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- S1 00:12 Hello, and welcome to another episode of a Moxie podcast. This is episode 34, recorded on Wednesday, the 9th of December. A special thanks to Alcatel-Lucent and its ng Connect program whose sponsorship helps to make this podcast possible. This is the companion web show to the Moxie Sessions, an Internet economy discussion group held once a month in Auckland, New Zealand. Our aim is to bring together a group of interesting people and expert commentators from across the country to talk about how New Zealand can take advantage of the Internet and technology to improve its social and economic performance.
- S1 00:48 I'm Andrew Patterson with you here in Auckland. I'll introduce our guest panel shortly, but first let me outline our topic for this session. Most developed countries are happy to welcome smart people and put them to work, but can immigration be more than a gap filler for the labor market? Can immigration help with national economic transformation, and if, as economists tell us, the impacts of immigration are small, why do we talk about it all the time? To discuss this in more detail, I'm joined today by our guest panel: Julie Fry, a consulting economist who spends time between New Zealand and New York and is the co-author of a forthcoming book along with Moxie convener Hayden Glass on the role immigration can have in transforming the New Zealand economy, and Julie joins us from New York. Welcome, Julie.
- S2 01:39 Hi.
- S1 01:40 And also with us, Julian Carver, who is based in Christchurch, although travels pretty extensively. He's an innovator and venture capitalist, and he joins us from the Garden City. Julian, welcome to you.
- S3 01:53 Hi, there.
- S1 01:54 Julie, to you first. In your research for your new book, what did you conclude about the extent to which immigration can actually transform economies?
- S2 02:06 It can transform economies in very specific circumstances quite a lot. In New Zealand, what we've had so far over the last 20 years or so, is a big focus on selecting people who will fit in, who will fill jobs, market gaps, and things like that. What we found when we looked at places like Israel, like Silicon Valley, like Taiwan and India, we found that [inaudible] specific circumstances [inaudible] a great deal of potential for immigration to make a much larger impact. But it wasn't in the situations where people were being selected for [?] gaps in the labor market, but was in situations where people were coming in and addressing other gaps in the economy.
- S1 02:50 I was interested in-- [crosstalk] sorry, you carry on then.
- S2 02:56 There's a little bit of a lag here. So if you think about something like Silicon Valley, you didn't just have [inaudible] turning up and transforming the [inaudible]. You had a [?] that was starting to grow, you had a lot of research that had gone into it before, you had a bunch of institutions that had had a lot of government money poured into them, and then a bunch of very qualified immigrants came in and helped kick things off once there was already some traction. I think what is interesting for New Zealand is looking at what the parallels are there - where are the situations in the New Zealand economy where we have something that a lack of particular skills is stopping us from moving forward - and asking about our national specifics rather than just [getting?] in people who will fill in gaps across the board.
- S1 03:42 In the Moxie Session itself, you made an observation which struck me as really interesting and not something I'd thought about. You said that we mostly design immigration policy from a prospective of risk management. Just explain a bit more about what you meant by that.
- S2 03:59 I think we worry a lot about avoiding embarrassing the minister and avoiding bringing in the wrong people, and it's very easy to see why that happens. If you're an organizing immigration agency to try and choose people, you've got a large pool of people who want to come in, and every now and then you see in the newspapers or on TV, you see a catastrophic failure of [inaudible] someone being deported, and that's never a popular thing for the minister. So what tends to happen is over time people see something go wrong and they think how can we avoid this happening again, and so the system gets incrementally tighter around avoiding mistakes that have happened before. Obviously we don't want to repeat mistakes we've made, but I think we should also be thinking about what could we do to make things better instead of just avoiding [inaudible] we already have.
- S1 04:54 Do you think that we underplay the benefits of immigration, we only tend to focus more on the problems?
- S2 05:04 I think what's happened, over time, we've started out thinking that immigration could change the world. I was involved in the early '90s when we first started targeting people on the basis of skills rather than on the basis of their nationality, and at that time we really did think we were onto a winner. We thought we would just bring people in with entrepreneurial capability, with

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different skills, and they would connect us to the world, and we would have improved trade, and we would have amazing labor market results, and all these other things. We started out very aspirational, but then we got a lot of people that were coming in and not actually finding jobs. I don't know if you remember that period in the mid-2000s when there was a lot of stuff in the media about you have people with PhDs. driving taxis and stuff like that. Again, this is a situation where the reaction to that was, "Oh, gosh." We don't want to see that happening anymore because that's not good for the migrants or for the country that they're coming into, so then we changed our policy to focus on fitting people into jobs.

- S2 06:08 So we solved one problem. We now have one of the best results in the developed world amongst our competitive countries in terms of the employed, the [?] of migrants, and our rate now is often in the 90% range for [inaudible] in the skilled migrant category, but we don't really have any scopes for the kinds of things that happened in the U.K. when I was there when you would say, "Let's have a system for really smart people who don't necessarily want to come here only to fit into a job slot." In that situation we were thinking more about we want the right kind of people and we want to give them opportunities to come and enter to do what they can when they get here. But that's something that New Zealand doesn't really have at the moment.
- S1 06:55 Let's come back to that. Julian, could I bring you in here? Obviously, you're based in Christchurch which is a city that has been a huge-- it's had the ability to use a huge number of migrants obviously as a result of the earthquake. That's been an interesting experiment to look at how that's worked, and obviously it's had some wide repercussions for the economy more generally. But as somebody who's looking at this from outside, not with any specific focus around immigration, what are some of your thoughts about particularly the approach that New Zealand could be taking in this area?
- S3 07:40 I think some of the things we've seen in Christchurch over the period of the earthquake recovery, where we've had often young enthusiastic people wanting to come and contribute to a very unusual situation which is the disaster recovery and rebuild of the city, are similar to a representative of all the challenge that we were talking about in the Moxie Session around particular skilled migrants to support an entrepreneurial startup kind of globally significant economic contribution for New Zealand. One of the examples that Raf gave was a young woman who'd come from Kenya and she was working as a cook in Christchurch from 5 AM to 1 PM because a shortage occupation like that was what got her a visa to come in. She spent the afternoons doing what she really wanted to do which was helping the recovery effort. She happened to have a master's degree in disaster recovery management. So that's kind of what in the IT startup world, or software startup world, we would call a hack. It's kind of hacking the existing system to get the beneficial results. It would be great if that wasn't necessary.
- S3 09:11 I think the same thing is true with startups where we want them to attract certain people from other countries to contribute to New Zealand-based startups where they have a set of skills or experience or [?] works which we aren't easily able to grow or replicate here. Now, those skills or experience don't really nicely fit a specific job description or title, and in addition, you're often optimizing for a naive or a kind of a self-employed self-starter portfolio career-type of person, and so they probably won't check all the boxes in a detailed check box - do they exactly fit a specific skill shortage category. So some kind of different approach that accommodates for those kind of individuals, whether it's a disaster recovery like at Christchurch or startup [eco?] systems, could be really beneficial.
- S1 10:19 And the Raf that you referred to there is Raf Manji, who's a Christchurch city councilor and himself a migrant from London, has taken a particular interest in these issues. How much do you think Christchurch has changed, Julian, as a result of this wave of immigration? It's had a lot of migrants in a relatively short period of time.
- S3 10:47 I've lived all my life in Christchurch, and prior to the earthquakes, most of my work was outside of Christchurch. The city really has transformed. An enormous amount of space was created, so 80% of the buildings in the central business district demolished. That enabled that space to be filled, as nature or as humans do, with a whole range of creative things. That includes art and temporary transitional retail, transitional architecture, and startups including organizations such as Fabriko which is a digital applications startup which is teaching kids and adults digital design and technology and innovation through digital fabrication technologies. There are many, many examples of those where young people from the university and young migrants, working either on visitors visas, or traveling, or whatever volunteered and contributed to those startups. Some of those are social enterprise, some of those are business startups, and that space has meant that there's the opportunity for those new initiatives to blossom.
- S1 12:24 Julie, if we think about the basis of immigration, and there was an interesting point that somebody raised in the discussion. I recall where they said that New Zealand tends to under-promise and over-deliver. Do you think that we could afford to be a little bit more picky or that effectively perhaps the systems that we have in the place at the moment are not necessarily recognizing, A, the type of country that New Zealand is becoming, and B, the desire by increasingly many people who actually want to live here? Should we be thinking about those variables differently perhaps?
- S2 13:06 I would love to see some more creative approaches to figuring out who we want to bring in. I think we've really nailed it in terms of the pitching people into jobs side of thing. We do exceptionally well on that, but where we're starting to go - and I think it's a very interesting space - is something about how to bring in the kinds of people who might contribute in [inaudible]. The kinds of people who might contribute - that's the kinds of people who might contribute to social enterprises - are not necessarily, as Julian was saying, the ones that will check all the boxes, but they're also not necessarily the kinds of people who are going to want to move to New Zealand one time and forever, and will settle down and stay there. In the past, we thought of the only successful immigration outcome is when you bring in a migrant and they become a Kiwi and they stay there forever. Actually, I think we can get an awful amount of benefit from people who pass through. And pass through might be two years, five years, it might be three months, but what we see in those places I mentioned earlier - the Taiwans, the Chinas, the Silicon Valleys - we [inaudible] because we have people come in and have something to contribute that sets alongside what we already have there. We have a situation in Christchurch where there's a recovery effort and we have some people with ideas and [inaudible] who

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want to come in and contribute. We can sense they don't have the [inaudible] at the moment to deal with it. We don't necessarily [inaudible] very helpful in Christchurch having people come in if we have shortages of actual physical [labor?], but we have people who are [thinking?] in the kind of spaces that Julian was describing.

- S2 14:42 One of the things that Raf was talking about was his frustration with the focus on the physical [?] aspects, and that's the thought that we were missing a trick in terms of redesigning what city Christchurch will become. We're not just building it; we're thinking about its future and what it's going to be. We don't really have the mechanism to bring in the kinds of people who can think about that with us. We have a mechanism for carpenters and plumbers and things like that, but we don't have a mechanism to bring in what Raf called-- I'm just trying to think of his [?]. He's got a proposal for an open visa, and he was just talking about bringing in young people in their 20s, really enthusiastic, well-qualified young people who want to give [inaudible], the kind of people that he saw coming to Christchurch after the earthquake voluntarily and that he wanted to enable those kinds of people to stay, but he simply didn't have a mechanism for it, and he just thought that was a massive missed opportunity. He's suggesting something that really shouldn't scare the [?]. He's suggesting about 300 people come through on this open visa. The idea is that you would come in for a couple of years, you would have some basic criteria, have some basic health checks, and you'd make sure that people didn't have police records that were a problem. But other than that, with the fact that you're only talking about a small number of people and you're running an experiment, minimize the risks for you.
- S1 16:16 There was a point actually made in the discussion where somebody suggested that, in fact, immigration is the elders asking old questions, ideas that were put in place 25 years ago and are not fit for 2015, yet alone 2020. How much innovation, Julian, is there? Is there an opportunity here to really rethink this whole immigration paradigm and I guess through that in a way that reflects the technologies that we can use in the 21st century?
- S3 16:49 If we look at what's contributed to New Zealand's economy over the times since it was founded, one of the big aspects of that is the ability to export, and so freezer container ships made a big contribution. You go back 20 years to the beginning of dot com, [?] and the Internet has contributed to New Zealand's ability to export so obviously they are a huge success story in terms of New Zealand technology being taken to the world. Animation Research down in Dunedin would be another one. They absolutely rely on the Internet to be able to do business globally from New Zealand and export what I sometimes refer to as the New Zealand creativity, kind of naivete and belief, or lack of knowledge that things can't be done and so we kind of find a way. I think a new pipeline or export channel as we move into a much faster paced, more entrepreneurial startup economy, and one which New Zealand as a whole has attributes to contribute to is relationships, is trust - those relationships internationally in terms of entry into particular markets, raising capital in other markets, once New Zealand startups get underway and relocate here. Those really happen through individual human trust networks, and trust is expensive to develop. If we're just trying to build that trust by sending people from here over into those markets to build relationships, raise capital, get startups, on the way here, we have to do that, but it'd also be beneficial to bring some of the people who might end up helping us internationally over here, and building trust here by having them work with us on difficult things. Israel has some major advantages in terms of its startup culture, and part of that is because young people go through, in their case, military service together and build kind of deep trust and then they can do difficult things together. That's not something that's necessarily going to be effective here, but bringing young people, as Julie says, from other countries with an unusual sort of [?] of skills which are their entrepreneurial and creativity rather than a proven track record and a specific skill category. There only need to be potentially a small number of them in order to build those networks, and if we focus on not necessarily keeping them until their retirement, that them being here and working here for a few years, and then either establishing here and leveraging their trust network services or moving back to where they're from, but keeping all of their relationships. To me, that's a channel for exporting an economic growth in [?].
- S1 20:25 Just on that point about trust relationships, in the session you said that there's also this New Zealandness - a combination of aspirational thinking and what you described as ludicrous naivete that sometimes means we can achieve the impossible on a shoestring. It was a really nice encapsulation of what actually is often defined but not necessarily expressed as one of the critical aspects of what New Zealand can do.
- S3 20:52 Absolutely, and I see that all around the world when I travel for business. The way that New Zealand is perceived and those attributes - that belief that something is possible and its self-reliance to work out a way - that's a massive competitive advantage for us as a country, but it also comes with the lack of some knowledge and skills which are necessary to get New Zealand startups and social enterprises trading globally. Those include things like sales skills. New Zealand isn't particularly great at selling ourselves. In America, people are taught to really kind of talk up what it is that they're capable of. They're very good at self-promotion, whereas Kiwis are taught to say that we can do about half of what we can actually do, because we don't want to appear arrogant. And so learning some of those sales skills, those are challenging for New Zealanders to learn. If we can bring people over who are migrants who have skills in those areas and skills in some of the entrepreneurial experience of markets like Silicon Valley or markets in Europe or Asia, that can supplement that Kiwi ingenuity, and naivete, and anything's possible with some rigor and competence that's necessary for us to go into the markets that we want to trade in and be really a [?].
- S1 22:40 Julie, in this session, you proposed this idea of building what you described as a waxed chute rather than a limbo bar, particularly for exceptional migrants. Just explain a little bit about what that idea means for-- what you were thinking from that perspective.
- S2 22:59 It actually comes from a scheme we had in the U.K. that I cooked up probably during a fire alarm one day. We were sitting there saying we've got no mechanism for the kinds of people that might [inaudible]. How do we get the people that are [inaudible], and how do we deal with the fact that they're all lined up waiting to go into the United States and none of them can get visas, and we're left empty? And most of all, if you're a [?] or a rocket scientist, what would make it easy for you to come

here? So we established a new unit in the skills department instead of the visa-processing department, and we set up a user page charging system. We had a very simple requirement. We had network-based referrals, so some of the people that came in went for the fitting those traditional [in boxes?] on the floor. If we had somebody that if they were, say, a research scientist, they might have a recommendation from the Royal Society so that's how we made sure that we were only offering the system for the really sort of top-notch people. For a long period, until it became extremely popular, we had about a week turnaround on applications from those really highly-skilled migrants and ended up with a total of about 25,000 people coming into the scheme. We ended up with a lot of people who gave up on waiting to get into the United States and decided to just go into the U.K. and do something for a bit. I think there's a bit of an argument in New Zealand that perhaps we don't have the jobs and the career opportunities that will attract the kinds of people that I'm talking about here. But I think if you seek [?] out and look at making it easier for people to get in, I think you'll be surprised at the kinds of people who will consider it if it's made simple. We found that there was a big difference in people coming in who [inaudible] rather than in [?] and [inaudible] rather than something you have to contort yourself around to make it happen.

- S1 25:13 Just on that point, how much do you think we really understand the experience of migrants when we get here and use that as a basis of learning in order to go and make sure that we're attracting the right migrants in the future?
- S2 25:33 We're starting to think about that. In the past, it's been very much, "This is what we need, and do you fit it?" I think really what we're talking about in this Moxie Session is asking a whole different question, which is not how do you fit the slots we have, but what slots can you create, and what jobs can you create, what industries can you create. It's a whole different mindset. But [inaudible] thing on their skills. [inaudible] processing thing asking how do you check the box and how do you set the criteria. [inaudible] a good match for our country, a good match for the circumstances we have/ We're clean and green, beautiful fairway and the [inaudible]. How do we bring in the kind of people that will be a match there and not [inaudible] somewhere? Interestingly, that's the kind of [inaudible], something that applies only to [inaudible]. You look at [inaudible], the people you want out of a very large pool, and there was a little bit of a brainstorm [inaudible] some of the options that some of the people have at university. It takes about 2,000 people each year, and they have about 2,600 apply, and so they interview a lot. That's one model.
- S2 26:54 Someone else said [inaudible], "What other options are there?" And someone said, "Well, online dating services do this with algorithm." Obviously, you wouldn't want to get to the endpoint just relying on an algorithm if you're bringing someone in as a migrant, but there's an awful lot of technology and innovation in the space of how do you pick a candidate who's a good match. I think that's an interesting space to be in. One of the ideas that's being [inaudible] by the people designing the new Global Impact Visa, which was [inaudible] in John Key's speech at the Poly Conference in July, is perhaps you can use those networks and those connections in the [inaudible] screen [inaudible] and shortlist migrants. So there's a lot of creative thinking in this space and I think we are thinking a lot about how do we find the kind of people we want. I think it's interesting on a [?] that countries take very different approaches to this. I'm a U.S. citizen as well as a New Zealand citizen, and in America, the approach is very much if you don't fit in and [?] about on your own, we're not really interested. You see places like Israel and Finland that have gone the other extreme and provided very intensive [?], and settlement services, and lots of assistance and support for learning the language and all that kind of thing, and New Zealand's kind of in the middle. We're a little bit ambivalent about that kind of thing. We've recently introduced something that helps the partners of skilled migrants who are coming in as kind of the second applicant to settle, and I think that's a really smart move. So we are starting to think a little bit about it, but we're not going all out.
- S1 28:36 Julian, just final word to you, when we think about that point that Julie just made, and as you said earlier, this idea of aspirational thinking and ludicrous naivete, how do you think New Zealand could become a world leader in the way it reinvents its immigration policy to reflect the specific needs of the country, but also our own aspirational thinking as New Zealanders about the sort of country we want in the future?
- S2 29:08 It really comes down to any kind of entrepreneurial activity. If you want a greater return, you have to be prepared to take some risk. So we need to trial some things and do some things out and see if they work, and if they don't work, try something different. We're seeing that in Canada and Australia [inaudible]. Canada decided that they're going to [inaudible] people and [inaudible] saying, "Stuck? Can't get into U.S.? Come up to Canada." Now, last I heard, that only managed to get five people in that way, but they were starting to think about who are the people that might be interested, where are the people that we want, and how can we creatively go after them. It's just one example of a country saying, "Let's experiment. Let's try something. Let's see if it works." They'll continue to [iterate?] and innovate if it doesn't get them the results they want, and I think that's the kind of mindset we want to see. Try stuff; if it doesn't work, okay, let's try something else.
- S1 30:09 All right, and Julian, final word to you.
- S3 30:14 I think New Zealand has a big advantage in that regard because of its very small size, and the ability to have rational, disciplined public conversations about these matters. There just isn't the complexity of size and vested interests and [?] and so forth that make implementing this kind of public policy very difficult in other countries. So the ability to have that conversation is one. Another is a relatively good ability - obviously lots of [?] - for the use of the evidence in public policy. As Julie's indicating, you've got some other countries starting to take an experimental approach in startups in the way that startups work. Pretty much globally using methods like the Lean Startup method is really bringing the scientific message to entrepreneurship. Entrepreneurship may seem from the outside as a whole lot of post-it notes and bean bags and Foosball and creative people. It's a highly disciplined, highly scientific process based on creating hypotheses about what might work, running detailed experiments, using real software with real users or real products to get a data to determine whether those hypotheses develop. And in New Zealand, we've seen some movement towards increased use of detailed evidence in public policy driven off of data. So if we're able to take that experimental disciplined measured approach to an immigration policy, rather than

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needing to design the same physically [?] right from the start, then we might have the opportunity as you receive to iterate in a very controlled way towards something that is highly, highly effective.

S1 32:19 Indeed. Thank you both for joining us. Fascinating discussion, speaking to Julie Fry, consulting economist, who spends time both between New Zealand and New York, and Julian Carver, a Christchurch-based innovation and venture capitalist. Our thanks to Alcatel-Lucent and its ng Connect program whose sponsorship helps to make this podcast possible. I hope you'll join us again in the future for another Moxie podcast.

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