

**ECONOMIC DEREGULATION AND CHANGES IN NEW ZEALAND'S
IMMIGRATION POLICY:
1986 TO 1991**

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New Zealand's immigration intake is small by the standards of the main immigrant receiving nations and many of her immigrants are subsequently lost through the process of re-emigration. Nevertheless, changes in New Zealand immigration policy over the last 10 years have been profound. This article is the first of a two-part history of these changes.

W. D. Borrie presented substantial evidence in his book *The European Peopling of Australasia: A Demographic History 1788-1988* that the last two centuries of unique European colonisation in the Pacific Antipodes have almost ended.[1] But his concluding note that in New Zealand in the late 1980s 'there had been very little attempt...for almost a decade...to press for higher immigration levels or to disturb the trend to slower population growth'[2] was made shortly before the New Zealand Government implemented a new immigration policy in November 1991 as an integral part of its 'experiment' to enhance New Zealand's economic performance. The dramatic impact of the new immigration policy in terms of the number of non-New Zealand nationals arriving in New Zealand and the size of the Asian component of this immigration, and of the policy 'fine-tuning' introduced in October 1995, have made immigration one of the most contentious issues in New Zealand in the mid-1990s.

This paper seeks to focus attention on the immigration policy dimensions of what has been termed 'The New Zealand Experiment',[3] the radical programme of economic restructuring initiated by the Fourth Labour Government in 1984 and relaunched by the new National Party Government in late 1990. It outlines the changes made to immigration policy from 1986 to 1991. (A subsequent article will carry the story up to the present day.)

HISTORICAL BACKGROUND

The origins of the 'New Zealand Experiment' lie in the poor economic performance of New Zealand relative to the OECD average and to Australia in the 1970s and early 1980s. It was recognised that the economic effects of continuing balance of payments deficits had been largely hidden by social services and regulatory measures that were stifling economic growth.⁴ Deregulation was seen to be essential if New Zealand was to become competitive and economically efficient in a free market, both internationally and internally.

The election in July 1984 saw a change of Government from the National Party to the Labour Party and the new Labour Government moved quickly to adopt a 'model of pure neo-liberal economic theory',[5] embarking on a comprehensive policy of reform. Many of the new initiatives were revolutionary, particularly for a Labour Government whose party had traditionally espoused a social democratic philosophy.

Immigration policy in New Zealand in 1984 was based essentially on the long- established view of New Zealanders that New Zealand has a limited capacity to absorb large numbers of new settlers and that immigration was needed primarily to supplement the labour force when there were labour shortages.[6] In 1973-74, immigration policy had been reviewed and, in 1974, controls were imposed on the entry of all immigrants except those travelling under the reciprocal Trans- Tasman Travel Arrangement concluded with Australia in 1972. By 1978 New Zealand's immigration policy recognised three main categories of permanent immigration: entry on occupational, family reunification and humanitarian grounds.[7] Provision was also made to consider applications from entrepreneurs with expertise and money to invest and from people who were distinguished in the arts or sciences or in public life.

A decision was taken in 1981 to prepare a new Immigration Act. It had become very difficult to administer New Zealand's immigration policy within the legal framework of the Immigration Act of 1964 which contained many sections dating back to the Immigration Restriction Act 1908 and its nine amendments.[8] Consequently, an Immigration Bill was introduced in Parliament on 15 December 1983. This lapsed when Parliament was prorogued on 14 June 1984, just before the July 1984 election which resulted in a Labour victory. The new Labour Government came to office with a commitment to change New Zealand's immigration law and policy, a commitment which led to the most comprehensive review of immigration matters since the review carried out in 1973-74. Its results were presented to Parliament on 14 August 1986 in the Review of Immigration Policy August 1986 [9] and the Immigration Bill 1986.

THE AUGUST 1986 REVIEW

But several changes preceded the August policy review. The Government recognised that the procedure that had been followed for many years of limiting the selection of economic (occupational) immigrants to persons from the 'traditional source countries' of Northern and Western Europe and North America was discriminatory and it abolished national origin as a factor in immigrant selection from the beginning of 1986. Steps were also taken to extend temporary, visa-free, entry arrangements with the countries of Western Europe, Japan, Canada and the United States and consideration was also given to extending these arrangements to other countries. Another important change made at the beginning of 1986 was to introduce a more flexible approach to the issue of work permits to visitors already in New Zealand.[10]

The immigration policy introduced in August 1986 retained much of New Zealand's traditional immigration philosophy, including the three main categories for granting prospective immigrants permanent residence, but the changes that were made paved the way for key features of New Zealand's immigration record since 1991. (These will be described in the second article in this series.) The 1986 policy emphasised that immigration was to serve New Zealand's domestic, regional and international interests and would focus on seven objectives. These included: regulating immigration to be consistent with current Government economic and social policy; enriching the multi-cultural social fabric of New Zealand society through the selection of new settlers principally on the strength of their potential personal contribution to the future well-being of New Zealand; encouraging and facilitating the full

participation in New Zealand society of new residents; and facilitating the entry of visitors to foster tourism, trade and commerce, cultural, educational and scientific activities and international understanding.

It was announced that more emphasis would be placed on entrepreneur and business immigration. The main thrust of this type of immigration was changed from one of selecting proposals to one of selecting people. Prospective business immigrants would be expected to have at least NZ\$150,000 that they could readily transfer to New Zealand to meet their first year's establishment costs. New Zealand's family reunification policy was also made more humane by introducing a 'centre of gravity' approach to split families and introducing a combination of family sponsorship and occupational entry.

These policy changes (both those introduced before the August 1986 review and those subsequent to it) soon had an impact on New Zealand's immigration patterns (see [Table 1](#)). In the first full year for which data are available following the August 1986 policy review (from 1 April 1987 to 31 March 1988) there was a marked increase in the employment category, compared with the period 1 April 1983 to 31 March 1984, in the number, and often the proportion, of successful immigration applications from non-traditional source countries in East, South East and South Asia (Hong Kong, Malaysia, India and Sri Lanka).[11] (New Zealand statistics customarily refer to the former financial year from 1 April to 31 March.) The increased immigration from Hong Kong and Malaysia was consistent with the liberalisation of the business immigration policy.[12] The family reunion category also saw a substantial increase in the number of applications and a noticeable concentration of Filipinos among successful applications from South East Asia.[13] Temporary entry to New Zealand also grew. This reflected the introduction of visa waver agreements and included persons admitted for work or as students. It also included visitors who could now apply for a temporary work permit in New Zealand.

[\[Table 1\]](#)

The changes that were made to facilitate the temporary entry of travellers from 'traditional' and non-traditional source countries for holiday, business, family and cultural purposes [14] were indicative of the much more sweeping changes being made to deregulate the New Zealand marketplace to make it economically more efficient. As government departments operating in the generic commercial marketplace were formed into state-owned enterprises, and regulatory restraints were dismantled on an industry by industry basis, [15] job losses increased.[16] The level of unemployment in the year 1 April 1985 to 31 March 1986 was moderated by a total net emigration of 18,518 persons, the first since the consistent net migration losses recorded between 1976-77 and 1981-82,[17] but employers argued that they were hampered by the widespread emergence of skill shortages[18] and increasingly called for labour market deregulation[19] and 'human-capital' development through a more liberal immigration policy.[20]

THE 1986 IMMIGRATION BILL

The Immigration Bill of 1986 was enacted in April 1987 and came into effect on 1 November 1987. It made a new distinction between New Zealand citizens and non-citizens. It also dealt with visa requirements, residence and temporary permits, as well as with the

enforcement of immigration rules and appeal procedures and the powers of immigration officers.[21]

The new law provides for a 'gift of time' for an estimated 12,000 overstayers in New Zealand. These people were given three months to apply for a temporary permit to stay or to leave the country without legal repercussions. Everyone who applied was guaranteed a temporary permit that would enable them to apply for a temporary or residence permit.[22] The new law also introduced fees for visa applications ranging from NZ\$80 for a work visa or to NZ\$200 for lodging an application for permanent residence. It also provided for charges ranging from NZ\$100 to NZ\$900 for visas for business migrants seeking to live in New Zealand on the basis of specific investment proposals.[23]

By the end of the three months 'gift of time' for overstayers, many Pacific Islanders in this category were alarmed that they would not be eligible for residence in New Zealand.[24] As well as this, the heavy workload on the staff of the immigration offices soon caused a major backlog in processing applications for residence from overstayers. On 26 April 1988 a temporary relaxation of the criteria for permanent residence was made for up to 4000 former overstayers in order to fast-track procedures.[25] There were further changes affecting applicants for residence permits and, by July, the Opposition National Party spokesperson on immigration called for an investigation into the administration of the Immigration Division of the Department of Labour.[26]

THE RESPONSE FROM THE NATIONAL PARTY OPPOSITION

The National Party had adopted an economic policy in 1987 that proposed to make it easier for people with skills or capital to migrate to New Zealand. In 1988 the Opposition finance spokesperson drew attention to the businesses, particularly in the South Island, that were crying out for people with commercial and entrepreneurial skills when she advocated a target of admitting up to one million immigrants by the year 2000.[27] The National Party's annual conference approved a recommendation in August 1988 to 'actively promote immigration to increase the population by one million skilled persons over 20 years to a target population of six million within 50 years'.[28] In 1988 New Zealand's estimated mean population was 3.32 million. An increasing number of calls for a positive immigration policy were made when the findings of a computer study by the Institute of Policy Studies on the economic impact of immigration indicated that more immigrants would lead to a drop in unemployment, increased demand for services and lower inflation.[29]

Groups supporting higher migration included the Local Government Association which advocated increased semi-skilled as well as skilled immigration into New Zealand[30] and the South Island Local Bodies' Association.[31] The Top Tier group, representing manufacturers, merchants, farmers, the Chambers of Commerce and the tourist industry, emphasised at an immigration seminar in Wellington on 22 March 1989 that an 'active labour market policy' was required to increase training of New Zealanders and that further immigration was needed to enhance and strengthen the skills base in New Zealand.[32] In the year 1 April 1988 to 31 March 1989, New Zealand had recorded a total net migration loss of 18,298 persons.[33] The advocates of increased immigration stressed the importance of a selective immigration policy to replace the skilled New Zealanders who had emigrated because of the redundancies and the high levels of unemployment caused by five years of rapid restructuring.

THE BUSINESS IMMIGRATION POLICY

Most of the debate focused on the Business Immigration Program (BIP), a part of the policy introduced in August 1986.[34] In the year 1 April 1988 to 31 March 1989, 3,252 BIP migrants were granted residence in New Zealand.[35] They accounted for about 12 per cent of the 27,462 migrants approved for residence by the New Zealand Immigration Service that year compared with about one per cent of the 8,268 applications approved for residence in the year to 31 March 1987.[36] The growth in the number of applications had come largely from Taiwan, Hong Kong and Malaysia and, to a lesser extent, from Fiji and the United Kingdom. The new Asian migrants settled disproportionately in Auckland and were becoming clearly visible.[37] There were newspaper reports of ‘Busloads of Asians...tripping around Auckland suburbs...viewing residential property for sale’,[38] of ‘woefully inadequate’ education provisions for the children of Asian business immigrants,[39] and of the struggle that the new migrants were having to set up ventures in New Zealand.[40]

In July 1989 a review of the Business Immigration Program by the Ministry of Commerce made a number of recommendations for administering and monitoring the policy more effectively and for considering the establishment of a post- arrival advice facility for business migrants in Auckland.[41] Business consultants emphasised the need for the Government to tighten its immigration laws to ensure that the business immigrants actually invested in New Zealand.[42] A response from the Minister of Immigration indicated that there would be changes in the business immigration scheme; it was being reviewed by the Government, and a report would be issued.[43] There was no sign of the report two months later when the National Party Opposition spokesperson on immigration criticized the New Zealand Immigration Service. A new minister took over the immigration portfolio in September 1989.

The new Minister of Immigration was Roger Douglas, the politician who had been responsible for reshaping the New Zealand economy as Minister of Finance between 1984 and December 1988. In November 1989 he proposed radical changes to immigration to link it with New Zealand’s long-term interests over a 20 to 30 year time-frame.[44] His plan included an annual net migration inflow of 10,000 persons a year compared with the substantial average net outflows of the 1980s, the introduction of a points- based system of immigrant selection, active recruitment of new immigrants from Europe to balance the influx from Asian and Pacific countries, and a new policy to encourage immigrants to settle throughout New Zealand. Shortly afterwards, Roger Douglas announced that he would resign from Parliament at the time of the 1990 general election but he continued to lead the immigration policy review for another three months. On 21 March 1990, just a week after being appointed Minister of Immigration, his replacement, Mrs Annette King, announced that the Government was adopting a new immigration policy ‘aimed at increasing the population by 10,000 predominantly highly skilled people a year’.[45]

THE BEGINNINGS OF REFORM

The then Prime Minister, Mr Palmer, emphasised that there needed to be ‘a totally new policy’ that was ‘more workable, easier to enforce, and [had] a greater predicability’.[46] New Zealand was entering the world market for skills and immigrant selection would be on a points basis according to a formula that potential migrants could use to assess their own chances of qualifying. All applicants for permanent residence would have to have an offer of a full-time job requiring a trade, technical or professional qualification. (This qualification

had to be one requiring a minimum of three years study to obtain.) The policy also aimed to stop people coming to New Zealand on temporary visas and then trying to change that status to permanent residence. The changes only affected occupational and business migrants; no changes were recommended in dealing with the family reunion and humanitarian immigration categories. Interim changes to New Zealand's immigration policy took effect from 17 April 1990.

Less than three months later immigration consultants reported a marked downturn in the number of people seeking to work in New Zealand on a temporary basis. They claimed the major reason for this was 'inconsistent and confusing Government policies towards immigration'[47] and the poor quality of New Zealand immigration officials overseas.[48] A report commissioned by the Business Roundtable focused attention on an argument for immigration of up to 40,000 people a year unfettered by administrative selection processes such as job priorities.[49] But, as the general election on 27 October 1990 approached, neither the Government nor the Opposition chose to focus on immigration issues. The Labour and National Parties had not set out to develop a bipartisan, apolitical immigration policy, but agreement had evolved over the key role of the business immigration scheme in the restructuring of New Zealand's future.

THE NATIONAL PARTY GOVERNMENT: 1990-1991

The National Party won the October 1990 election and the new Government moved quickly to introduce its radical labour market reform and a new immigration regime. Both changes were seen to be essential to complete the economic transformation of New Zealand begun in 1984. The new Government considered that an immigration policy that attracted well-qualified immigrants in substantial numbers was vital to increase New Zealand's human capital and its development. In 18 December 1990 the new Minister of Immigration, Mr Bill Birch, appointed three persons to review New Zealand's immigration policy and procedures. The working party was required to make recommendations by 1 March 1991 on: 'how to implement an appraisal process which ensures that skilled occupational migrants are efficiently and fairly assessed; how to implement a dynamic Business Migration Programme which incorporates close supervision of investments, careful post-arrival monitoring, and conditional permanent residence; what formal role for immigration consultants will best assist in implementing the Government's immigration policies and what is the appropriate form of and mechanisms for accreditation of consultants; what balance and mix of change of status rules, a quality migrant assessment process and compliance mechanisms will ensure the Government can maintain the integrity of its active immigration policies while controlling the number of unlawful immigrants'.[50]

THE WORKING PARTY REPORT

The working party issued a report, the Report of the Working Party on Immigration in March and, eight months after, on 5 November 1991, the Government launched New Zealand's new immigration policy. Extensive changes were made to the permanent immigration categories to 'attract quality migrants from a wider catchment of countries'.[51] The emphasis was on attracting young persons with skills who would bring 'capital and energy which will increase domestic demand and provide employment opportunities'.[52] The Government aimed to achieve an annual total net migration gain of 20,000 persons and suggested that it would need to grant residence to 25,000 immigrants each year to achieve this target.[53]

A guaranteed job was no longer a requirement for being approved for residence in New Zealand. In future applicants would be approved on a points system under a general category, or on business-related and investment criteria under the business investment category. Little change was made to the criteria for entering New Zealand on family and humanitarian grounds or to the temporary entry regulations. (Special quotas for migrants from Western Samoa and the Netherlands were retained because of the Treaty of Friendship negotiated with Western Samoa in 1962 and the agreement negotiated with the Netherlands government in 1950. Australian citizens and Australian residents continued to be exempted from visa requirements and would be granted residence permits on arrival in New Zealand.)

1991 AND THE POINTS SYSTEM

The general category replaced the previous occupational category and provided that applicants would be assessed, and ranked, under a points system which awarded points for employability, age and settlement factors.[54] See [Table 2](#).

[\[Table 2.\]](#)

The working party on immigration recommended that applicants for residence under the general category should be grouped into three classes on the basis of the points they qualified for. These recommendations were adopted, and, from 1991, applicants who achieved a publicized number of points have been accepted automatically provided they met the basic health and character checks. Those who fail to achieve a stated number of points are rejected. The applicants in the middle ‘remain current’ for up to two six-month periods so that they can be granted residence if there are insufficient applications in the first category to reach the number set by the Government.[55]

It was the Government’s intention that the new policy should be flexible and that it would be applied according to the flow of applicants. When the points system was introduced the Minister of Immigration announced that applicants would need to score a minimum of 19 out of 40 points to be considered for residence.[56] The Minister also referred to a ‘regional quota’ that was to be designed to attract a mix of immigrants but he stated that this ‘would not be stated in a published schedule’.[57]

The victory of the advocates for a more liberal and clearer immigration policy in New Zealand was a significant development in the ‘New Zealand Experiment’. Much was expected of immigration as a human-capital policy but the Government’s target was not overly ambitious. Nevertheless, there was abundant evidence that immigration would be an even more controversial issue in New Zealand in the 1990s than in the 1980s. The dramatic impact of the new immigration policy and the evolving policy issues will be addressed in the second part of this overview.

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Back to [Back to Contents Vol. 4 No. 3](#)

Back to [People and Place Home Page](#)