour market & income distribution
 - Fiscal revenue & public expenditure
 - Housing
 - Relative prices and inflation
 - International trade and travel
 - GDP, the national accounts, and the sectoral structure of the economy
- and of the - harder to estimate - impacts on:
 - Technological change and economic growth
 - Social cohesion and attitudes
 - Environment & infrastructure

E.g.: Nijkamp P, Poot J and Sahin M (eds) (2012) *Migration Impact Assessment: New Horizons*. Cheltenham UK: Edward Elgar.

MIA Examples in New Zealand



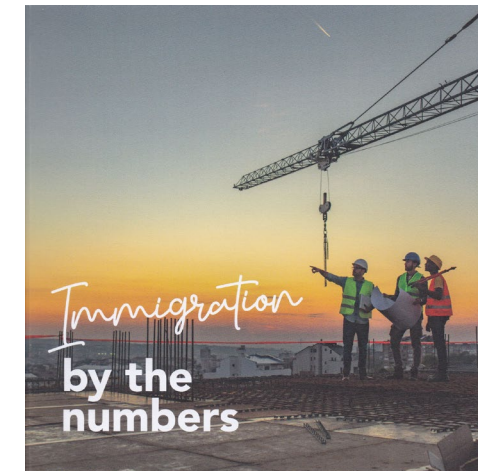
1986



1988



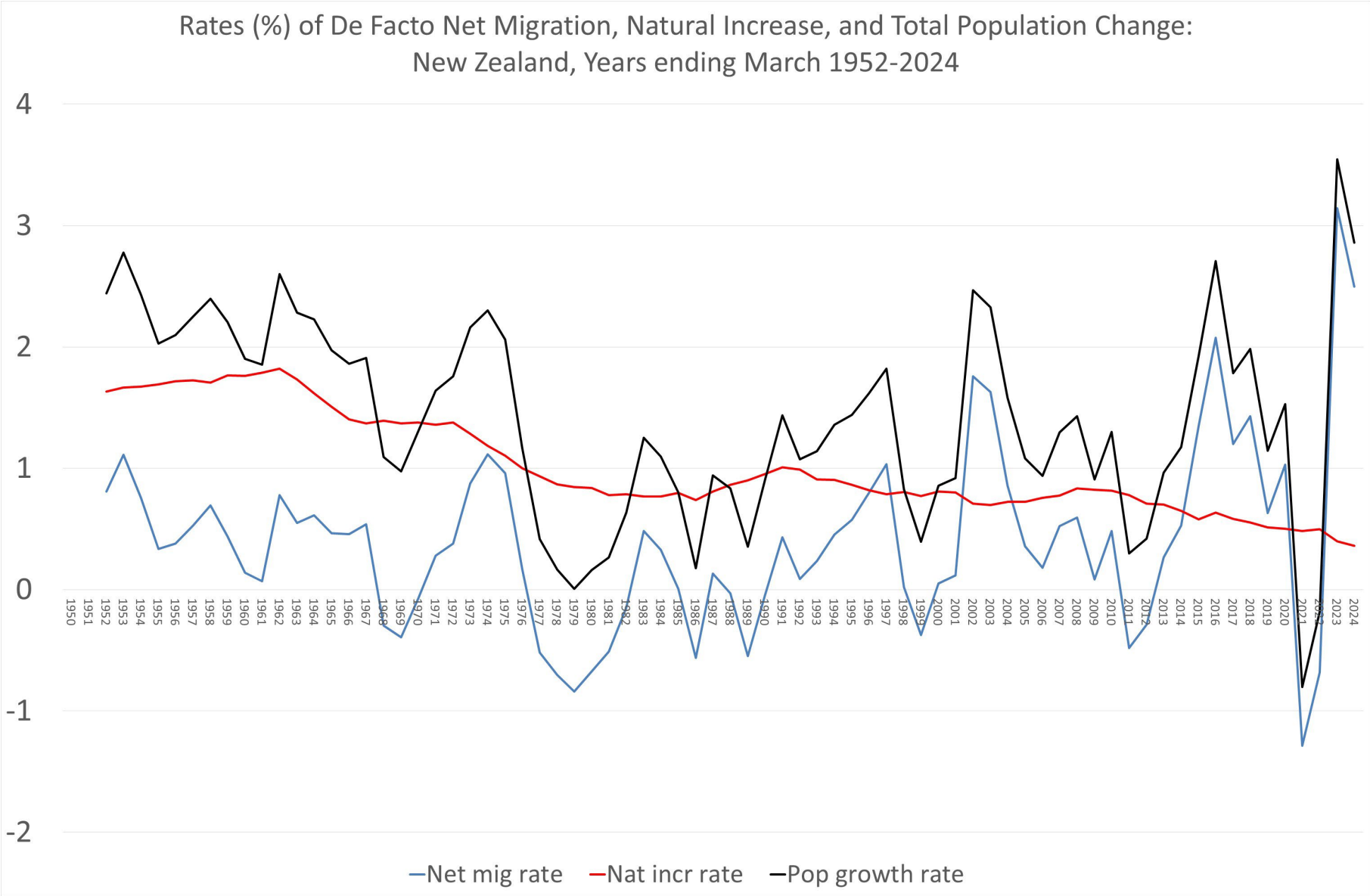
2010



2022



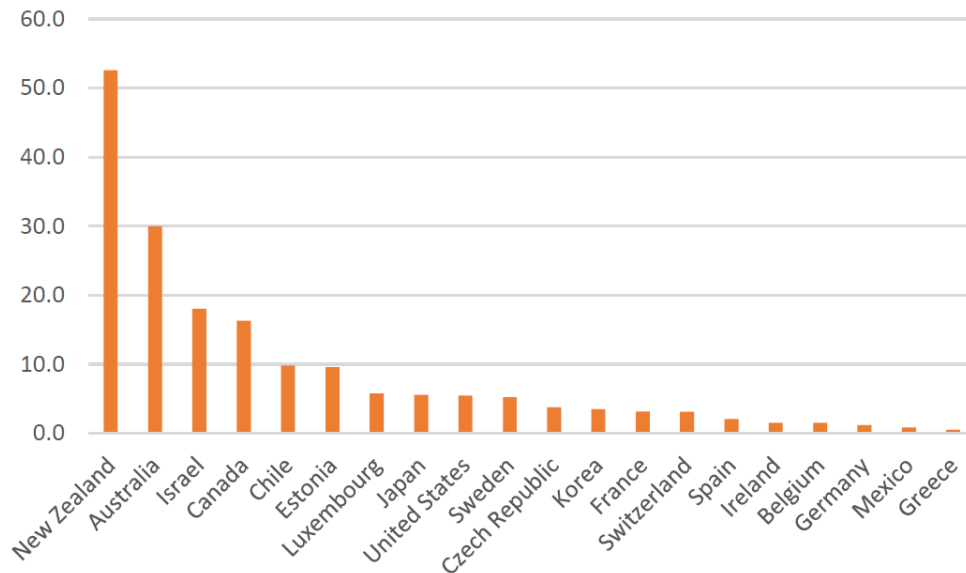
New Zealand's net international migration makes, on average, an increasing contribution to de facto population growth but generates considerable volatility in population growth



Temporary migration (with work rights) is very common in Aotearoa New Zealand

Figure 1 Temporary permits with work rights issued

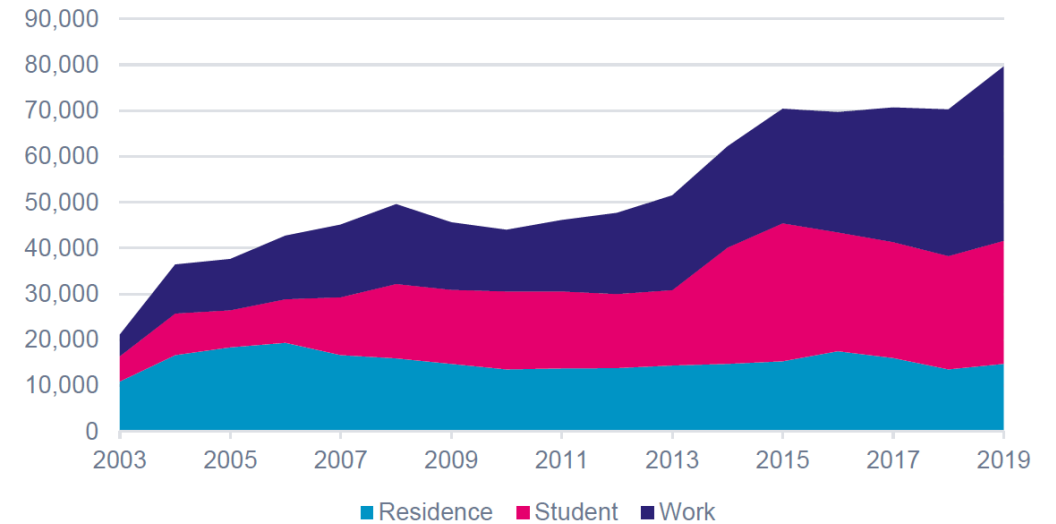
Per thousand of population



Source: OECD (2019)

Figure 2 An increasing proportion of visas are temporary

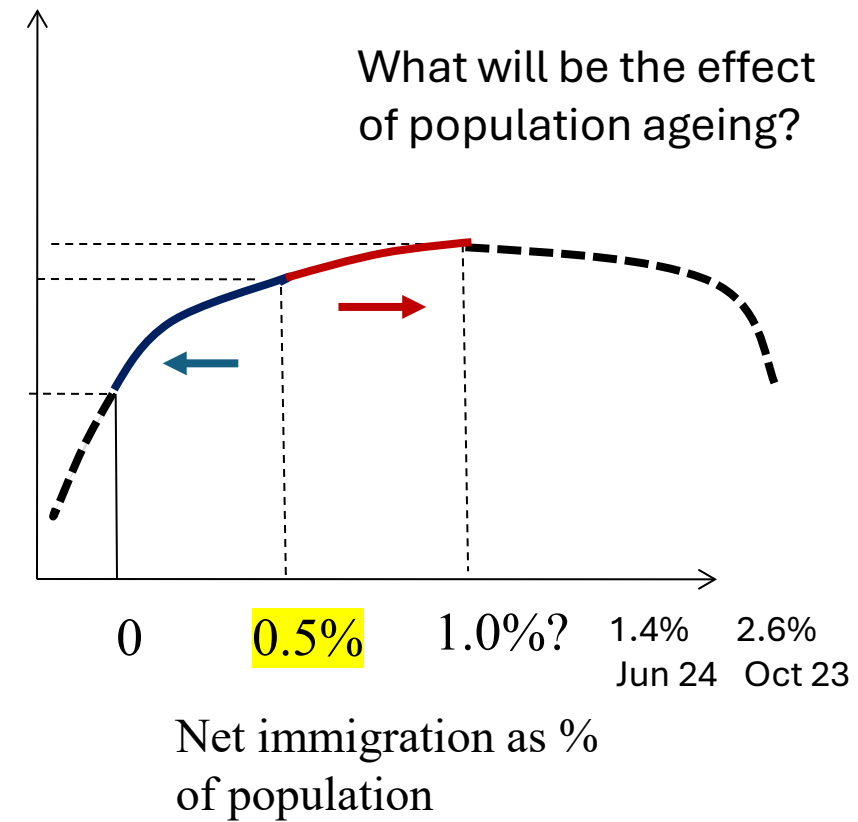
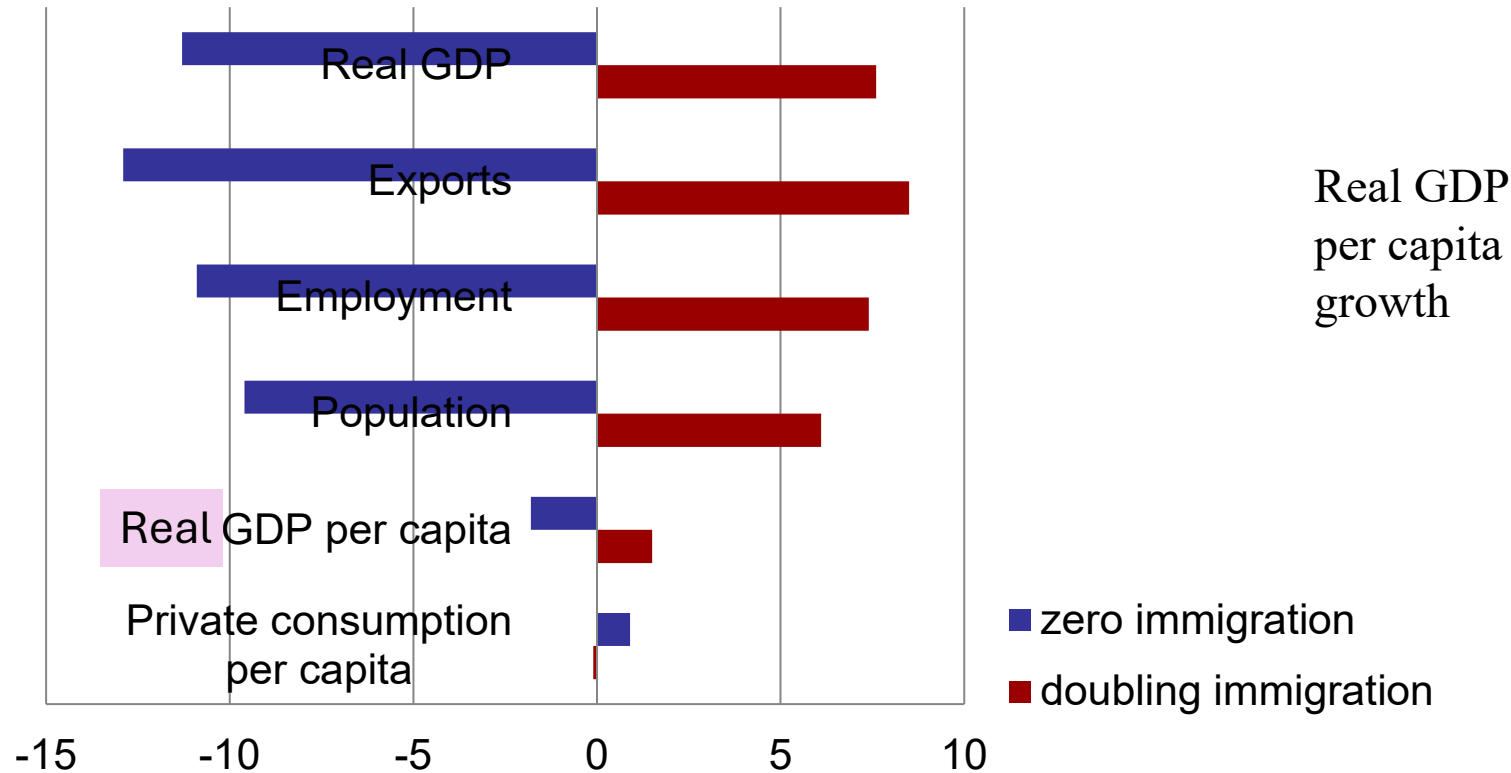
Estimated gross migrant arrivals, 12/16 rule⁸¹



Source: Statistics New Zealand

Source: Wilson & Fry (2021) *Picking Cherries: evidence on the effects of temporary and seasonal migrants on the New Zealand economy*. NZIER report for the NZ Productivity Commission.

Example of results of MIA of migration scenarios in New Zealand by means of CGE modelling



Source: Nana, G, Sanderson, K, and Hodgson, R. 2009. *The Economic Impacts of Immigration: Scenarios using a computable general equilibrium model of the New Zealand economy*. Wellington: Department of Labour.

Meta-analysis of wage and employment impacts of 1% population growth due to immigration

Source:

Longhi S, Nijkamp P and Poot J (2010) Meta-analyses of Labour Market Impacts of Immigration: Key Conclusions and Policy Implications. *Environment and Planning C: Government and Policy*, 28: 819-833.

Study Feature	Wages Magnitude	Employment of the Native-Born Magnitude	Wages Statistical Significance <i>t</i> values	Employment Statistical Significance <i>t</i> values
Number of studies	18	9	36	20
Number of estimates	344	165	853	495
Average	-0.12%	-0.24%	-0.39	-0.45
Minimum, Maximum	-5.4%, 4.5%	-3.9%, 6.2%	-76.7, 14.7	-9.4, 42.0
Meta-analytic average	-0.21%	0.03%	insignificant	insignificant

NZ evidence suggests virtually zero effect on average, but varying between groups

The impact on the housing market

- The impact is very localised, affecting only some cities and some parts of cities
- The two biggest determinants of the impact
 - Will locals move out?
 - Will additional housing be built when demand goes up?
- Recent synthesis of the literature
 - A 1% increase in immigration in a city may be expected to raise **rents** by 0.5% to 1% and the effect on **house prices** is about double, but there is a large variance across estimates
- Reverse causation may explain observed correlation: immigrants are attracted to booming cities with rapidly increasing rents and house prices
- Immigration is just one (and a minor) factor in the long list of drivers of housing shortages and high housing costs

Source: Cochrane W and Poot J (2020) Effects of immigration on local housing markets.

In: Kourtit K, Newbold B, Nijkamp P and Partridge M (eds.) *The Economic Geography of Cross-border Migration*. Springer Nature Switzerland AG, Chapter 12, pp. 269-292.

Consensus regarding some other impacts

- Fiscal impact
 - *Generally*, impact on tax revenue is larger than on public expenditure
 - The net impact is more positive for those with higher skills and income
- Entrepreneurship, innovation, and economic growth
 - Net immigration “scales up” open economies in the short run but productivity effects are harder to detect (vary across sectors and workers; and may take decades to detect at the macro level).
 - Greater cultural diversity of cities and firms boosts entrepreneurship and innovation (NZ: CaDDANZ research 2014-2020)
- Trade, tourism and networks
 - Immigration increases both exports, imports, inbound travel, and outbound travel
 - The net impact on the current account balance can be positive or negative and varies across countries (NZ: imports increase slightly more than exports)
- Spatial distribution, inequality, and social cohesion
 - Impacts are consistent with the narrative of the “triumph of the city” (Glaeser, 2011)

Overall, in-depth econometric studies often disappoint politically due to the small magnitudes of the estimated elasticities of impact!



kia ora / thank you

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