



DairyNZ Submission

24 December 2021

The New Zealand Productivity Commission regarding its preliminary findings and recommendations from Immigration - Fit for the Future

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Executive summary

About DairyNZ

DairyNZ is the industry organisation representing all New Zealand dairy farmers. We support farmers through investing in research, resource development, extension, and advocacy to ensure they lead the world in sustainable dairy farming. As part of our advocacy role, we provide an industry-wide voice on issues of local, regional and national importance, such as immigration settings.

This document responds to an invitation from the New Zealand Productivity Commission (the Commission) to make a written submission around DairyNZ's position on '*Immigration – Fit for the Future: Preliminary findings and recommendations*'.

We commend the Commission for its work to explore future immigration settings for New Zealand. We acknowledge immigration is a complex and important issue for the country and developing suitable immigration settings is challenging.

The key points below underpin our submission, and are centred around four themes:

- Immigration's contribution to dairy
- Immigration, education, and employment
- Visa settings
- Immigration policy

A productive New Zealand requires a high-performing dairy sector

Immigration's contribution to dairy

Much of New Zealand's economic success rests upon the food and fibre sector, of which dairying is a key contributor. The food and fibre sector is one of New Zealand's largest export earners, generating an estimated \$47.5 billion in export revenue in the year to June 2021.¹ Dairying will be key to securing the ongoing wellbeing and economic success of New Zealanders, with global demand for food set to continue rising.

... which is critical to New Zealanders' wellbeing

Immigration's contribution to dairy

Visa settings

A successful and flourishing dairying sector is a cornerstone of both a sustainable, broad-based economy, and the wellbeing of regional New Zealand. People in the dairying industry, and their families, contribute to the vibrancy and prosperity of rural communities. International workers play a large part in this, not just because of their talent and skills, but also by moving to parts of the country that may be experiencing population decline or stagnation. Without a high-performing dairy sector, animal welfare is at risk, environmental progress is constrained, farmers are placed under increasing stress, and the burden of work falls to increasingly stretched teams.

The immigration system needs to be tailored and dynamic

Visa settings

The immigration system needs to be tailored and dynamic. A one-size-fits-all approach will not work for New Zealand, given different industries have a range of pinch-points and skills requirements across the country.

¹ Ministry for Primary Industries. (2021). *Situation and Outlook for Primary Industries*. <https://www.mpi.govt.nz/dmsdocument/49066-Situation-and-Outlook-for-Primary-Industries-SOPI-December-2021>

The value of international workers, though many might be considered low-skilled based on the visa classification system, should not be underestimated. They have enabled the dairy sector to provide world-leading animal care, meet global demand for dairy products, and continue to add value.

... and support a capable dairy sector workforce

Immigration, education, and employment

DairyNZ is actively involved in engaging and educating people about dairying and careers in the sector, including integrating agribusiness into the secondary school curriculum, and supporting on-farm internships. While these initiatives are helping attract people to the sector, there is a significant lag between activities within the education system, and their benefits materialising in the form of a more capable and predominantly New Zealand-born workforce. Workforce Development Councils (WDCs) and Regional Skills Leadership Groups (RSLGs) have a role to play in shaping the future needs of the dairy sector across regions.

Policy that provides the dairy sector with certainty will be key

Immigration policy

Certainty and a clear forward-view of immigration settings, particularly for sectors like dairy which rely on international workers, will help with effective planning. There needs to be industry participation and consultation to ensure policy is flexible and responsive to the needs of the dairy sector.

A one-size-fits-all approach to immigration will not deliver the outcomes the dairy sector needs to thrive. DairyNZ acknowledges industry cannot solve immigration and workforce challenges alone. There is an opportunity for true industry and government partnership to create a thriving dairy sector that continues to contribute to New Zealand's wellbeing and economic success.

Immigration's contribution to dairy

Dairy is critical to New Zealand's economy and wellbeing

Finding 1

The food and fibre sector is critical to New Zealand's economic success and wellbeing, and is the productive engine of many regional and rural economies. New Zealand produces enough food to sustain an estimated 40 million people per year, and is recognised as a high-quality producer in key export markets.² This makes it one of New Zealand's largest export earners, generating an estimated \$47.5 billion in export revenue in the year to June 2021.³ Agriculture contributed 3 per cent to New Zealand's Gross Domestic Product (GDP) in the year ended June 2021.⁴ In addition, dairying is a key and growing part of the Māori economy, with 10% of farms owned by Māori.⁵

Demand for high-quality food is only going to increase, with the world's population forecast to grow to 9.2 billion in 2050.⁶ Global agricultural output will need to increase by 60-70 per cent in the next 30 years to meet the expected demand for food.⁷ New Zealand is well-placed to support global food demand. 'Fit for a Better World', the roadmap for New Zealand's primary sector, points out New Zealand has a comparative advantage in pastoral agriculture, and dairy is a key part of a multi-billion dollar industry.⁸

Dairy underpins the success of New Zealand's food and fibre sector. The dairy sector employs around 40,000 people on-farm,⁹ and is a key employer in regions like Southland and Taranaki, where it is responsible for 7 per cent of employment in each

² NZ Herald. (2021). *Calls to 'feed the 5 million first' before exporting New Zealand food*. <https://www.nzherald.co.nz/nz/calls-to-feed-the-5-million-first-before-exporting-new-zealand-food/RYQ5ETC276D4RWDMUWTIKRJMYU/>

³ Ministry for Primary Industries. (2021). *Situation and Outlook for Primary Industries*. <https://www.mpi.govt.nz/dmsdocument/49066-Situation-and-Outlook-for-Primary-Industries-SOPI-December-2021>

⁴ Statistics New Zealand. (2021). *Gross Domestic Product (SNE070AA)*. <http://infoshare.stats.govt.nz/infoshare/>

⁵ NZIER. (2018). *How does the dairy sector share its growth?* https://nzier.org.nz/static/media/filer_public/9f/0e/9f0e40ea-0178-4ef9-950f-5546ef483eec/dcanz_2018_final.pdf

⁶ Silva, G. (2018). *Feeding the world in 2050 and beyond – Part 1: Productivity Challenges*. <https://www.canr.msu.edu/news/feeding-the-world-in-2050-and-beyond-part-1>

⁷ Silva, G. (2018). *Feeding the world in 2050 and beyond – Part 1: Productivity Challenges*. <https://www.canr.msu.edu/news/feeding-the-world-in-2050-and-beyond-part-1>

⁸ New Zealand Government. (2021). *Fit for a Better World*. <https://www.mpi.govt.nz/dmsdocument/41031-Fit-for-a-Better-World-Accelerating-our-economic-potential>

⁹ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Current State of the Workforce*.

This theme relates to:

Finding 1

Immigration's main contributions to productivity and wellbeing come through:

- *Raising the long-term levels and diversity of human capabilities in New Zealand; and*
- *Supporting the achievement of other social and economic policy objectives; expanding public services, strengthening innovation ecosystems and extending international relations.*

Finding 3

Immigration has had small and mostly positive effects on the wages and employment of New Zealand-born workers over the last 25 years. Overall, evidence on labour market effects does not, of itself, point to major problems with the level and composition of immigration into New Zealand.

Finding 6

Increases in New Zealand's population from net migration have exacerbated rapid house price increases, reflecting several factors including underlying and persistent constraints on the supply of housing.

Finding 7

Microeconomic evidence suggests positive, but small, impacts from immigration on average levels of labour productivity. New Zealand evidence on the impacts of immigration on innovation and exporting as channels for productivity growth finds minor or conditional effects.

region.¹⁰ Its economic contribution extends to spending on ancillary services such as feed, veterinary services, and fertiliser.¹¹ As Finance Minister Grant Robertson has said, New Zealand is a broad-based economy with many prospects for sustainable growth.¹²

DairyNZ believes a successful and flourishing dairying sector is a cornerstone of both such a sustainable, broad-based economy, and the wellbeing of regional New Zealand.

New Zealand competes globally for dairy sector talent. Other countries such as the United States, United Kingdom, Australia, and Canada are vying for the same people and skills. Immigration settings need to recognise this context.

Immigration has helped the sector access the workforce it needs

Finding 1

Dairy has an annual requirement of around 5,000 new recruits. Traditionally, this has not been able to be filled by New Zealanders alone, despite significant efforts by farmers.¹³ For example, between October 2017 and May 2018, 663 applications for Herd Manager positions were lodged by farmers with the Ministry of Social Development (MSD), with no successful placements.¹⁴

Challenges around securing New Zealanders to work on farms are driven by several factors. Unemployment rates in regional economies where dairying is concentrated are low, with limited local labour available to fill vacancies. For example, the unemployment rate for the year to September 2021 was 4.2% in Waikato, 5.0% in Taranaki, 4.0% in Canterbury, and 3.5% in Southland.¹⁵ This compares to the national average of 4.2%. New Zealanders have tended to be less willing to relocate to rural areas. International workers are critical in supplementing these labour and skills shortfalls.

Immigration has enabled the dairy sector to provide world-leading animal care, meet global demand for dairy products, and continue to add value. Approximately 35 per cent of all new workers to the dairy industry in 2019 were from outside New Zealand.¹⁶ Similarly, a 2019/20 Federated Farmers survey showed around 25 per cent of employees are on temporary visas.¹⁷ Farmers have found temporary international workers to be reliable, with many now occupying the middle management and higher positions integral to business operations.¹⁸

...without negatively affecting the wages and employment of New Zealanders

Finding 3

International workers have filled a genuine gap in the dairy sector workforce that New Zealand workers have not been able to meet, without negatively impacting the wages and employment of New Zealanders. Instead, difficulty in securing labour has seen farmers increase salaries and wages, continue to invest in training staff, reduce work hours, and improve rosters to give staff more time off, according to a March 2021 employer survey.¹⁹ Advertised wages on Farm Source Jobs, the main website for farming roles, shows average remuneration for farm assistant roles (where specified) increased to \$24.60 in Quarter 4 of 2021. These

¹⁰ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Rural Communities*.

¹¹ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Rural Communities*.

¹² NZ Herald. (2021). *Wallet squeeze: High home loan rates will mean some have to 'cut their cloth', Grant Robertson says*.

<https://www.nzherald.co.nz/business/wallet-squeeze-high-home-loan-rates-will-mean-some-have-to-cut-their-cloth-grant-robertson-says/G65EVGR5T47RE7EK5AEABA7CIU/>

¹³ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Talent Attraction Programmes*.

¹⁴ DairyNZ. (2021). *Submission on employer-assisted work visas*.

¹⁵ Statistics New Zealand. (2021). *Labour Force Status by Sex by Regional Council (Annual-Sep) (HLF054AA)*.

<http://infoshare.stats.govt.nz/infoshare/>

¹⁶ DairyNZ. (2021). *Submission on employer-assisted work visas*.

¹⁷ Moses, P. (2021). *Independent review of Dairy Class Border Exception on behalf of DairyNZ*.

¹⁸ DairyNZ. (2021). *Submission to the Primary Production Select Committee Inquiry into the future of the workforce needs in the primary industries of New Zealand*. <https://www.dairynz.co.nz/media/5794408/dairynz-submission-workforce-needs.pdf>

¹⁹ DairyNZ. (2021). *Labour Market Survey – March 2021*.

changes benefit both New Zealanders and international workers, as well as farmers, who have noted improvements in recruitment and retention.²⁰

Rapid house price inflation has not been driven by dairying related immigration

Finding 6

While net migration-driven population growth has contributed to substantial house price inflation in recent years, international dairy sector workers are not driving these increases. Farming is undertaken in rural areas where there is less demand for housing than in major centres, and on-farm accommodation is typically already provided to international workers. Around 85 per cent of permanent dairy employees live on-farm; these percentages only increase as people progress to more senior positions.²¹

International workers have supported labour productivity

Finding 7

DairyNZ notes international workers of all levels contribute positively to the dairying sector and are employed in areas where there are clear skill shortages. International workers support the dairy industry to access the labour it needs, enabling it to remain productive. They are employed at their skill level, so there is little underutilisation within the sector. Where farmers have converted their land to dairy productivity has been improved through more efficient and higher-value land use, this has only been possible due to availability of international workers.

²⁰ DairyNZ. (2021). *Submission to the Primary Production Select Committee Inquiry into the future of the workforce needs in the primary industries of New Zealand*. <https://www.dairynz.co.nz/media/5794408/dairynz-submission-workforce-needs.pdf>

²¹ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Accommodation & Location*.

Immigration, education, and employment

International workers are a critical part of the dairy sector workforce, alongside New Zealanders

Finding 4

While New Zealand's education and training system is a suitable mechanism to address the long-term workforce needs of the dairy sector, international workers will remain an important part of its composition, particularly in the short- to medium-term. DairyNZ is actively involved in helping engage and educate people about dairying and careers in the sector, including integrating agribusiness into the secondary school curriculum, providing teachers with resources to help children learn about dairy farming, and supporting on-farm internships.²² By 2030, the dairy sector aims to have at least 75 per cent of new workforce entrants to dairy farms be New Zealanders, to which these programmes will be integral.²³ This aligns with *Fit for a Better World*, which seeks to employ an additional 10,000 New Zealanders in the primary sector over the next four years.²⁴

However, there is a significant lag between these activities being undertaken, and their benefits materialising in the form of a larger, more capable, and predominantly New Zealand workforce. For example, a child introduced to dairying as a career at age eight would not generally be able to join the sector formally for another eight to 12 years. Moreover, the dairy sector comprises 11,000 individual businesses – many of which are small and lack the scale to undertake individual training and education responses.²⁵ This makes managing these lags more challenging, and demonstrates the continued importance of international workers.

In addition, the labour 'pinch-points' are not evenly spread. There are significant labour shortages in Canterbury which, along with the Waikato, comprise the largest dairying regions.²⁶

Chart 1 outlines the regional labour shortages. Regions which have lower unemployment rates; for example, Canterbury (4.0%) and Southland (3.5%),²⁷ have comparatively more farms that are short-staffed (57% and 51%, respectively).²⁸

This theme relates to:

Finding 4

Currently, there are no consistent feedback mechanisms to link skills shortages evident in the immigration system to potential responses in the education and training system. A lack of feedback mechanisms limits the ability of the education system to meet employer needs and may weaken accountabilities on employers to train and develop local workers. It is not yet clear how new institutions such as Workforce Development Councils and Regional Skills Leadership Groups will work and interact to address this issue.

Finding 10

Access to a migrant workforce can unlock complementarities and specialisation, but also introduce resilience risks. Whether or not there are negative consequences on innovation and productivity from using migrant labour depends on a range of factors, including underlying labour market conditions and whether technological alternatives are available.

Question 1

To what extent does access to migrant labour reduce training and upskilling activity by employers? Do effects on training and development differ by industry? Are there areas of the economy in which New Zealand should be training people that are currently disproportionately supplied by migrant workers? How could policy best respond?

Recommendation 7

MBIE should develop more data-informed and dynamic skills shortage lists. Occupations that have shown no labour market reaction (such as wage movements), high turnover rates and a continued reliance on temporary migrants, should be brought up for review, with the burden placed on the industry to provide sufficient evidence to justify their continued placement on the list.

²² DairyNZ. (2021). *Education*. <https://www.dairynz.co.nz/about-us/education/>

²³ DairyNZ. (2021). *Sustainable Dairying – Workforce Resilience Plan 2021-2030*.

²⁴ New Zealand Government. (2021). *Fit for a Better World*. <https://www.mpi.govt.nz/dmsdocument/41031-Fit-for-a-Better-World-Accelerating-our-economic-potential>

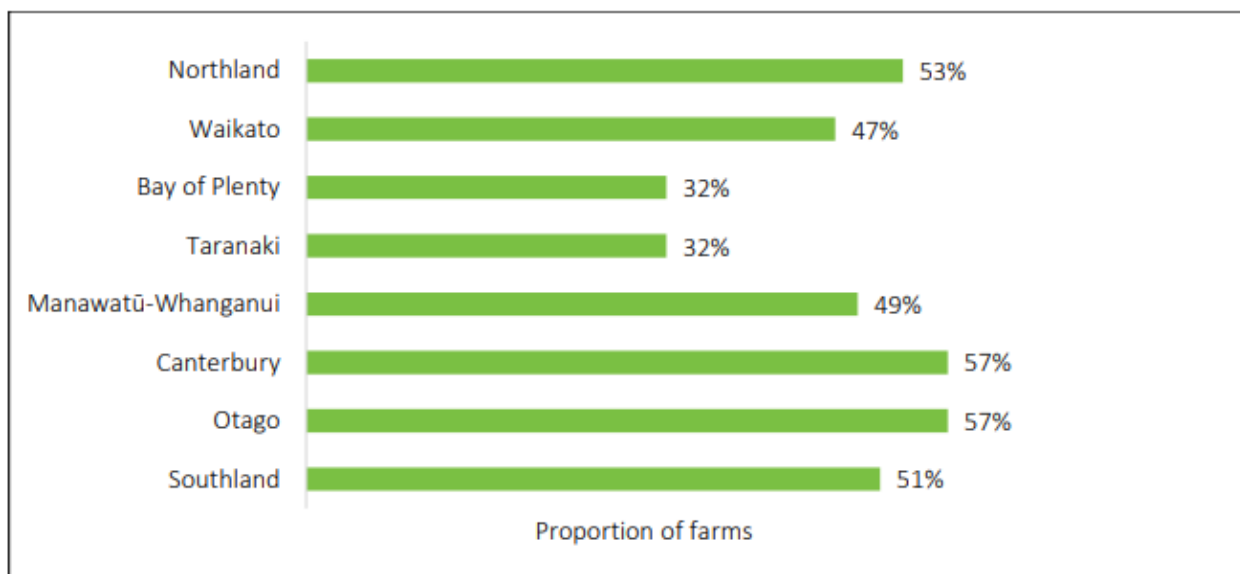
²⁵ DairyNZ. (2021). *Sustainable Dairying – Workforce Resilience Plan 2021-2030*.

²⁶ DairyNZ. (2021). *Labour Market Survey – March 2021*.

²⁷ Statistics New Zealand. (2021). *Labour Force Status by Sex by Regional Council (Annual-Sep) (HLF054AA)*. <http://infoshare.stats.govt.nz/infoshare/>

²⁸ DairyNZ. (2021). *Labour Market Survey – March 2021*.

Chart 1: Proportion of farms that are short-staffed



Source: DairyNZ, Labour Market Survey, March 2021

DairyNZ and Federated Farmers conducted two labour market surveys in 2021, one in March with 1150 responses and one in November with 641 responses. These are strong response rates and most people took the time to make additional comments. Analysis of the survey data suggests that the current shortage of employees is between 4000 and 6000 people. This range was calculated by weighting raw survey responses to counterbalance bias towards respondents who are short on staff and aligning regional and herd size distribution responses to the reality nationally.

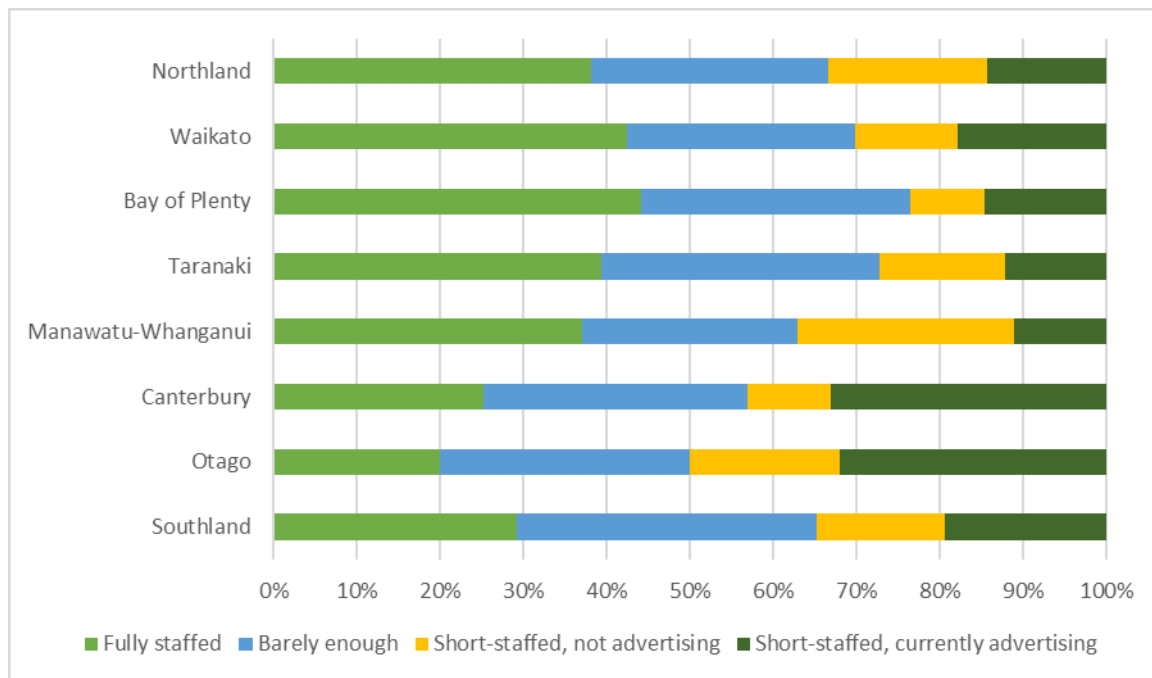
Chart 2 outlines the positions, by region, in which farmers are short-staffed, with Farm Assistants and Herd Managers most critical.

Chart 2: In which positions are you short staffed?

Region	Farm Manager	Assistant Manager	Herd Manager	Farm Assistant	Other
Northland	25%	8%	8%	42%	17%
Waikato	3%	13%	14%	59%	10%
Bay of Plenty	0%	11%	0%	67%	22%
Taranaki	18%	9%	27%	36%	9%
Manawatu-Whanganui	0%	0%	36%	43%	21%
Canterbury	2%	11%	21%	59%	8%
Otago	3%	20%	10%	62%	5%
Southland	3%	12%	18%	53%	15%
Total	3%	11%	18%	58%	9%

Chart 3 illustrates the staffing pressure upon farmers across the country, with persistent shortages especially in Canterbury, Otago and Southland.

Chart 3: Which of the following best describes your current staffing situation?



Source: DairyNZ Labour Market Survey, November 2021

In November 2021 the top three impacts on farmers due to short staffing were working increased hours per day, spending less time on strategic improvements and increased stress on themselves and their team. A significant number also reported that they are rethinking dairy farming as their future and a concerning number that they have seen an increase in workplace accidents.

This survey also showed how families were pulled onto farm to assist with the calving season and that farmers and their staff also had to increase their hours to undesirable levels.

This uptick in effort was signalled in the March 2021 Labour Market Survey, with every region indicating they had large numbers of seasonal roles still to recruit.

Chart 4: Seasonal roles still to recruit

Region	Calf rearer	Fixed term employee	Relief Milker	Other	Total
Northland	50%	65%	72%	67%	62%
Waikato	62%	72%	65%	73%	66%
Bay of Plenty	58%	61%	49%	100%	56%
Taranaki	53%	78%	50%	67%	58%
Manawatu-Wanganui	59%	62%	73%	83%	66%
Canterbury	70%	93%	59%	100%	75%
Otago	73%	81%	60%	130%	76%
Southland	63%	77%	69%	85%	69%
Total percentages	65%	78%	61%	89%	69%
Total # of roles (across 1150 farms)	533	406	297	67	1,303

Source: DairyNZ Labour Market Survey, March 2021

Young New Zealanders are also increasingly undertaking tertiary education and looking for higher-skilled, higher-paying jobs. This minimises the pool of New Zealanders willing to take on lower-skilled jobs – a critical part of the dairy industry. International workers have tended to be more willing to take on these lower-skilled roles.

DairyNZ supports the establishment of Workforce Development Councils (WDCs) and Regional Skills Leadership Groups (RSLGs). We believe WDCs should focus on enabling sectors to develop the right qualifications for the right people. We agree RSLGs need to lift their gaze from the immediate focus of Covid-19 impacts, to determining and supporting the future labour force needs of our regions.

Recommendation 7

DairyNZ partially agrees with Recommendation 7. More dynamic and data-informed skills lists could help the dairy sector better access the skills and labour it needs. Farm Assistants, for example, have only rarely been on skills lists – a role farmers have struggled to fill. More dynamic and up-to-date skills lists could help address this.

The burden should not be placed solely on industry to justify placement on skills lists. Though the dairy sector has seen positive labour market reaction, including wage movement and improvements to rostering and operations, severe labour shortages still exist – even with help from international workers. Placing the burden solely on industry to provide evidence narrows the focus; while industry holds some of the data government also holds significant data particularly on regional economic and social factors. Put together, these would provide a more robust and holistic view to better inform skills lists.

Farmers have cited challenges finding labour for several years, especially in the wake of Covid-19.²⁹ The current labour shortage is estimated to be between 4,000 and 6,000 people.³⁰ Those farmers in stronger financial positions are able to compete for scarce resources in response to acute shortages. For example, some farmers have been able to raise wages in response, paying \$27 per hour for Farm Assistants. However, raising wages alone will not be enough to solve the labour shortage issue.

Already, staff shortages are impacting the mental health and wellbeing of farmers throughout the country. The limited impact of the Dairy Class Border Exception has meant labour shortages – already acute – have been exacerbated. An Independent Review of the Dairy Class Border Exception notes, “Farmers say the labour shortages are serious, they cannot find New Zealanders to do the work despite improving conditions and pay, and they are at breaking point.”³¹

Similarly, DairyNZ’s March 2021 Labour Market Survey finds the biggest impacts of staff shortages were increased stress for farmers and/or their teams, difficulties in giving normal time off, and increased hours of work per day. All up, nearly 50 per cent of those surveyed said they were short-staffed, and nearly 70 per cent said they had seasonal roles yet be filled.³²

Fonterra Chairman Peter McBride points out already, “the rate of change on-farm, Covid, labour shortages, and environmental reforms have pushed many farmers into protest, and others out of the industry.”³³ Quite simply, the dairying sector has a strong case for a position on any skills shortages list. Government and industry need to work together to develop more data-informed and dynamic skills lists, so dairy can continue to support the New Zealand economy.

The sector is committed to training and upskilling workers

Question 1

Even with a significant proportion of international workers, the dairy sector is committed to training and upskilling staff. Both New Zealanders and international workers receive educational opportunities to do their jobs effectively, further their knowledge and skills, and progress to more senior roles – supporting their overall wellbeing. International workers are often thirsty for formal training opportunities in order to move up ANZSCO codes and fulfil residency criteria.

The bulk of training and upskilling is done informally by learning from an employer or someone else on-farm. While the nature of this means there are no qualifications and associated records of this training, informal training has been described as highly effective by both employers and employees.

Formal training is mainly offered through the Primary Industry Training Organisation (ITO) qualifications. International workers in particular are often thirsty for formal training opportunities in order to move up ANZSCO codes and fulfil residency criteria. More broadly, schemes like Apprenticeship Boost³⁴ have led to a significant upswing in training with the ITO over the last 24 months.

Additionally, DairyNZ invests approximately \$15 - \$20 million annually into development and extension-related non-formal training activity that upskills people to support more productive and sustainable business outcomes. Projects centred around improving employment conditions, wellbeing, health and safety and leadership also contribute to employers being able to better identify employee needs and deliver in-house training. Other industry organisations, such as Federated Farmers and NZ Young Farmers, offer non-formal training through a range of courses and resources, creating a community committed to helping each other develop.

²⁹ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Future State of Workforce*.

³⁰ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Future State of Workforce*.

³¹ Moses, P. (2021). *Independent review of Dairy Class Border Exception on behalf of DairyNZ*.

³² DairyNZ. (2021). *Labour Market Survey – March 2021*.

³³ BusinessDesk. (2021). *‘The world wants what we’ve got’ – but challenges aplenty for Fonterra*.

³⁴ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Capability and Skills*.

While the sector continues to face labour shortages, increased technological uptake isn't always the answer

Finding 10

It is not anticipated technology adoption on-farm will significantly impact the size of the dairy workforce required over the next 10 years.³⁵ Farm size in dairy farming means it isn't necessarily as labour intensive as is often thought: there are around 152 cows to each full-time equivalent (FTE).³⁶ Automation may reduce the total hours each employee spends working, but is unlikely to remove the need for that employee from the workplace. Immigration settings, as well as the training and education system, will likely be more critical than technology in helping the dairy sector thrive.

The dairy sector acknowledges it is reliant on international workers to plug labour shortages, which makes the sector more vulnerable to changes in government policy and the fallout from Covid-19.³⁷ Unlike other industries, farmers cannot simply 'switch off' production if demand is too high – cows still have to be milked, fed, and cared for. International workers have been critical in keeping animals looked after, farms operational, and the New Zealand economy ticking along.

Although increasing the uptake of technology may limit the need for international workers to fill low-skilled roles in some industries, many New Zealand dairy farms are already sophisticated and have adopted a range of technology to improve productivity and sustainability. For example, automated cup removers enable each employee to milk a greater number of cows.³⁸ In addition, farmers need to be able to see a clear link between a new technology and corresponding benefits in terms of saving time or lifestyle/job satisfaction, to be incentivised to adopt it.³⁹ Financial barriers, issues relating to the reliability and accuracy of devices, service infrastructure and challenges presented by rural environments like connectivity and topography, can make adopting technology hard.⁴⁰

³⁵ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Future State of the Workforce*.

³⁶ DairyNZ. (2021). *Latest DairyBase benchmarks*. <https://www.dairynz.co.nz/business/dairybase/benchmarking/latest-dairybase-benchmarks/>

³⁷ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Future State of the Workforce*.

³⁸ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Technology & Automation*.

³⁹ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Technology & Automation*.

⁴⁰ DairyNZ. (2021). *Dairy Workforce Resilience Plan – Technology & Automation*.

Visa settings

Those on temporary work visas are a critical part of the dairy sector workforce

Finding 2

Temporary work visas were increasingly being used to fill lower-skilled roles in dairy prior to the onset of the pandemic. As a proportion of essential skill visa holders in the dairy sector, those at a lower skill level (Farm Worker/Farm Assistant) comprised 22% in 2012, reaching a high of 84% in 2019 before dropping off to 58% in 2021.⁴¹ Lower skilled doesn't mean lower value. Farm Assistants perform critical day-to-day work, like feeding out, and shifting fences and cattle. While farmers were initially hesitant to take on international workers, they have found many to be reliable and able to provide certainty and flexibility to farming operations.

The practical nature of these roles means a good attitude and effective on-the-job training is often more important than having prior formal training, or being formally qualified. The immigration system should not penalise businesses requiring lower-skilled roles to operate and thrive.

Greater clarity around pathways to residency is needed

Finding 5

DairyNZ agrees large queues of applicants for residence visas aren't good for anyone – it creates significant uncertainty for employers, employees, and their families, making it harder for them to settle into and contribute to their communities. It is demoralising for international workers to see their jobs advertised while they are still employed, but with no certainty over whether they will be able to remain in New Zealand. This brings down team morale, and negatively impacts the wellbeing of international workers.

When temporary work visas are renewed time and time again because a pathway to residency is not possible, employees are left contributing to New Zealand's productivity and success over an extended period, without the ability to enjoy the same rights a resident would be entitled to. This can leave migrants in flux and unable to settle. For those who come to New Zealand on temporary visas for a short period – whether for work experience, travel or just to experience something different – this generally isn't an issue, as they are not looking to settle in New Zealand permanently.

The sector needs both those on temporary visas and residence visas to get the right mix of skills and ambition, and balance the seasonality of the sector. The Government needs to provide clear

This theme relates to:

Finding 2

Temporary work visas were increasingly being used to fill vacancies in lower-skill occupations in the period before the Covid-19 pandemic.

Finding 5

Large queues of applicants for residence visas have increased uncertainty and reduced the likelihood of achieving a pathway to residence. This has left many migrants in flux and unable to settle.

Recommendation 4

The Ministry of Business, Innovation and Employment should develop and publish an evaluation programme for major visa categories, to assess their net benefits. Uncapped visa categories and those that offer open work rights, such as the various bilateral working holidaymaker schemes and student work visas, should be priorities for evaluation. The Investor 1 and 2 migrant categories would also merit evaluation.

Recommendation 5

The allowable volume of temporary migrant visas with potential residence pathways should be managed to be compatible with the number of residence visas on offer.

Recommendation 6

Immigration New Zealand should continue counting points past the minimum thresholds and rank candidates within the Expression of Interest pool. It should select those with the highest points first; actively publicise the point ranges of the successful applicants to emphasise that the minimum threshold is not the target, and raise the minimum threshold on a regular basis to manage application volumes.

Recommendation 8

The Government should remove visa conditions that tie temporary migrants to a specific employer. These conditions increase the risk of exploitation and limit the ability of workers to find better job matches, which can promote wellbeing and productivity. Where there are concerns about displacement of New Zealanders, work rights could be limited to specific regions, occupations, industries or accredited employers.

⁴¹ Ministry of Business, Innovation & Employment. (2021). *Migration Data Explorer*. https://mbienz.shinyapps.io/migration_data_explorer/#

guidance around residency pathways, both for workers who have a genuine pathway to residency, and for those whom residency will not be possible nor desirable. This will be important in providing international workers and their employers with certainty.

Recommendations 4, 5 and 6

DairyNZ does not support linking the number of temporary migrant visas to potential residence pathways. Both workers on temporary visas and residence visas are critical to the sector. Linking the two visas would choke the number of international workers permitted to work on dairy farms.

Similarly, DairyNZ does not support Recommendation 6. As at June 2021, 54% of essential skills visa holders were considered low-skilled, and therefore would not achieve residency under the current points system.⁴² This does not mean their contribution is not highly valuable to the dairy sector and New Zealand. Raising minimum thresholds would limit their ability to continue supporting the sector and create increased uncertainty for New Zealand farmers.

Recommendation 4 and quantifying the net benefits of visa categories fairly across different sectors would be challenging. Lower-skilled workers under the essential skills category may not appear to deliver substantial net benefits in a formal evaluation, even though farmers depend heavily on them. International workers also bring intangible benefits by contributing to the vibrancy and spirit of rural communities and schools. This is a key aim of *Fit for a Better World*, with the Government committed to investing in rural communities so they are vibrant, resilient, and sustainable places people want to live in.⁴³

This could include giving international workers more autonomy around employment choices

Recommendation 8

DairyNZ agrees with Recommendation 8 in principle. Tying international workers to a specific employer does not align well with New Zealand values, and removing ties to an employer could minimise any risk of exploitation. However, the Government should be mindful of the cost governments in other countries can place on New Zealand employers when hiring international workers. For example, under Philippines law, a New Zealand employer is expected to cover recruitment costs of around NZ \$4,000-\$5,000 per employee, as well as workers' airfares.⁴⁴ Farmers need confidence international workers will be able to continue to bolster the dairy sector workforce when needed, if they are to continue making these kinds of investments.

One such solution DairyNZ supports may be to tie international workers to regions or sectors. This would ensure their contribution remains in areas and regions with labour shortages, without forcing international workers to remain with one employer. If workers were to be tied to a sector, the sector should be defined broadly (i.e. food and fibre as opposed to dairy alone). This would allow workers to apply their skills where they are most needed, and create a truly dynamic and flexible food and fibre workforce.

⁴² DairyNZ. (2021). *Dairy Workforce Resilience Plan – Immigration Settings*.

⁴³ New Zealand Government. (2021). *Fit for a Better World*. <https://www.mpi.govt.nz/dmsdocument/41031-Fit-for-a-Better-World-Accelerating-our-economic-potential>

⁴⁴ New Zealand Immigration. (n.d.) *Are you recruiting migrant workers from the Philippines?* <https://www.immigration.govt.nz/employ-migrants/guides/are-you-recruiting-migrant-workers-from-the-philippines-a-guide-for-employers.pdf>

Immigration policy

A Government Policy Statement would provide the dairy sector with improved certainty around immigration settings

Recommendation 2

DairyNZ partially agrees with this recommendation. We agree a Government Policy Statement (GPS) would provide certainty and a clear long-term forward-view of immigration settings, particularly for sectors like dairy, which rely on international workers. If a GPS were to change frequently, that certainty would be undermined.

While we agree there needs to be a GPS, we do not necessarily agree the amendments in Recommendation 2 cover the scope required in a GPS. Further work needs to be undertaken to develop fit-for-purpose immigration settings. Both strategic, system-wide considerations, and tactical actions to support the dairy sector, will be key.

There needs to be industry participation and consultation in determining the GPS, to ensure policy is tailored and responsive to the needs of the dairy sector. This will also help New Zealand farmers compete effectively with other countries for dairy sector talent.

New Zealand's absorptive capacity differs by industry and region

Recommendations 1 and 3

DairyNZ agrees defining absorptive capacity is sensible, but highlights the need to recognise differences in absorptive capacity by sector and region. Dairy is likely to be more able to successfully accommodate and settle new arrivals, with little pressure placed on housing, infrastructure, and education services. Dairy workers typically live on existing on-farm accommodation in regional New Zealand, where demand for housing tends to be lower than in urban centres. Rather than placing undue pressure on the education system, international workers and their families often keep small rural schools operational, and make an important contribution to the vibrancy and livelihood of rural communities.

The Government should consider the nuances of the dairy sector when making decisions on immigration

A one-size-fits-all approach to immigration will not deliver the outcomes the dairy sector needs to thrive. DairyNZ acknowledges industry cannot solve immigration and workforce challenges alone. There is an opportunity for true industry and

This theme relates to:

Recommendation 1

The Immigration Act should be amended to require the Crown to take account of the country's absorptive capacity (our ability to successfully accommodate and settle new arrivals) when determining the "national interest".

Recommendation 2

The Immigration Act should be amended to require the Minister to regularly develop and publish an immigration Government Policy Statement (GPS). These amendments should specify that a GPS must include:

- *Short-term and long-term objectives, and relative priorities;*
- *Performance measures or indicators;*
- *How it recognises the Treaty of Waitangi interest in immigration;*
- *A description of how the demand for temporary and residence visas will be managed over the period of the GPS; and*
- *Specification of planning ranges for new residents over the period covered by the GPS, and a description of how the planning range will affect other government policy objectives.*

Recommendation 3

Amendments to the Immigration Act should specify that, in preparing an immigration GPS, the Government must describe what it considers New Zealand's absorptive capacity to be and how it intends to manage that capacity, or invest to expand capacity, in order to align it with long-term policy objectives.

government partnership to deliver a thriving dairy sector that contributes strongly to New Zealand's wellbeing and economic success.

Appendix 1: Summary of submission

Table 1 outlines our submission, including the findings, questions, and recommendations we have responded to, and DairyNZ's view on each.

Table 1: Overview of submission

Finding/question/recommendation	DairyNZ's view
<p>Theme 1 – Immigration's contribution to dairy</p> <p>Dairying is critical to New Zealand's economy and wellbeing. Immigration has helped the sector thrive, delivering benefits for both international workers and New Zealanders. Dairying-related immigration has not driven up house price inflation.</p>	
<p>Finding 1</p> <p>Immigration's main contributions to productivity and wellbeing come through:</p> <ul style="list-style-type: none">• Raising the long-term levels and diversity of human capabilities in New Zealand; and• Supporting the achievement of other social and economic policy objectives; expanding public services, strengthening innovation ecosystems and extending international relations.	Agree
<p>Finding 3</p> <p>Immigration has had small and mostly positive effects on the wages and employment of New Zealand-born workers over the last 25 years. Overall, evidence on labour market effects does not, of itself, point to major problems with the level and composition of immigration into New Zealand.</p>	Agree
<p>Finding 6</p> <p>Increases in New Zealand's population from net migration have exacerbated rapid house price increases, reflecting several factors including underlying and persistent constraints on the supply of housing.</p>	Agree with overall statement, but dairying has not contributed to this.
<p>Finding 7</p> <p>Microeconomic evidence suggests positive, but small, impacts from immigration on average levels of labour productivity. New Zealand evidence on the impacts of immigration on innovation and exporting as channels for productivity growth finds minor or conditional effects.</p>	Agree

Finding/question/recommendation

DairyNZ's view

Theme 2 – Immigration, education, and employment

International workers are critical to the dairy sector workforce, particularly in the short- to medium-term. The education and training system is best suited to meeting long-term workforce needs. The industry invests in training and upskilling for local and international workers alike.

Finding 4

Currently, there are no consistent feedback mechanisms to link skills shortages evident in the immigration system to potential responses in the education and training system. A lack of feedback mechanisms limits the ability of the education system to meet employer needs and may weaken accountabilities on employers to train and develop local workers. It is not yet clear how new institutions such as Workforce Development Councils and Regional Skills Leadership Groups will work and interact to address this issue.

Agree

Finding 10

Access to a migrant workforce can unlock complementarities and specialisation, but also introduce resilience risks. Whether or not there are negative consequences on innovation and productivity from using migrant labour depends on a range of factors, including underlying labour market conditions and whether technological alternatives are available.

Partially agree

Question 1

To what extent does access to migrant labour reduce training and upskilling activity by employers? Do effects on training and development differ by industry? Are there areas of the economy in which New Zealand should be training people that are currently disproportionately supplied by migrant workers? How could policy best respond?

Access to international workers is not reducing training and upskilling

Recommendation 7

MBIE should develop more data-informed and dynamic skills shortage lists. Occupations that have shown no labour market reaction (such as wage movements), high turnover rates and a continued reliance on temporary migrants, should be brought up for review, with the burden placed on the industry to provide sufficient evidence to justify their continued placement on the list.

Partially agree

Theme 3 – Visa settings

Both international workers on temporary and residence visas play important roles. Visa settings should support both pathways to deliver a flexible and capable workforce, and require greater clarity. International workers should have more autonomy around employment choices.

Finding/question/recommendation

DairyNZ's view

Finding 2

Temporary work visas were increasingly being used to fill vacancies in lower-skill occupations in the period before the Covid-19 pandemic.

Agree

Finding 5

Large queues of applicants for residence visas have increased uncertainty and reduced the likelihood of achieving a pathway to residence. This has left many migrants in flux and unable to settle.

Agree

Recommendation 4

The Ministry of Business, Innovation and Employment should develop and publish an evaluation programme for major visa categories, to assess their net benefits. Uncapped visa categories and those that offer open work rights, such as the various bilateral working holidaymaker schemes and student work visas, should be priorities for evaluation. The Investor 1 and 2 migrant categories would also merit evaluation.

Partially agree

Recommendation 5

The allowable volume of temporary migrant visas with potential residence pathways should be managed to be compatible with the number of residence visas on offer.

Disagree

Recommendation 6

Immigration New Zealand should continue counting points past the minimum thresholds and rank candidates within the Expression of Interest pool. It should select those with the highest points first; actively publicise the point ranges of the successful applicants to emphasise that the minimum threshold is not the target, and raise the minimum threshold on a regular basis to manage application volumes.

Disagree

Recommendation 8

The Government should remove visa conditions that tie temporary migrants to a specific employer. These conditions increase the risk of exploitation and limit the ability of workers to find better job matches, which can promote wellbeing and productivity. Where there are concerns about displacement of New Zealanders, work rights could be limited to specific regions, occupations, industries or accredited employers.

Agree in principle

Finding/question/recommendation

DairyNZ's view

Theme 4 – Immigration policy

A Government Policy Statement with industry input would provide the sector with certainty around immigration settings. Absorptive capacity differs by industry and regions, and the Government should consider the nuances of the dairy sector when making decisions.

Recommendation 1

The Immigration Act should be amended to require the Crown to take account of the country's absorptive capacity (our ability to successfully accommodate and settle new arrivals) when determining the "national interest".

Agree

Recommendation 2

The Immigration Act should be amended to require the Minister to regularly develop and publish an immigration Government Policy Statement (GPS). These amendments should specify that a GPS must include:

- Short-term and long-term objectives, and relative priorities;
- Performance measures or indicators;
- How it recognises the Treaty of Waitangi interest in immigration;
- A description of how the demand for temporary and residence visas will be managed over the period of the GPS; and
- Specification of planning ranges for new residents over the period covered by the GPS, and a description of how the planning range will affect other government policy objectives.

Partially agree

Recommendation 3

Amendments to the Immigration Act should specify that, in preparing an immigration GPS, the Government must describe what it considers New Zealand's absorptive capacity to be and how it intends to manage that capacity, or invest to expand capacity, in order to align it with long-term policy objectives.

Agree

Table 2 overleaf states the findings, questions, and recommendations DairyNZ has not responded to. We acknowledge these are important considerations, but have not responded as these are areas which fall outside our core focus.

Table 2: Findings, questions, and recommendations DairyNZ has not responded to

Finding/question/recommendation

Finding 8

An infrastructure deficit and associated pressures are the result of a failure to align investment rates with population growth and build the assets needed to properly support more people in the community ahead of time. The inability or unwillingness in the past to fund this infrastructure suggests that pre-pandemic rates of inwards migration will not be sustainable in the future.

Finding 9

Policy reforms such as better planning, land use regulation, and improved funding and building of infrastructure would have significant wellbeing and productivity benefits for New Zealanders, and should be pursued regardless of immigration levels.

Finding 11

The disconnection of immigration from other policy areas has meant that the rapid growth in net migration and population in the years preceding the Covid-19 pandemic exceeded New Zealand's ability to successfully accommodate and settle new arrivals.

Finding 12

The preamble of the Treaty of Waitangi, and the duty of active protection, demonstrate that there is a Treaty interest in immigration policy, which should be reflected in policy and institutions.

Finding 13

New Zealand is unusual in giving permanent residence visa holders an indefinite right to return, even if they have re-migrated elsewhere in the world. Other countries either require residents to return at regular points or remain in the country for specified periods if they wish to retain or renew their permanent residence visa.

Question 2

What objectives should be included in an immigration Government Policy Statement? Why?

Question 3

How could the Treaty of Waitangi interest in immigration policy be best reflected in new policies and institutions?

Finding/question/recommendation

Question 4

Should the annual number of residence visas on offer be reduced? If so, to what level and why? And if not, why not?

Question 5

Should the right to return for permanent residents who re-migrate out of New Zealand be limited? Under what conditions? What would be the costs and benefits?

Question 6

Should efforts by migrants to learn te reo be recognised in the residence or permanent residence approval process? If so, how would this best be done?

Question 7

Do particular groups of migrants need additional or targeted support to settle? If they do, what types of support would work best?

Recommendation 9

The Government should proceed with expanding the Welcoming Communities programme. MBIE should manage the expansion to ensure adequate resourcing, close engagement of participating communities, and strong ownership and involvement from local iwi in the delivery of welcoming plan activities.

DairyNZ 

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