

# English agrees high migration, particularly of students and those on working holidays, has suppressed wage inflation; but sees migration flattening and says real wage growth stronger than elsewhere

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Finance Minister Bill English speaking to reporters in Parliament on Sept 15, 2015. Photo by Lynn Grieverson for Hive News.

**By Bernard Hickey**

Finance Minister Bill English has admitted that the high number of student and working holiday migrants has helped depress wage inflation for lower skilled jobs.

But English said he expected the migration cycle to turn soon to take some of the downward pressure off wages and that real wage growth in New Zealand was higher than in some other countries.

His comments came after net migration hit a fresh record high 59,600 in the year to July and as Opposition politicians and others are calling for a moderation of migration, particularly of more lowly skilled migrants working in aged care, hospitality and farming.

Former Reserve Bank Economist Michael Reddell has highlighted the large number of relatively low skilled long term migrants who have been admitted to New Zealand in recent years and approved for permanent residence. He **cited** MBIE papers last week showing the top four occupations admitted in the previous two years were chef, aged care nurse, retail manager, and cafe or restaurant manager. A previous post cited figures showing chefs, bar workers, dairy farm workers and aged care workers were among the top categories.

English was comfortable with the current mix of migrants.

"I think we are going through a cycle there," English told reporters in Parliament before National's weekly caucus meeting.

"There was a big pickup in migration, particularly the shorter term working holiday visas and students. It'll be interesting to see what happens when that flattens out. Over recent years we have needed those people because there has been a lot of work to do," English said.

English said total wage growth, which includes wages earned by new employees and overtime, had been growing around 4-5%.

"That's certainly faster than inflation. Hourly rates have been growing a bit slower than that, but the picture for wages is that there has been growth in real wages and that's not that common across developed countries," he said.

Asked if the migrants were taking jobs New Zealanders could have done and were suppressing wage growth, he said: "If there's less people show up it's possible the wages might have been a bit higher. But we've had plenty of work, we've had a lot of job creation."

"But now we are moving into a bit of the cycle where it's likely that that migration must flatten out sometime."

English said he was generally happy with the quality of migrants.

"Generally for those who are permanent long-term migrants our hurdles are pretty high and we've just changed that to redirect them away from Auckland to the regions. Of course, they bring less skilled people with them because they bring their families, but we are pretty happy with the hurdles as we've got them - and the numbers of permanent migrants have been reasonably steady," he said.

### **'Regulate the flow'**

**Labour Finance Spokesman Grant Robertson told Corin Dann on Q+A on Sunday** migration may need to be limited to take pressure off wages and unemployment.

Asked about the role of migration as a factor elevating unemployment and putting downward pressure on wages, Robertson pointed to Labour's policy of regulating the flow of migration and that per capita GDP fell in the March quarter.

"It's about getting the right kind of migration into New Zealand, obviously making sure that it doesn't just go into Auckland, that there are opportunities outside in the regions for people to go to," he said, adding that wage growth was low and migration was putting pressure on Auckland house prices.

Asked if migration was reaching a threshold where it needed to be reduced, he said: "I think we're getting close to that point."

"The main thing is to make sure the flow of migration is supporting the kind of skills gaps that we've got," he said.

"What we've allowed to happen in New Zealand is actually to import people into areas where we should have been training them in the past. We've got to be much more active about getting our education and training system right to deliver the skilled workers that people need. Right now, we still need those people here because we've got skill gaps, but certainly it is putting downward pressure on wages, which long term isn't good for New Zealand."