



# Better Lives

Migration, Wellbeing  
and New Zealand

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'WELLBEING-DRIVEN MIGRATION POLICY  
CAN MAKE NEW ZEALAND AN EVEN  
BETTER PLACE TO LIVE'

**BWB Texts**

# Where does this fit?

- **Macro:** wellbeing as an indicator of economic and social progress.
  - Treasury expanding Living Standards Framework to include measures of wellbeing at national level.
- **Micro:** subjective wellbeing as the driver of behaviour.
  - From “utility depends on consumption and leisure” to “subjective wellbeing depends on purpose, mood, happiness”.
  - Treasury using to set spending priorities.
- **Policy, regulation/market failure space:**
  - Set individual policies to explicitly maximize wellbeing.
  - Less developed in either the academic literature or in practice.

# The Journey

- Started thinking about “small positive” effects of migration on GDP per capita compared with:
  - Public disquiet about housing + labour markets in NZ
  - Brexit/Trump
- Looked for alternative framework
- Change of government, wellbeing is the new black
- Book is about migration, not a full primer on wellbeing as a policy tool
  - but can see other applications (child poverty, Provincial Growth Fund...)

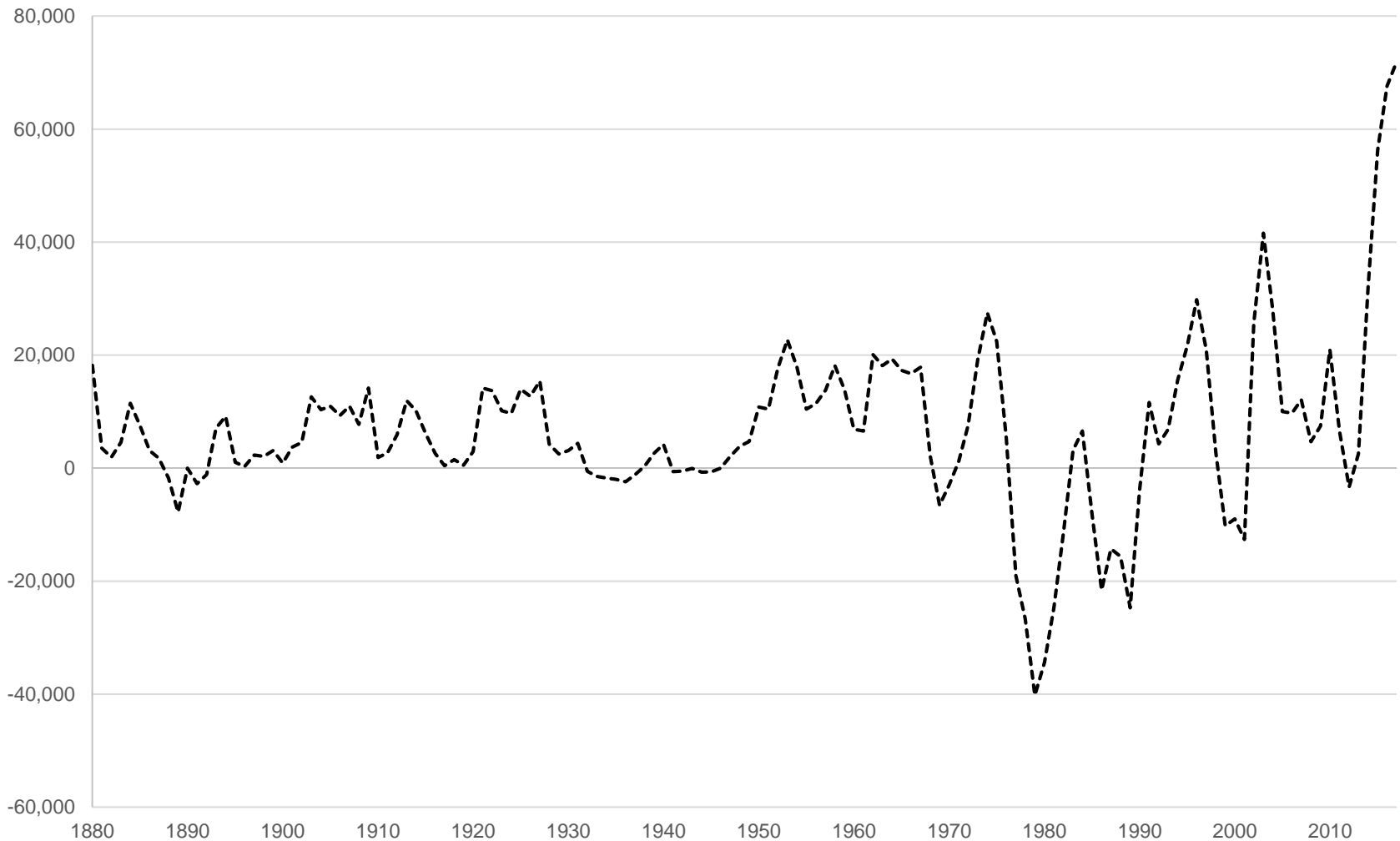
# MIGRATION TRENDS

# Interesting times

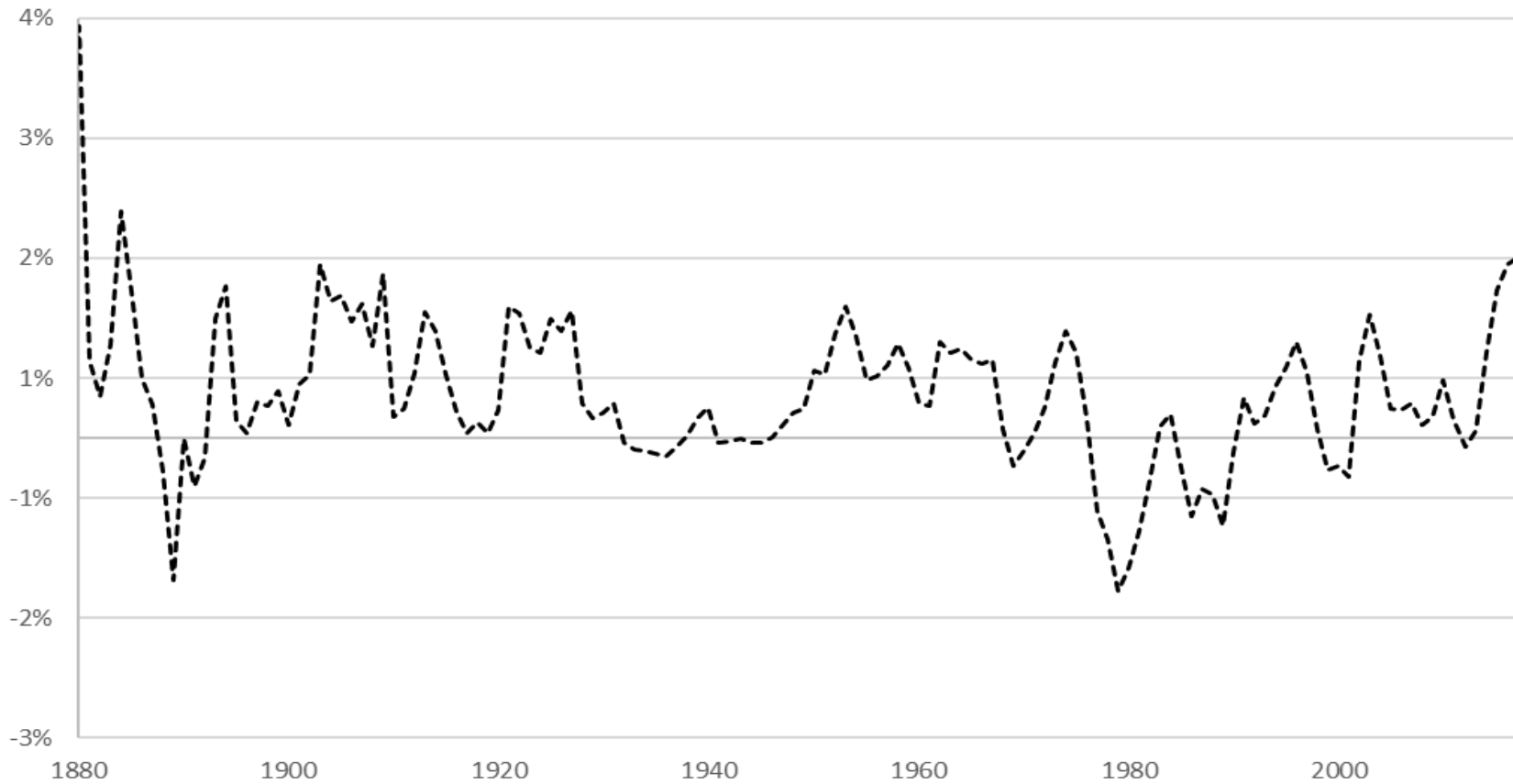
- A period of record net migration (partly because fewer Kiwis are leaving and more are coming home)
- Foreign-born population share rising over time:
  - **27% in 2013 Census**
  - 25% in 2006
  - 21% in 2001
- Expectation that Māori will be the third largest ethnic group in Aotearoa by **2023**.

# Net migration is historically high

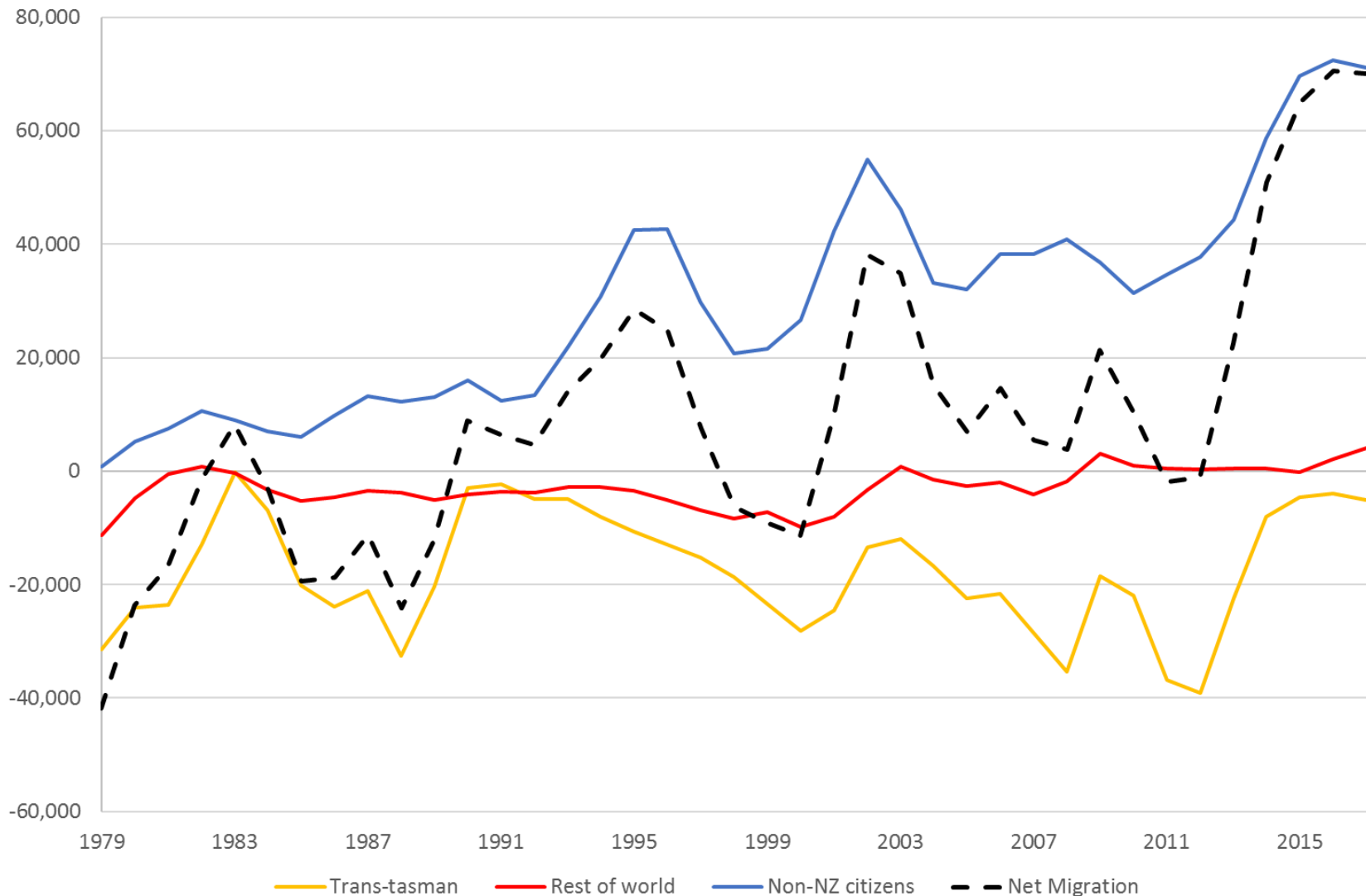
Net permanent long-term migration



# And as a proportion of the population



# Kiwis returning is part of the story





# TRADITIONAL MEASURES OF IMPACT

# Evidence on economic impacts

- Overall, migration has small positive impacts on **GDP/capita** – which are “worth having”
- Modest **labour market** impacts (larger on those who compete directly with migrants – low-skilled New Zealanders, recent migrants)
- Medium-large **housing** market impacts (reflecting poor adjustment to increasing demand)
- Small impacts on **trade**, long-term **fiscal balance**.

# But a vote loser?

## Gifts of the Immigrants, Woes of the Natives: Lessons from the Age of Mass Migration\*

Marco Tabellini<sup>†</sup>

MIT

January 2, 2018

**JOB MARKET PAPER**

“In this paper, I show that political opposition to immigration can arise even when immigrants bring significant economic prosperity to receiving areas.”

# Wellbeing to the rescue

- Q: How do we square this apparent paradox?
- A: People care about more than the economic impacts of migration. They care about their wellbeing.

# THE LIMITATIONS OF GDP

# GDP does not measure welfare

- GDP measures the value of all market-based production in a year
- Was never intended to measure welfare
- Does not capture:
  - Distribution
  - Non-market transactions
  - Effects on stocks of capital
  - Consumer surplus
- Other concerns:
  - Equal weights
  - No diminishing marginal utility

# So why do we act like it does?

- GDP is a single number - so easy to compare across time and across different countries
- View that it gets us most of the way there:
  - “GDP counts most of what matters”
  - GDP and wellbeing are highly correlated
- Politicians have made GDP a target (“top half of the OECD by 2011”)
- Growing view that this is not to best way to do things (Waring, Stiglitz/Sen/Fitoussi, OECD, LSF, Dalziel and Saunders, Grimes, etc)

# AN ALTERNATIVE FRAMEWORK



# Using wellbeing in policy analysis

- Using all resources to produce the sorts of lives that people value and have reason to value
- Focus is on **all** people, at the individual level
- Multi-dimensional
- Using wellbeing makes policy harder
- Makes trade-offs explicit: look at all the costs and all the benefits
- Can be staged
  - Baby steps vs “throw out the current framework”
  - Consider aggregate impacts, then distribution.

# Suggested dimensions of wellbeing

We start with the OECD's Better Life framework, and add the Treaty to the original 11 dimensions.

Housing	Income
Jobs	Community
Education	Treaty of Waitangi
Civic engagement	Health
Life satisfaction	Safety
Work-life balance	Environment

# How to include Te Tiriti o Waitangi

- Include as a separate dimension
  - It is New Zealand's founding constitutional document
  - Was signed within the context of proposed migration
- Incorporate into all of the other domains:
  - e.g. impact of migration on Māori employment
- A manaakitanga approach
  - the process of showing and receiving care, respect, kindness and hospitality
  - Kukutai and Rata (2017)
- How to approach this will need to be subject to discussion and consultation with Treaty partners.

# Doing the right thing for the right reasons

- It would be easy to cherry pick individual elements from these dimensions (aha! we need less migration because we have a housing crisis!) but that's not the right thing to do. Wellbeing is multi-dimensional.
- Need to move beyond hand-waving and create a rigorous policy tool.

# APPLYING THE FRAMEWORK

# Using the framework

For each of these dimensions:

- Work out the likely **size** of any impact
- Determine the **distribution** of that impact
- Apply a **weighting** of importance

Size times weighting gives you the contribution that each dimension makes to total wellbeing.

Add the contributions up, then do a sense and sensitivity check.

# HOW POLICY MIGHT CHANGE

# Grandparents

- When maximising GDP per capita, older family members are often viewed as an avoidable cost (not working, didn't pay tax, likely to need high cost health and aged care).
- When maximising wellbeing, also consider benefits migrant grandparents bring (helping maintain language and culture, childcare).
- **How comfortable are we with this kind of implication?**



# International students

- When maximising GDP per capita, the more fee-paying students the better.
- When maximising wellbeing, consider:
  - the wellbeing of students (lack of support in NZ; pressure from family back home who have pooled savings to send them to NZ with unrealistic expectations of future residence);
  - the financial wellbeing of education providers (reducing demand?); and
  - the wellbeing of those who compete with students in the labour market.

# What's next?

- Develop migration example:
  - Full “size times weighting” exercise
- NZIER funding Wellbeing Conference Paper
- Apply to other policy areas:
  - Child poverty
  - Provincial Growth Fund