

**Review of ‘Discussion paper: New Zealand immigration policy’  
‘Growing pains: The valuation and cost of human capital’  
by Dr Greg Clydesdale**

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This review is an independent review prepared at the request of the Ministry of Pacific Island Affairs. The time available for the review was limited by the need to respond rapidly to the media coverage of Dr Clydesdale’s report.

### **Overview**

This paper hit the media through, apparently, Dr Clydesdale preparing media releases and sending them and the report to main media outlets. Some academics were able to obtain a copy of the report from the media and this was subsequently circulated by e-mail to a wider group of researchers. Although the paper was labelled a discussion paper, this was an unusual way of release. Generally such papers (e.g. Treasury working papers or Institute of Policy Studies working papers) are placed on a website at the same time as the press releases are put out enabling a debate around the actual report. Not making the report easily available hampered the subsequent debate. As at 22 May the report is still not available via Dr Clydesdale’s Massey webpage:

<http://www.massey.ac.nz/~wwwmib/staff/clydesdale.htm>

While the remainder of the review will focus on the ideas presented, given that Dr Clydesdale does mention language competency it is worth noting that the paper is full of typos and poorly analysed data. Here is just one example of both poor language and sloppy data analysis in one paragraph.

p. 5 ‘For example, for males aged 25-29 who have been in the country 5-10 years 38.8% hare earning less than \$20,000 per year while another 5.9% are earning nothing at all. To put it another way, 44.7% of skilled immigrants aged between 25-29, who have had 5-10 years to cultural acclimatise, are earning less than \$20,000.’

Table 1 of his report shows the first category is not less than \$20,000, it is actually \$1-\$20,000 (so includes a significant number of people who put they earned exactly \$20,000). And the 5.9% are not those earning “nothing at all” – the group is Nil/loss. Therefore it includes the self employed whose net earnings may be a loss.

In addition, in terms of content and presentation, a number of important references are missing from the reference list (such as Poot, Nana and Philpott 1988). Missing references hampers debate as it is important to be able to follow-up sources cited in a paper to assess how they have been interpreted.

While the paper aims to focus on some important issues such as the benefits of migration, it adds little to this extensive and important international debate as it does not report any original analysis (for example an econometric analysis of migration data). Instead the paper appears to be a draft review of some immigration issues, based primarily on a literature review, with minimal data presented. In this review the sources used in the paper are very selective. For instance in a New Zealand context one might have expected to see names such as Andrew Trlin, Paul Spoonley and Cluny McPherson, all who have written extensively on Pacific migration issues and are part of the same university. Dr Clydesdale appears completely unaware of the research that is being done on the Economic Impacts of Immigration (EII) Programme, the Integration of Immigrants Programme (IIP), and other relevant research by his colleagues at Massey. The author does not need to agree with other New Zealand researchers but it is important to engage in debate with them.

Other important New Zealand studies that Dr Clydesdale does not refer to include:

Fletcher M. 1995. "Pacific Islands People in the Labour Market". *Labour Market Bulletin*. 1995: 124-136

Fletcher M. 1999. *Migrant Settlement: a review of the literature and its relevance to New Zealand*. Department of Labour

Gibson J. 2006. *Migration, Income and Health: Evidence from a Natural Experiment*. Paper for the Trevor Swan Distinguished Lectures in Economics. Australian National University

Humphris J & S Chapple. 2002. "An Analysis of Disparity between Pacific and non-Pacific People's Labour Market Outcomes in the Household Labour Force Survey". *Labour Market Bulletin* 2000-02 Special Issue: 172-193.

A wide variety of papers have been published by Professor Richard Bedford including:

Bedford, R.D. 2004 'International migration, identity and development in Oceania: a synthesis of ideas', in D. Massey and J. Taylor (eds) *International Migration: Prospects and Policies*, Oxford: Oxford University Press, 230-256.

Bedford, R.D., 2006. Skilled Migration In and Out of New Zealand: Immigrants, Workers, Students and Emigrants. In B. Birrell et al. (eds.), *Evaluation of the General Skilled Migration Categories*, Commonwealth of Australia, Canberra, pp. 224-251.

Bedford, R., 2007. Pasifika Mobility: Pathways, Circuits and the 21st Century. Presentation to the 'Thought Leaders Dialogue', 30-31 August, Auckland.  
<http://ips.ac.nz/events/completed-activities/Pasifika%20project/Bedford%20mobility.pdf>

Bedford, R. and Lidgard, J., 1997. Arrivals, Departures and Net Migration 1984/85 to 1995/96. In A. Trlin and P. Spoonley (eds.), *New Zealand and International Migration. A Digest and Bibliography*, Number 3, Department of Sociology, Massey University, Palmerston North, pp. 28-41.

Bedford R., and Ho, E., 2006. Immigration Futures: New Zealand in a Global Context, New Zealand Population Review, 32, 2, pp. 49-63.

Some of these papers provide a more comprehensive review of the history of New Zealand migration policy than found in Dr Clydesdale's paper.

But, in particular, the report does not refer to the important recent work de Raad, J-P. and Walton, M. (2007) Pacific People in the New Zealand Economy: Understanding linkages and trends. NZIER Report, November 2007.

<http://ips.ac.nz/events/completed-activities/Pasifika%20project/NZIER.pdf>

The NZEIR report received media attention last year and is easily accessible via the internet. The report included a careful analysis of the current place of Pacific people in New Zealand followed by some modelling to see if there was convergence in both incomes and wealth for Pacific people, a modelling exercise Dr Clydesdale did not do.

The NZIER report shares some concerns that Dr Clydesdale has in that low skills hold back Pacific people. But the authors of the NZEIR report tried to understand the barriers and, more importantly, explored ways of improving outcomes. The NZEIR report found:

- While average incomes of Pacific people will converge toward those of non-Pacific people the continued influence of lower-skilled and lower-earning migrants mean that the real per capita incomes of Pacific people will remain well below real per capita incomes of the total population by 2021.
- Net worth per capita does not look to converge, and the gap may even grow. The main reasons are that the Pacific population is young and that population growth exceeds the increments to wealth from savings.

But equally the NZIER report took a wider view of outcomes in New Zealand and considered the very important issues of remittances, an area Dr Clydesdale does not touch on. An important question raised by this report was whether remittances and gifting should be seen primarily as consumption (a transfer by workers to family members and community interests, or a payment for goods and services), or as a form of saving. If the latter, then there are assets which are not taken into account and the resources available to the Pacific communities in New Zealand and the wider Pacific may be understated. There is literature to support the view that remittances are an extremely important part of supporting development in the Pacific.

The NZIER report also provides a clear overview of the demographics of the Pacific population which is important. Examples include:

- The proportion of the Pacific population born in New Zealand has been steadily increasing and in 2006 60% of Pacific people living in New Zealand were born in New Zealand. In comparison, in 1976, 38% were born in New Zealand and by 1991 this had reached 50%. Dr Clydesdale does not make it clear that most Pacific people

living in New Zealand are not immigrants but are in fact the children and grandchildren of immigrants.

- In 2006, Pacific people represented 6.9% of the New Zealand population. Providing a simple statistic like this in his report would have helped Dr Clydesdale contextualise the debate.
- The Pacific population is considerably more youthful than the total New Zealand population. The median age of Pacific people is 21 years, compared with 36 years for the total population. Age is important when considering outcomes in many areas like self employment where generally it is older people who start their own businesses. Dr Clydesdale's report does not discuss the effects of the different age distribution of the Pacific population.
- There is an association between duration of residence in New Zealand and unemployment rates of overseas-born Pacific People. In 2001, the unemployment rate of very recent migrants was 31.5 percent, 20 percent for those in New Zealand for 1-4 years, and 13 percent for those in New Zealand for 10+ years. Dr Clydesdale does not use census data in this way. Moreover Dr Clydesdale totally ignores the important consideration of age on arrival. A person who has been in New Zealand for 10 years, for example, may have arrived at the age of 2 years or 52 years. This has a significant impact on the interpretation of available data.

In his report Dr Clydesdale takes a very narrow view of migration policy as he mainly considers inward migration. Flows to and from New Zealand are very dynamic with New Zealand having one of the highest inflows in the OECD but also one of the largest diasporas. Issues of possible 'brain drain', 'brain exchange' or 'brain gain' are all important in the international literature, but are not touched upon by Dr Clydesdale. New Zealand does not have an option to severely curb migration given our outflows of talented people (which we cannot stop). As an example, over half our doctors now were born overseas and our medical system would collapse without such inflows. It is possible that outward migration has a detrimental impact in cities like Auckland but Dr Clydesdale only considers inward migration.

It is surprising, given the report has just been released, that there are no data from the 2006 census. There are reports available about the Pacific population using 2006 data on Statistics New Zealand's website but these data do not seem to have been accessed. These data also show major differences in outcomes for the various Pacific groups, whereas Dr Clydesdale seems to treat the population as being homogeneous.

Where Dr Clydesdale does present data it is generally cross sectional so he does not capture some significant changes over time, most of which have been positive. For example, if Dr Clydesdale had looked at trends in education (from published sources, e.g.

Newell, and Perry 2006)<sup>[2]</sup> he would have seen that in 1981 just 0.6% of the Pacific population in New Zealand held a degree or higher qualification, increasing to 2.7% in 1996 and 3.9% by 2001. Increases are also seen in the proportion of younger Pacific people, aged 25-29, with a degree or higher qualification: an increase from 4.4% in 1996 to 7.1% by 2001. Those holding non-degree post school qualifications increased from 11.7% in 1996 to 16.6% by 2001. Given the increases in enrolments of Pacific students since 2001 these figures will have improved.

A further general problem with Dr Clydesdale's report is that he uses terms very loosely when it is important in an academic paper to clearly define what he means. An example is the term underclass, an expression that has been the subject of much debate. He could have drawn on writers such as Jencks, C. (1993) *Rethinking Social Policy: Race, Poverty, and the Underclass*, HarperPerennial, New York, or Buckingham, A. (1999) Is there an Underclass in Britain?, *British Journal of Sociology*, 50 (1): 49-75. Buckingham (1999: 55) has developed a useful set of criteria for males:

- the person has a weak attachment to paid work. Buckingham defined this as having spent more than 15 percent of the time since reaching working age not in paid work, excluding periods of study
- the person relies on income from the state
- if they has a cohabiting partner this partner also relies on income from the state
- they do not own domestic housing assets.

It is likely if such objective criteria were applied to immigrant groups in New Zealand very few people could be classified as being part of an 'underclass'.

Equally, Dr Clydesdale swaps between the expression unskilled and low skilled without providing clear definitions. If we treat unskilled as those with no formal qualifications we do find that Pacific and Maori are over-represented in this group. But as Table 1 below shows, nearly a quarter of the European population also have no formal qualifications, so could be called 'unskilled' and could be seen as part of an underclass. Given the size of the European group this would mean they would form most of the potential underclass if defined as based only on formal qualifications. But many people with no formal qualifications have a high level of skills, perhaps through on-the-job experience or training.

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<sup>[2]</sup> Newell, J. and Perry, M. (2006). Trends in the contribution of tertiary education to the accumulation of educational capital in New Zealand: 1981 to 2001. Report prepared for the Ministry of Education. Wellington: Monitoring and Evaluation Research Associates Ltd.

**Table 1: Proportion of each ethnic group with formal educational qualifications (highest qualifications), Total counts, 2006**

|   | European | Māori | Pacific Peoples | Asian |
|---|----------|-------|-----------------|-------|
| No Qualification                        | 23       | 36    | 31              | 11    |
| Level 1 certificate to level 6 diploma  | 53       | 47    | 42              | 33    |
| Bachelors degree or higher              | 15       | 7     | 4               | 28    |
| Overseas Secondary School Qualification | 4        | 0     | 9               | 23    |
| Other                                   | 6        | 11    | 13              | 7     |
| Total                                   | 100      | 100   | 100             | 100   |

Source: Statistics New Zealand.

Again there are some differences in qualifications between Pacific groups. For example 27% of Samoans had no formal qualifications compared with 39% of those recording Cook Island ethnicity. The group with the lowest proportion having no qualifications was Fijians at 16%.

There is also an assumption that people with low skills are less productive than those with higher skills. This is a very narrow economist view. Pay rates, which are often seen as a measure of productivity, depend on a variety of factors including bargaining power and the context in which people are employed. In addition, it is not as simple as Dr Clydesdale's view that there are high-tech industries and cost-competitive industries. A high-tech industry may heavily depend on an efficient bus service to get its employees to work. In New Zealand 2006 census data tells us that 10% of bus drivers are of Pacific ethnicity, higher than their representation in the overall population. These drivers are part of a set of integrated activities and, while low paid, are far from being a drain on society. They contribute positively to the infrastructure of New Zealand, and assist New Zealand in reducing carbon emissions by helping get cars off the road. Dr Clydesdale's analysis does not take into account any of these complexities.

At times Dr Clydesdale equates not being in paid work as being problematic and again sees Pacific people (and at times Asians) over-represented in the 'not in the labour force' category. While in some places Dr Clydesdale notes that some not in the labour force might be students, there is the general assumption people not in the labour force are not productive. Yet, many will be involved in productive activities, including studying and raising children. In addition, as table 2 indicates, while the percentage of Pacific people who are unemployed or not in the labour force is higher than for Europeans the differences are not major. Again, if not being in the labour force is considered as an element of being part of an underclass, then about a third of Europeans could be in this group.

**Table 2: Proportion of each ethnic group in each employment status, Total counts, 2006**

|                         | European | Māori | Pacific Peoples | Asian |
|-------------------------|----------|-------|-----------------|-------|
| Employed Full-time      | 50       | 48    | 47              | 42    |
| Employed Part-time      | 16       | 14    | 11              | 15    |
| Unemployed              | 3        | 8     | 7               | 5     |
| Not in the Labour Force | 31       | 31    | 35              | 38    |
| Total                   | 100      | 100   | 100             | 100   |

Source: Statistics New Zealand.

### **Some specific points**

There are many specific points in the Clydesdale report that could be challenged. Here are just a few:

Dr Clydesdale states in relation to Pacific people

“The fact that immigration may be fuelling an underclass is of concern given the higher fertility rates of this group. They are a fast growing ethnic group growing from 2.1% of the population in 1976 to 6.5% in 2001, including second generation (Ministry of Pacific Island Affairs: 2002).

In the paper there are no real data on fertility presented, and especially any data supporting the idea that it is an ‘underclass’ from the Pacific who are rapidly breeding. Given that Pacific fertility is not extraordinarily high, and given that New Zealand has some concerns about moving to a period of low fertility, it is unclear why Dr Clydesdale considers the slightly higher (but rapidly declining) fertility of Pacific people to be a bad thing. Simply googling “Pacific fertility” would have provided Dr Clydesdale with some useful data on Pacific fertility, eg.

<http://www.stats.govt.nz/analytical-reports/fertility-of-nz-women/fertility-nz-women-ethnicity-standards-women-pacific-ethnicities.htm>

These data would have also told Dr Clydesdale that fertility rates vary within the wider Pacific group.

Dr Clydesdale notes that “Pacific people are over-represented in justice statistics with higher rates of conviction and prosecution than the total population.” If Dr Clydesdale had taken time to look at the official data he again would have found a complex picture.

<http://www.corrections.govt.nz/public/research/offender-volumes-report-2007/documents/prison-sentenced-snapshot-trends.xls#Ethnicitytrend!A1>

For example, take the prison population, in June 2007, there were 2,345 Europeans in prison, 3,196 Maori and just 679 Pacific people. So on an absolute basis, Maori have the highest rate of imprisonment, followed by Europeans, then Pacific people. On a population adjusted basis (denominator those aged 16 and older) in 2007 just 0.4% of the Pacific population was in prison, compared with 0.1% for Europeans and 0.8% for Maori. While higher for Pacific people than Europeans (but lower than for Maori), the vast majority of Pacific people are hard working, law abiding citizens. This is not the story that Dr Clydesdale is trying to portray.

Dr Clydesdale says that the paper is not about race but about culture (p.15), but then argues that "migrants in the 1970s were predominantly from the UK, a source which today still has the best performances (sic)" (p.8) while "migrants from Polynesia ...represent a large proportion of immigrants...an obvious underperforming migrants group that not only lowers regional GDP per capita, but when combined with high fertility rates, is in danger of creating a large emerging underclass". Dr Clydesdale is very confused about ethnicity, country of birth and culture. In fact, migrants from the Pacific include Asian people as well as other non-Pacific groups and as UK society changes so does the mix of migrants coming from that country.

Dr Clydesdale resorts to anecdote reported by the press to support his arguments. As an example he notes:

“The government apparatus responsible for filtering in human capital appears to be failing. Many immigrants on acceptance into the country are finding they can not readily apply their skills and need to gain registration or re-qualification to local standards. It results in the infamous truth of migrant nurses, teachers and engineers driving taxis or stacking supermarket shelves (Migrants skills go begging 2005).”

And uses conversations with students:

“Conversation with my own Asian students reveals that many gained permanent residency on the basis of job offers from employers who had also migrated to New Zealand. It was revealed it was common practice for these employers to pay Asian immigrants a smaller wage than local workers in return for assistance in the immigration process. Although their jobs might be as simple as being a shop-assistant, the employer would claim they needed to import labour to fill the job. On gaining residency, the students quickly left the job and gained employment in basic jobs like gas-pump attendant, a reflection on how the market valued their human capital.”

Both types of reportage are problematic in a serious academic paper.

Finally, in the conclusion Dr Clydesdale states a 2007 article by Schnepf, concludes that New Zealand was unique in that on average second generation immigrant's achievement is worse than that of the first generation. In fact this article shows a more complex picture. For example Table 3 (p.535) shows that under the PIRLS survey Netherlands has worse outcomes for second generation migrants, and for PISA and TIMSS this is also true for Australia. The paper also says (p.543) “...PIRLS results focussing on younger

pupils in primary schools suggest that also second-generation immigrants are better than natives conditional on socioeconomic background in New Zealand.” In addition, the paper does not identify country of birth or ethnicity of students so the assumption that Dr Clydesdale makes that this is primarily due to migrants from Polynesia cannot be tested.