



MTA Submission

To the
New Zealand Productivity Commission

on
**Immigration – Fit for the future:
Preliminary findings and recommendations**

23 December 2021

Dear Sir / Madam

Immigration – Fit for the future: Preliminary findings and recommendations

This submission is from:

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Thank you for the opportunity for MTA to provide comment on New Zealand's immigration settings regarding the views of and its effect on the automotive industry.

Yours sincerely,



Greig Epps
Advocacy & Strategy Manager

Introduction

The Motor Trade Association (Inc) (MTA) was founded in 1917 and has maintained over 100 years of trust with the NZ motoring community. MTA currently represents over 3,800 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales. The automotive industry employs approximately 60,000 New Zealanders and contributes around \$3.5 billion to the New Zealand economy.

From a survey of members, MTA believes that around seven per cent of the automotive workforce are here on some form of working visa (either temporary or a pathway to residency). As well as needing to secure suitable candidates from overseas, small business owners need to be able to engage with the immigration system to help their workers navigate the twists and turns of applying for the right to be in New Zealand.

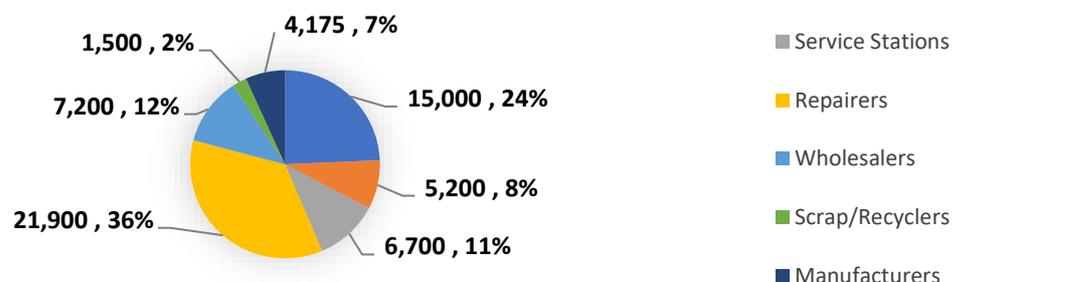
The motor industry plays a fundamental role in generating government revenue, creating economic development, encouraging people development, and fostering R&D and innovation.

MTA welcomes the Productivity Commission's findings that immigration makes a positive contribution to Aotearoa New Zealand's economy and community and appreciates the opportunity to submit on Aotearoa's immigration settings.

The Automotive Industry

Automotive industry employment, 2020

Source: StatsNZ, Dr. Julian Williams Economics Consultant and Researcher



Our industry is dominated by the repair and maintenance sub-sector, making up 36 per cent of all employment in the sector, mainly made up of technicians qualified to level 4, along with administrative staff and managers. In the repair sector, our MTA members are virtually all small to medium sized enterprises (SMEs) with expertise in their specialist vehicle repair function.

Business owners and automotive technicians are getting older, so we expect many will be considering their retirement options soon. The average age of a light vehicle in New Zealand is 14.5 years, which means internal combustion engine (ICE) vehicles purchased today will remain in the fleet for decades to come. Even with the shift to a low carbon future, there will be a mixed fleet well into the 2030s and the need for automotive technicians will not reduce.

The New Zealand automotive industry is facing a skills shortage that the market cannot address.

A recent survey conducted by MTA found that there is an average of one vacancy for every business and about 7 per cent of the workforce is on visas. Our members have told us they want to hire from within Aotearoa, but they just cannot find suitable candidates¹. We asked them what sort of help MTA could give them in the recruitment process and overwhelming the reply can be paraphrased as “Just find me someone to interview, there are no candidates showing up”.

The closure of New Zealand’s borders in 2020 resulted in visa approvals for automotive roles falling close to zero, exacerbating the existing skills shortage in the sector. In the June 2021 quarter, a net 69% of businesses reported that finding skilled workers had become harder.²

Skill needs and new technologies

The skills needed by our industry are determined by the make-up of Aotearoa New Zealand’s vehicle fleet. Technologies such as Advanced Driver Assistance Systems (ADAS) and the increasing number of electric vehicles (EVs) are changing the sector’s skill needs.

Automotive technicians no longer simply replace parts and top up engine fluids. Instead, they diagnose problems with scanning computers and need to analyse the data, requiring sophisticated computer diagnostic tools and skills. Most new vehicles have an onboard diagnostic system (ODS). Specialised equipment and training are required to recalibrate advanced radar, cameras, sensors, and advanced driver assistance systems (ADAS). Even routine tasks such as changing tyres and other parts have now been transformed thanks to the latest technology.

MTA fears that the “common wisdom” that electric and hybrid vehicle require less maintenance has been interpreted by many as meaning these vehicles will need **no** maintenance. However, EVs and ICE vehicles have very similar safety maintenance needs in terms of tyres, suspension, steering, and lights. These are no less important because a vehicle has been plugged in and they require a skilled automotive technician to ensure they remain safe and operational.

While they have very different propulsion systems and ODS, there are common skill sets required to repair ICE and EV vehicles. EVs require a skill set focussed more on electronics, whereas ICE vehicles have traditionally required more mechanical skills. Repairing and servicing hybrid vehicles require an understanding of both propulsion systems and how they interact.

Infometrics projects:³

“For every job opening created by sector growth over the next five years, 2.5 jobs will be created by the sector needing to replace workers who leave the workforce. That’s 27,00 job openings in total between 2021 and 2026”

At time of writing, New Zealand’s unemployment rate is at a record low 3.4 per cent.

We simply do not have the labour market supply to meet the skills in demand.

¹ MTA skills survey (September 2021)

² NZIER, Quarterly Survey of Business Opinion, seasonally adjusted series

³ Infometrics, Environmental Scan for the Automotive Sector for the MITO New Zealand Incorporated (MITO), (2021)

In July 2021, MTA released the findings of research on the impact of the Apprenticeship Boost on employers asked about firms' hiring preferences. During this time major changes to temporary work visas have been in place, including the classification of jobs as low or high paid based on whether they were paid above or below the median wage.⁴

Businesses were asked to respond to questions about how these changes affect their preference for taking on apprentices compared with employing skilled migrants, in order to get skilled workers:

There were 71 respondents who ticked the following responses:

- 56 ticked: *I prefer to train apprentices and this has not changed*
- 15 ticked: *I prefer to hire skilled migrants and this has not changed*
- 4 ticked: *I previously preferred hiring skilled migrants, but now I prefer to train apprentices*
- 1 ticked: *I previously preferred training apprentices, but now I prefer hiring skilled migrants*

Our report highlighted that businesses want to hire from within New Zealand, **but there is a significant lack of available workforce**. Businesses have essentially three options:

- (1) hire trained workers;
- (2) hire an apprentice; or
- (3) hire skilled migrant workers.

With skilled candidates scarce in the country, and few jobseekers to attract into vocational training, employers are left with no option but to hire from overseas. Of course, this has been near impossible in a COVID-19 environment, even with key automotive roles on Government skill shortage lists.⁵

Barriers to education and training

Our industry is dominated by SMEs that do not always have the resources to be able to offer the much-needed workplace-based training. The employer's business premises are the "last mile" of vocational education delivery; it is the *forgotten classroom*. The business owner is making one of the most important and impactful decisions they can make: an employment decision. Workplace based training places a considerable time and cost burden on businesses; senior staff need to find time to teach and mentor apprentices, who are also being paid despite not being able to generate the business any profit.

Our 2021 Training Survey report found that the average annual cost per apprentice is \$51,863 and the apprentice to technician ratio needed is approximately 1:2.⁶

Our members told us the two main barriers to hiring apprentices were costs and unavailability of suitable candidates.

⁴ Dr. Julian Williams, Analysis of Training Survey for MTA, (2021)

⁵ As we have seen in the experience of other industries, being on priority lists and having MIQ spaces reserved for your job seekers is no guarantee that a business can find candidates overseas and progress them through the extant immigration paperwork processes to meet industry needs.

⁶ Dr. Julian Williams, Analysis of Training Survey for MTA, (2021)

The Apprenticeship Boost funding⁷ has done a great deal to alleviate the financial burden on employers, however the automotive trades continue to suffer from negative public perception, and it has been very difficult to attract young people to the industry.

Overseas skilled technicians

As such, Aotearoa must look overseas to fill the gaps in our workforce.

Immigration has helped raise the overall skill level of the working population, and with myriad changes impacting the automotive industry, we must pull all available policy/regulatory/commercial levers and utilise immigration to upskill technicians with the skills to handle emerging technologies.

As a technology taker, New Zealand needs the skills and expertise of trained migrants. Immigration is a powerful tool when utilised correctly, to train our local workforce in niche and specialised roles where it is too expensive to train domestically.

The Immigration Act 2009 envisages that the Minister might develop instructions to meet objectives such as “contributing to the New Zealand workforce through facilitating access to skills and labour”.⁸

Immigration settings must focus on delivering skills that are not available in New Zealand and criteria should align with the skills needed in sectors. There is currently next to no relationship between policies set by Immigration New Zealand and industry needs; these feedback loops must be strengthened. Listen to industry.

How do we measure skill?

Salary is not an indication of skill; it should be a consideration in assessing skill, but it should not be a determinative gateway factor for entry. Current immigration settings fail to recognise the broad range of skills that migrant workers bring to New Zealand (and the value placed on them).

A threshold set at the median (50th percentile) of wages for all occupations is excessive compared with lower thresholds (such as the 25th percentile for the United Kingdom).⁹ The salary threshold allows no flexibility to account for differences in a migrant applicant’s:

- occupation
- qualification
- experience
- age
- other outcomes such as supporting specific location and low wage occupations.

Immigration settings fail to recognise the essential nature of the automotive sector. New Zealanders are passionate about their cars, Aotearoa has the fourth-highest rate of per-capita car ownership in the world and a transition to a low emissions future won’t change this. EVs and Hybrids still need the industry to sell, fix and charge them.

⁷ MTA understands that this funding will be discontinued at the end of 2022 and we strongly urge Government to make the programme a permanent feature of vocational training.

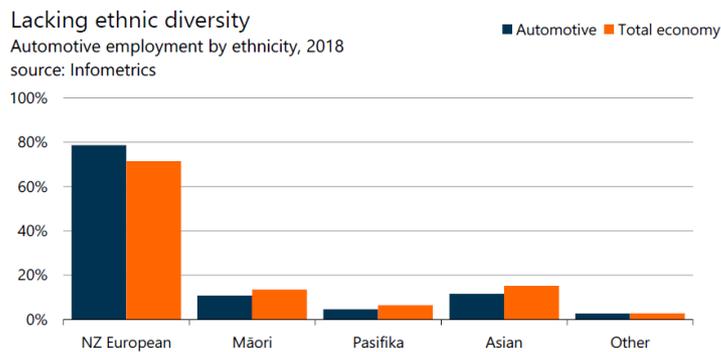
⁸ Section 3(2)(b)(i) - <https://www.legislation.govt.nz/act/public/2009/0051/latest/DLM1440310.html>

⁹ NZIER report to MTA, Salary threshold test for temporary work visa, (2020)

Comment on the Commission’s Findings and Recommendations

Immigrants make a positive contribution to New Zealand’s workforce

MTA welcomes and supports this finding. It acknowledges how immigration benefits Aotearoa New Zealand and shows how migrants are able to fill the gaps in our workforce and enhance skills. Immigration also helps increase diversity, this is particularly important in a sector like the automotive industry, where 79 per cent of people employed in 2018 identified as NZ European.¹⁰



There is no long-term strategy, and no mechanism for public engagement about immigration

MTA agrees that the immigration system lacks “a clear and single overarching strategy or set of priorities”. The Immigration Act 2009 provides no guidance or certainty to employers seeking to hire migrants or migrants themselves. There is no mechanism for public engagement on this area and as the Commission highlighted, the main method of expressive views on immigration is during election time. Immigration should be subject to bipartisan agreement to ensure New Zealand’s approach to immigration is clear, stable, and sustainable.

Immigration has helped raise the skill level of the working population

MTA supports this finding. As a technology taker, New Zealand needs the skills and expertise of migrants. For specialised roles, it can be too costly (both financially and in time) to train domestically. As with other policy areas, we must pull all the levers to address national skill shortages and continue to raise the skill level of our local workforce.

Immigration has not come at the cost of locals’ wages and employment opportunities

MTA supports this finding. This is a common myth that needs to be busted.

New Zealand has record low unemployment and a low population base. The local labour market supply is insufficient to meet our industry’s demand for skills.

There are no consistent feedback loops between the immigration and training systems

MTA supports this finding. The current skill shortage lists reflect on job vacancies and not on the skills in New Zealand’s education and training systems.

¹⁰ Infometrics, Environmental Scan for the Automotive Sector for the MITO New Zealand Incorporated (MITO), (2021)

There needs to be greater communication between MBIE and the Ministry of Education to close this information gap. MTA has worked with the Ministry of Education's Business and Employer Liaison Manager, but the reality of New Zealand's automotive industry has not been recognised across government organisations.

The troubling patterns of abuse and exploitation

The Government should **focus on the enforcement of existing laws** and move against bad employers.

New Zealand has employment laws, health and safety laws, criminal offences, among a range of tools for authorities to ensure that people treat each other with respect and dignity.

The immigration system is not the mechanism for preventing the abuse of one person by another (whether that victim is a migrant or otherwise). Immigration policy should focus on ensuring that desirable people enter the country for lawful reasons and do not outstay their permitted time in the country. Once landed, there are many other agencies and authorities tasked with ensuring the wellbeing of all people.

The system can't deal with large volumes of applications for permanent residence

It is no secret that that queues of applicants for residence have been extremely high. There appears to be no relationship between the number of residency places available and eligibility for residency. Similarly, measuring eligibility against wages means lower-paid migrants making positive contributions to Aotearoa New Zealand are unfairly impacted.

Immigration policy needs transparency, a clear direction and better connection

The immigration process is expensive and long. It takes an average of 10 years for a worker to gain permanent residency. During that time Governments can change and vastly shift immigration policy, creating increased uncertainty and stress to migrants and their families and deter skilled migrants from wanting to settle in New Zealand. Clear and transparent immigration policy can help reduce the added uncertainty and also ensures Aotearoa is attractive to overseas migrants.

Should the right to return for permanent residents who leave be limited?

MTA does not support this proposed action. Government should focus on robust immigration policy and criteria for permanent residency instead.

Explicitly acknowledge the Treaty of Waitangi interest in immigration policy

MTA supports this finding. The principles of partnership, participation and protection should be taken into consideration in the development of immigration policy.

Should efforts by migrants learn te reo be recognised in the approval process?

MTA does not support this proposed action. The intent of this recommendation is laudable, but it seems incongruous to require migrants to pursue more knowledge and understanding of tikanga Māori than we require of our existing citizenry.

MTA acknowledges te reo Māori is an official language and taonga that must be protected; however, there is already significant demand for te reo courses in New Zealand that can't be met. How will migrants access learning programmes if Kiwis face a waiting list?

And, with the reality of English as the functional language in a majority of businesses, it places a huge strain on migrants seeking to enhance their chances by making them upskill in both English and te reo Māori. Further, this would create a de facto bias towards English-speaking (Western) migrants¹¹ who will only need to focus on picking up some level of te reo. There is also a question as to what level would be required.

Remove visa conditions that tie migrant workers to a specific employer.

MTA does support removing visa conditions that tie migrant workers to a specific employer.

Employers spend a significant amount of time and money to recruit a migrant and this needs to be recognised. Settings around this are already being enhanced in 2022 with the implementation of the Employer Assisted Visa Category, therefore this recommendation is not needed.

If Government is concerned about migrant exploitation, use existing labour laws and focus on the few bad actors and take action against them.

Recommendations

- Immigration policy should be simple, clear and flexible.
- Government should acknowledge that skills from overseas are essential for overcoming skill shortages and growing the skills of local workforce.
- Strengthen the relationship between industry and Immigration New Zealand
- Salary is not an indication of skill; it should be a consideration not a determining factor.
- In relation to migrant exploitation, the Government should focus on enforcement of existing labour laws and take action against bad employers.
- Improve coordination of education and welfare channels to meet industry skills needs.

MTA appreciates the opportunity to submit on Aotearoa New Zealand's immigration settings.

¹¹ New Zealand's Foreign Affairs and Trade positions recognise the concept of an "Indo-Pacific" region that encompasses and highlights New Zealand's connections to the Pacific, Asia, and the Indian continent. A policy that has the unintended consequence of favouring Western European candidates may not be aligned with our international relationships in future.



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