

IN-CONFIDENCE

Office of the Minister of Immigration

Chair, Cabinet Economic Development Committee

## **A NEW APPROACH TO EMPLOYER-ASSISTED WORK VISAS AND REGIONAL WORKFORCE PLANNING**

### **Proposal**

1. I seek Cabinet approval to consult on how we implement our commitments to ensure work visas issued reflect genuine regional skill shortages and to strengthen labour market testing. My proposals would:
  - a. improve the employer-assisted temporary work visa system (temporary work visas that are issued for a specific employer) and labour market tests to ensure that migrants are only recruited for genuine shortages, and
  - b. create better connections between the immigration, education/skills and welfare systems, and increase expectations on employers to employ and train more New Zealanders.

### **Executive summary**

2. Overseas workers' skills and expertise are always likely to be important to New Zealand. We will ensure that businesses are able to get genuinely skilled migrants when they need them. The Coalition Agreement between the New Zealand Labour Party and New Zealand First commits us to "ensure work visas issued reflect genuine skills shortages... [and] take serious action on migrant exploitation."
3. This Government is also committed to training New Zealanders to fill skill shortages and ensuring that work visas are not being used to fill lower-skilled jobs on an ongoing basis. We have already tightened up post-study work rights for international students to stop students coming here primarily to work in low-skilled jobs, and introduced a specific skills shortage list to support construction and infrastructure growth.
4. I propose next steps to:
  - a. strengthen the labour market test for work visas to ensure that migrants are not being used for jobs New Zealanders can do, and
  - b. make skills shortage lists more regionally focussed so that migrants work where there is a genuine shortage and the differing needs and circumstances of regions are taken into account.
5. In looking at how best to implement these improvements, I have concluded that piecemeal improvements are not sufficient and we need to reshape the entire model to achieve a system that both puts New Zealanders first and supports

businesses with genuine shortages. The nature of the issues identified below mean that small adjustments to current settings would simply shift problems to other parts of the system, rather than addressing the causes:

- a. The system is overly complex with a number of visa options – these are difficult to navigate and can cause unnecessary compliance or delays, and there is a lack of coherence in the rules around labour market testing and access to migrants. There is opportunity for more certainty for employers, for more consistency in decision-making, and to make things easier for genuinely highly skilled migrants,
  - b. The range of visa options means that tweaks to certain settings (such as the labour market test) may incentivise employers and migrants to shift to more permissive visa categories,
  - c. There are too few real checks, balances and obligations on employers hiring migrants – meaning that some employers with poor track records (e.g. non-compliance with minimum employment standards) are still able to access migrant labour,
  - d. There is some evidence that suggests labour market tested temporary workers in particular are displacing New Zealanders in the labour market,
  - e. The immigration system doesn't sufficiently incentivise businesses in industries with high ongoing labour shortages to take steps to recruit or train more New Zealanders, to improve pay and employment conditions or change business models, or to invest in capital and technology to increase productivity. This is counter to New Zealand's economic interests and improving our productivity performance, and has been identified by the Productivity Commission and others as a problem,
  - f. When skills shortages and labour shortages are identified, the main response is to trigger access to migrants and so the underlying problem is not addressed. The system does not require industries and employers to take action to address this over time, nor does it directly impact on the training, skills and employment programmes that support New Zealanders to fill these shortages in the future.
6. To address these issues and achieve our commitments, I propose a set of reforms to the immigration system and seek Cabinet's approval to consult widely on the following proposals between December 2018 and March 2019. Final decisions would be brought back to Cabinet by June 2019.
  7. I propose to simplify the system by reducing the number of application pathways for employer-assisted temporary work visas into one enhanced employer gateway. This will be followed by a job gateway that takes better account of different regional and sector needs, and a migrant gateway.
  8. The new employer gateway will set new requirements on all employers who wish to access migrant labour. This will ensure that we can screen out those who abuse the system, enable the Government to put tougher tests in place for higher risk employers, and provide benefits to demonstrably better employers (such as longer visas and easier processing).
  9. The new job gateway involves the most significant changes and will have four core elements:

- a. **No labour market test will be required for occupations on new Regional Skills Shortages lists**, which will replace existing Essential Skills in Demand lists, **and for highly-skilled migrants** earning double the median wage.
  - b. **New sector agreements will be negotiated with the key sectors which rely highly on low skilled migrants** – these would establish access to migrants, including the approach to labour market testing, in exchange for commitments by the sector to employ and train more New Zealanders and to address their workforce needs more effectively. These agreements would recognise that change takes time and that until now there has been no credible threat of a withdrawal of access to migrant labour to incentivise real change.
  - c. **Labour market tests for remaining jobs would be based on the relative labour demand/supply challenges facing each region and the ability of the region to cope with population growth** – this may include implementation of hubs akin to the Canterbury Skills and Employment hub to undertake the labour market tests, and would mean tighter access where there are more available local workers.
  - d. **Enhanced alignment with the welfare and education systems** – to ensure that skills and labour shortages are filled by New Zealanders over time and to support employers to hire more New Zealanders. Different parts of the overall system, including industries and employers as well as government, play a role in meeting employer needs and the aspirations of young people and other job seekers. There is a role for government in bringing those conversations together. Further work is required on these alignment options and I will work with the Ministers for Social Development, Employment and of Education to develop agreed proposals following consultation.
10. As part of this consultation, I will review genuine and significant anomalies in the Australia and New Zealand Standard Classification of Occupations (ANZSCO) system as these relate to immigration settings. The ANZSCO classification of some occupations and the consequences for immigration status are seen as a major challenge to the fairness and coherence of our settings.
  11. I am also concerned that some job descriptions are easily gamed (stated to be more highly skilled than they are for more favourable settings) and I will be looking at ways to support Immigration New Zealand to address this. For example, the food and hospitality industry is a good example of where the immigration system is abused through employers and applicants describing what are essentially supervisory roles as management-level jobs.
  12. Overall, this set of reforms will mean that access to work visas is better matched to where there are genuine and high-skill needs, and the system provides more incentives and support for businesses to employ more New Zealanders. I expect these proposals to place some downward pressure on the number of employer-assisted temporary work visa applications over time and result in a shift in balance towards higher-skilled occupations. However, despite the downward pressure, there may still be some growth in employer-assisted

temporary work applications, albeit at a slower pace, particularly if the economy remains strong and demand for labour high (noting that as at November 2018 the unemployment rate is 3.9 per cent and the employment rate is at a historic high of 68.3 per cent). Annual net migration to New Zealand is forecast to decline, reaching 57,000 in the September 2020 year, just after the point at which the proposed increase in the refugee quota will take effect.

13. I expect the review of migrant exploitation currently underway may lead to some changes in the way we engage with high-risk sectors and assess employers in due course.
14. My report to Cabinet in June 2019 will include final proposals, a detailed assessment of costs and benefits, and an implementation plan including timelines and estimated costs to establish the new model. I expect that the new gateway system would be implemented in 2020, given major systems changes would be needed. However, Regional Skills Shortages lists would be implemented in April 2019 and other changes such as changes to remuneration thresholds could be implemented in August 2019. I expect the first two sector agreements could be completed as early as January 2020.
15. There will be costs to set up the system, which I am seeking in Budget 2019. Some elements of the system are new and/or may cost more to run (such as improved labour market testing, sector agreements, and regional labour market planning). However, there will potentially be efficiencies and savings to offset some of these costs once the new system is in place.

## **Background**

### ***The Government has set its priorities for building a modern and fairer New Zealand, which the immigration system has a role in supporting***

16. The proposals in this paper respond to:
  - a. the Coalition Agreement between the New Zealand Labour Party and New Zealand First to ensure work visas issued reflect genuine skills shortages and to take serious action on migrant exploitation
  - b. the Government's priorities as set out in This is Our Plan:
    - i. Priority 1. Building an economy that is growing and working for all of us – by helping regions get the skilled workers they need
    - ii. Priority 2. Improving the wellbeing of New Zealanders and their families – by ensuring everyone is earning, learning, caring or volunteering
    - iii. Priority 3. Making New Zealand proud – by delivering open, transformative and compassionate government.
17. The immigration system can support the achievement of these priorities by ensuring that:
  - a. employers are placing more New Zealanders into jobs, which help their businesses to grow and thrive, and result in better jobs for New Zealanders,

- b. temporary work visas are not being used to fill low-skill jobs on an ongoing basis, and
- c. temporary migrant workers, when they are employed, are not exploited and have wages and conditions that are consistent with New Zealand norms.

18. Annex One outlines the upcoming work in the immigration portfolio that I expect to take to Cabinet, and the changes that have already been progressed.

***The employer-assisted temporary work visa system is an important part of the immigration response to support labour market outcomes***

- 19. Employer-assisted visas are generally provided when an employer can demonstrate through labour market tests that there are no suitable domestic workers available or where the employer is willing to pay a migrant worker a high rate of remuneration.
- 20. 47,000 of the 230,000 (around 20 per cent) temporary work visas issued in 2017/18 were employer-assisted. The remaining temporary work visas have 'open' work conditions, meaning the visa holder may work in any job. These include working holiday scheme visas, visas for partners of workers, and post-study work visas for international students.<sup>1</sup>

***However, some employers and industries are increasingly reliant on lower-skilled migrant workers***

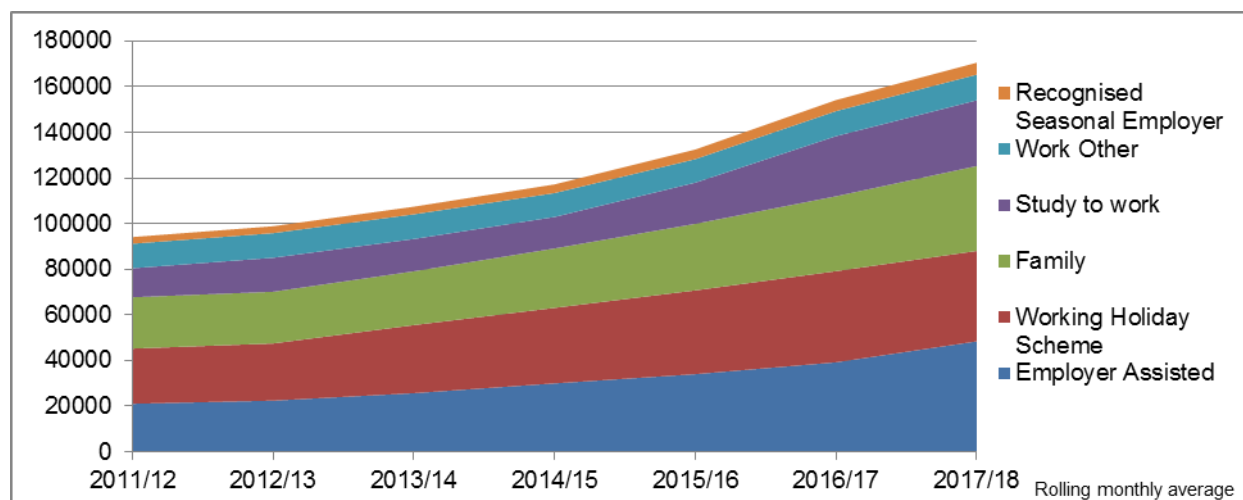
- 21. As shown in Figure 1 below, the use of all temporary work visas has been growing considerably since 2011/12 (see Annex Two for more information on the composition of temporary work visas). At the same time the skill level of these migrants has been dropping. Around 40 per cent of Essential Skills workers were in lower-skilled jobs (ANZSCO skill level 4-5) in 2017/18, up from 28 per cent in 2010/11. The use of migrant labour is most prevalent in lower-skilled and lower-paid industries such as tourism and hospitality.
- 22. To a large degree this reflects strong economic conditions. With the unemployment rate at 3.9 per cent we would expect the demand for migrant labour to be strong. However, there is evidence that employer-assisted temporary migrant workers have had a negative impact on the hiring of New Zealanders.<sup>2</sup> I have prioritised policy work on these visas on this basis.

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<sup>1</sup> In August 2018, I announced a number of changes to post-study work visas focused on ensuring that these work rights contribute to the skills and qualifications that New Zealand needs (DEV-18-MIN-0147).

<sup>2</sup> Research published by the Ministry of Business, Innovation and Employment (MBIE) in 2017 found that while overall temporary migrant workers have a small positive impact on labour market outcomes of New Zealanders, there was evidence that employer-assisted temporary migrants in particular have had a negative impact on the hiring of New Zealanders.

**Figure 1: Temporary work visa holders in New Zealand from 2011/12\***



\* Graph indicates the number of visa holders in New Zealand at any one time; this differs to the number of approvals on an annual basis.

23. The policy work was undertaken with four key principles in mind:
- Demand for immigration should trigger domestic responses** from the broader domestic labour market system so that reliance on temporary migrants is reduced over time, particularly at the lower-skilled end of the labour market
  - Temporary migrant workers should complement rather than substitute jobs for New Zealanders**, particularly at the lower-skilled end of the labour market
  - Regions and sectors have different needs**, which may justify different settings being applied
  - The system should be employer-led** and easy to navigate for employers and temporary migrant workers who meet the required standards.

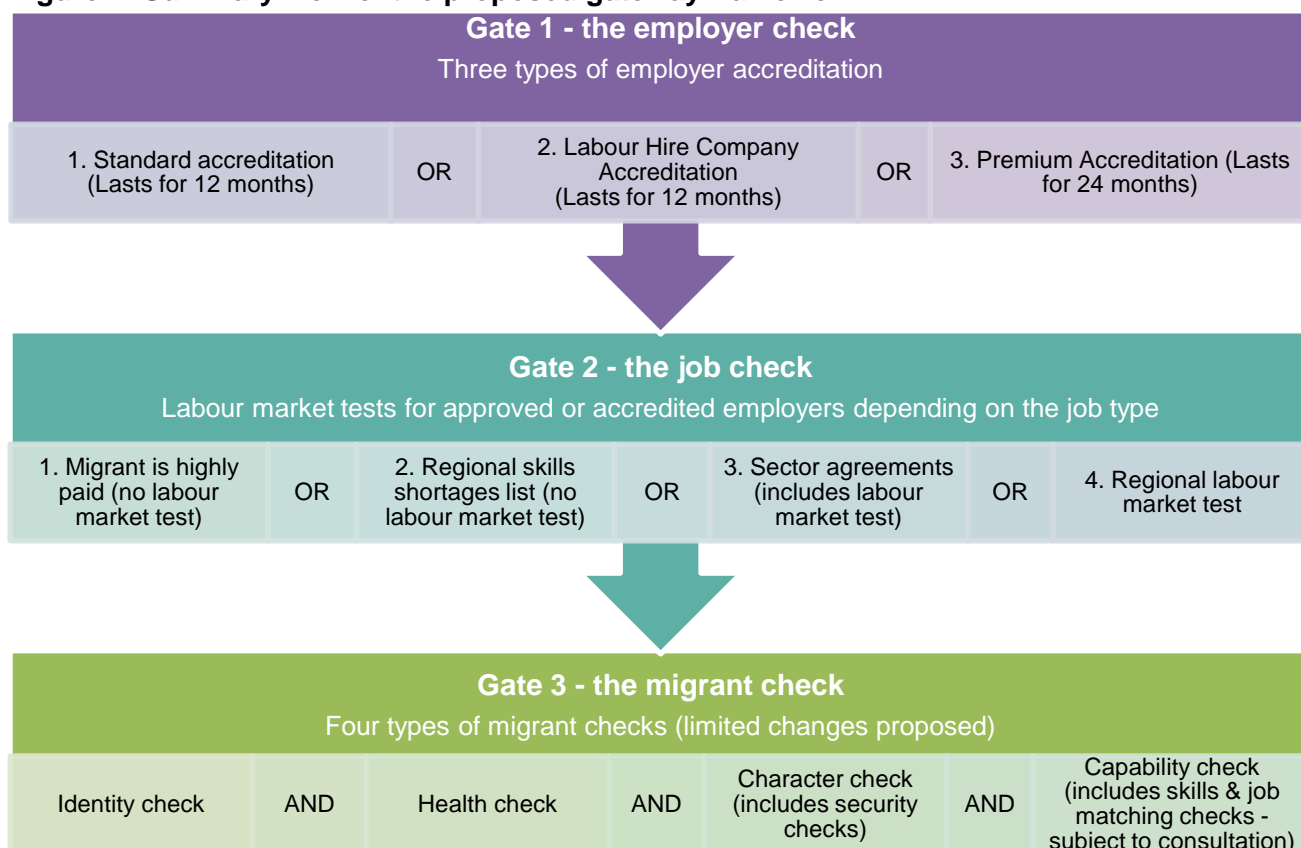
## Proposals

***I propose a series of improvements to the employer-assisted temporary work visa system, to honour our commitments to ensure work visas issued reflect genuine regional skill shortages***

24. I propose introducing a new gateway framework for employer-assisted temporary work visas that puts the employer first in the application process as a key beneficiary of the immigration system. This will enable:
- reciprocity in obligations from employers as a condition of access to migrant workers;
  - an overall lift in the minimum standards for employing migrants (with a specific focus on 'high risk' employers, such as labour hire companies and high use employers);

- c. improved compliance and treatment of migrant workers and reduced exploitation risk;
  - d. recognition that regions and sectors have different labour market needs;
  - e. simplification of immigration processes; and
  - f. supply and demand responses from the skills/education and welfare systems, and from employers, with immigration the source of labour or skills as a last resort.
25. The new gateway framework (summarised in Figure 2) would replace the current Essential Skills, Approval in Principle, Talent (Accredited Employer), Long Term Skills Shortage List Occupations, Silver Fern Job Search and Silver Fern Practical Experience visa categories. It would require all employer-assisted temporary work visa applications and migrants to come through three distinct 'gates' where checks are completed by Immigration New Zealand (INZ):
- a. *the employer gateway* where approval will be granted to an employer to enable them to hire a migrant
  - b. *the job gateway* where (for most applications) checks will be made to make sure no New Zealander is able to fill the job being recruited for; and
  - c. *the migrant gateway* where checks will be made to make sure the migrant is of good character and health.
26. Central to the new framework is that it is employer-led rather than migrant-led. This means that all employers would need to be approved or accredited before they could recruit migrant workers.
27. I am confident that these changes will improve compliance by employers, and employment conditions for both domestic and migrant workers. Overall I expect these proposals to place some downward pressure on the number of employer-assisted temporary work visa applications over time and result in a shift in balance towards higher-skilled occupations.
28. Sector agreements and regional settings will play a role in how much downward pressure is applied. This means around 40,000 out of the 47,000 approved in 2017/18 could be subject to a stronger labour market test. Ministers will have choices around the broad settings in June 2019 when final proposals are presented to Cabinet.
29. However, it is likely that we may see overall growth in employer-assisted temporary work applications, albeit at a slower pace, particularly if the economy remains strong and demand for labour high (noting that as at November 2018 the unemployment rate has dropped to 3.9 per cent and the employment rate is at a historic high of 68.3 per cent).
30. The changes would ensure that around 3,000 fewer lower-skilled and lower-paid migrants are granted residence as a result of the proposed changes to remuneration thresholds. However, we expect that most migrants who are unable to obtain residence are likely to seek to remain here on temporary visas rather than returning home or not coming here in the first place.

**Figure 2: Summary view of the proposed gateway framework**



31. Annex Three provides a summary of the high-level benefits and costs of the gateway system categorised by system participant. Consultation on the proposed new system will test the expected benefits and costs, to inform final proposals for Cabinet.

***Gate 1 – Employers would need to meet accreditation standards before they could recruit temporary migrant workers***

32. I propose that all employers who intend to recruit temporary migrant workers must enter the employer gate and obtain pre-approval. This would require employers to demonstrate that their business practices:

- a. incentivise training and upskilling of New Zealanders;
- b. put upwards pressure on wages and conditions;
- c. meet minimum immigration and employment regulatory standards; and
- d. maintain the integrity of the system.

33. I will also investigate through consultation whether more use can be made of third party endorsements to satisfy some of the tests, such as existing industry accreditation programmes. As shown in Figure 3, I propose three different accreditation groups with different standards, benefits and duration.



**Figure 3: Summary of accreditation groups**

|                         | <b>Standard Accreditation</b>  | <b>Labour Hire Company Accreditation</b>   | <b>Premium Accreditation</b>   |
|-------------------------|--|--|--|
| <b>Which employers?</b> | Available for employers recruiting five or less migrant workers in a 12 month period | Compulsory for labour hire companies   | <ul style="list-style-type: none"> <li>• Voluntary for employers who want to access more benefits</li> <li>• Compulsory for high volume employers (recruiting six or more migrant workers in a 12 month period)</li> </ul> |
| <b>Standards</b>        | Base standard for low-risk employers (minimum standards)                             | Enhanced standards for settlement care, active engagement in workforce programmes and endorsement by third parties (e.g. unions) | Enhanced standards for settlement care, active engagement in workforce programmes and endorsement by third parties (e.g. unions)   |
| <b>Duration</b>         | Approval lasts for 12 months   | Approval lasts for 12 months   | Initial accreditation lasts for 12 months and requires renewal every two years for subsequent renewals   |
| <b>Benefits</b>         | No new visa or migrant benefits  | No new visa or migrant benefits  | Benefits include: <ul style="list-style-type: none"> <li>• ability to offer work-to-residence for skilled migrants</li> <li>• three-year visas for lower-skilled migrants in regions with tight labour markets</li> </ul>  |

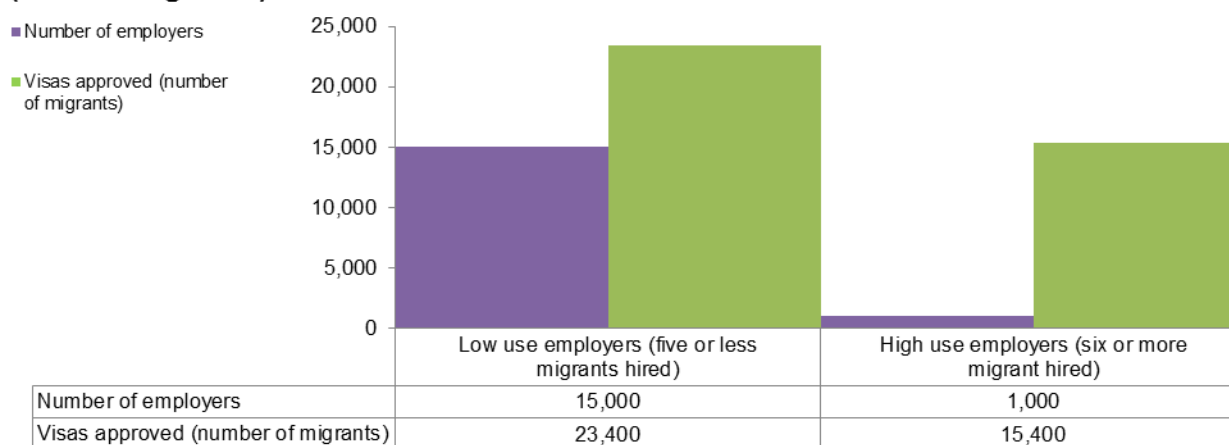
*Duration of approval or accreditation*

34. Once accredited, an employer will not need to undertake any more employer checks until their accreditation lapses, unless they have been through the standard accreditation process and seek to recruit a sixth or subsequent temporary migrant worker, in which case they would need to apply for premium accreditation. This means that employers would be pre-approved to recruit temporary migrant workers, allowing them to go straight to the job gate if they need to employ additional migrant workers during the accreditation period.
35. While this would require more administration up-front for most employers, the changes as a whole would speed up the overall process for employers who meet the required standards through improved processing at the job check gateway. They would also support better INZ compliance and assurance processes.
36. Accreditation would also provide migrants with assurance that the employer meets the required standards; and would mean migrant workers no longer have the responsibility of joining up processes between the employer and INZ.
37. As shown in Figure 4, there were around 16,000 employers who supported visa applications under the Essential Skills category in 2017/18. Approximately 94 per cent of these employers (15,000) were low users, employing five or less

migrant workers. These employers supported approximately 60 per cent (23,400) of the nearly 39,000 Essential Skills Visas issued.<sup>3</sup>

38. In comparison, approximately six per cent of employers (1,000) were high users, employing six or more migrant workers. However, despite their significantly fewer numbers, these high use employers were responsible for 40 per cent (15,400) of the Essential Skills visas issued.

**Figure 4: Number of Essential Skills issued 2017/18 by employer type (low use/high use)**



*Premium accredited employers would be able to offer a pathway to residence for highly-paid workers and longer visas for some lower-skilled migrants*

39. I propose that premium accredited employers be able to offer a pathway to residence (and no labour market test) for migrant workers paid 150 per cent (currently \$37.50 per hour or \$78,000 per annum for a 40 hour week) of the New Zealand median income. This would allow skilled migrants that the employer deems to be highly desirable to have a pathway to residence and would provide incentives for employers to meet the higher accreditation standards. The remuneration threshold would be indexed and aligned with the Skilled Migrant Category<sup>4</sup> thresholds for ANZSCO level 4 and 5 roles, and therefore would be updated annually to reflect wage movement.
40. This would largely replicate the existing Talent (Accredited Employers) visa policy but with a higher salary threshold (the current threshold is \$55,000 per year). The higher threshold is needed to respond to the following issues:
- a significant increase in the number of migrants utilising this category. Most of the growth in the category is from migrants in lower-skilled occupations who do not meet the requirements of the Skilled Migrant Category. In 2017/18 there were 5,500 visas issued to migrants (up 68 per cent on the previous year) under this category, supported by around 1,000 employers.
  - the annual income threshold for this category has remained at \$55,000 since 2008, and is not indexed to increase in line with other wage

<sup>3</sup> The Essential Skills visa category is the largest visa category, representing around 80 per cent of employer-assisted temporary work visas issued in 2017/18.

<sup>4</sup> The Skilled Migrant Category is the main residence visa available to skilled migrants. Assessment is based on a points system.

increases. This makes the category more accessible to lower-skilled and lower-income occupations as wages rise relative to the threshold.

41. Based on 2017 approvals around 2,800 migrants under the existing Talent (Accredited Employers) visa policy were paid below \$75,000 and around 2,900 were paid more than \$75,000. The three most common occupations paid below the proposed threshold were motor mechanics, scaffolders, and truck drivers.<sup>5</sup> Individual migrants that are currently on the pathway to residence under the Talent (Accredited Employers) visa policy would not be affected by this change and will still be able to qualify for residence if they meet the requirements of their existing visas.
42. There is also expected to be an impact on the health sector, with approximately 180 nurses applying for Talent (Accredited Employer) visas in 2017. Of these, approximately half earned between \$65,000 and \$75,000, and half earned below \$65,000. Collectively this would make this pathway to residence unavailable to nurses, and further consideration will need to be given in final proposals to ensure that pathways are available in areas of skills shortage where skills retention is important. Most nurses granted residence (approximately 750 in the 2017/18 financial year) applied under the Skilled Migrant Category which would be unaffected by these changes.
43. I also propose to increase the visa duration from one to three years for lower-skilled migrants who are employed by premium employers in regions that are identified as having tight labour markets (for example, unemployment and underutilisation in reference to the national average and range across the country) and no significant infrastructure constraints.
44. Employers complain to me that the current annual renewal process imposes unnecessary compliance on them because few applications get declined and labour market conditions usually do not change in the space of a year. Applying this change only to these employers and regions would provide additional benefits for premium accredited employers and minimise any labour market risks, given premium accredited employers would need to demonstrate a commitment to employing and training New Zealanders. The specific regions would be identified using the regional indicators that I propose to consult on as discussed in paragraph 62.

***Gate 2 - Once approved or accredited, employers would need to pass through the job gateway to make sure there are no New Zealanders available to do the job***

45. The labour market system is dynamic and sensitive to changes in economic activity. Currently the mechanisms to address these changes are the three types of labour market tests. Figure 5 below provides a summary of the three labour market tests.

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<sup>5</sup> Of the approximately 660 applications for Talent (Accredited Employer) visas for these three occupations in 2017, just over 87% were being paid between \$55,000 and \$75,000, with most of those paid just over \$55,000 in order to meet the income requirement of the Talent (Accredited Employer) policy.

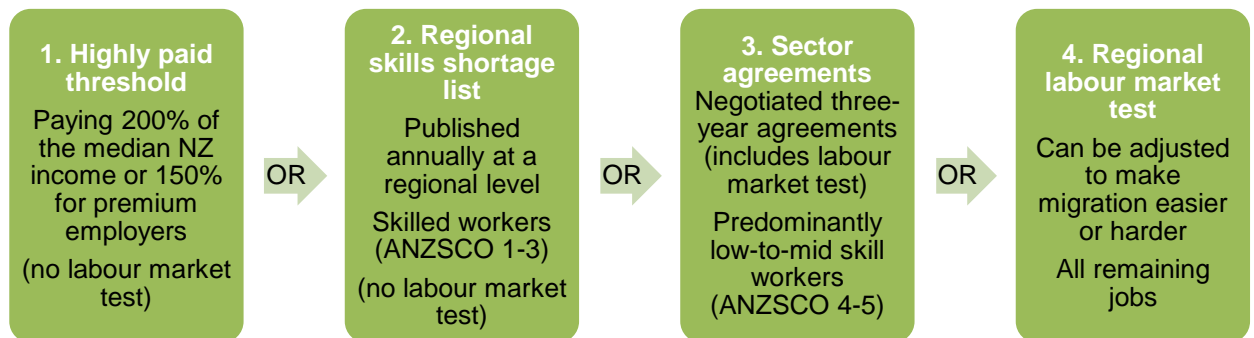
**Figure 5: Current state labour market tests**

| 1. Skills shortage lists   | 2. Highly paid threshold  | 3. Standard labour market test   |
|--|---|--|
| <ul style="list-style-type: none"> <li>• INZ reviews skill shortages each year in consultation with industry and government agencies</li> <li>• Shortages are published on lists as occupations</li> <li>• Criteria to be added on the list include:                             <ul style="list-style-type: none"> <li>• 50 or more work visas issued in 12 months; and</li> <li>• Supported by at least one industry body or professional association.</li> </ul> </li> <li>• Employers bypass the standard labour market test if the occupation is on the skill shortage lists</li> </ul> | <ul style="list-style-type: none"> <li>• Under current settings the Talent (Accredited Employer) work visa allows accredited employers to bypass the labour market test, if the employer is willing to meet a highly paid threshold (currently \$55,000 p/a)</li> </ul> | <ul style="list-style-type: none"> <li>• Employers must advertise a vacancy at the prevailing market rate before a visa application can be made and must prove to INZ that they have made a genuine attempt to recruit or train a New Zealand worker</li> <li>• For lower skilled roles the employer must also seek a skill match report from MSD, which outlines how many beneficiaries were available, if any</li> </ul> |

46. The current labour market tests lack flexibility, which impacts on their effectiveness, and do not incentivise employers or others to address the underlying issues which lead to demand for lower-skilled migrant workers. There is a case for a more expansive and targeted set of labour market tests than is currently available.

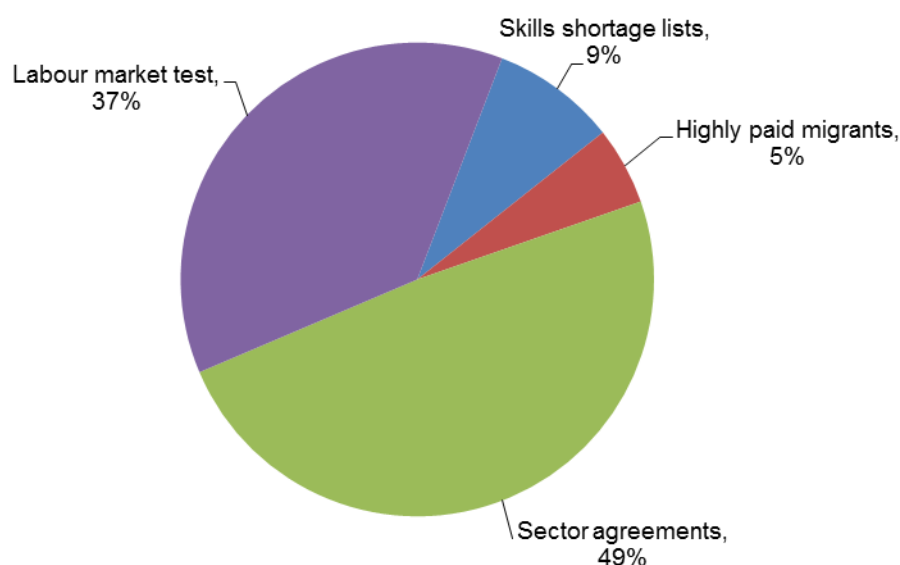
47. As summarised in Figure 6, I propose that in most cases employers would continue to need to test the labour market before they can recruit temporary migrant workers. Three of these tests – the regional skills shortage list, the highly paid threshold and regional labour market test – are enhancements to the status quo. One of these tests – sector agreements – is a new mechanism.

**Figure 6: Labour market tests for checking a job**



48. Based on 2017/18 data, around 47,000 approved visa applications would need to meet one of these four labour market tests and 16,000 employers would be impacted. Figure 7 below shows this breakdown by labour market test.

**Figure 7: Proportions expected to meet new types of labour market testing based on 2017/18 approved visas**



*I propose that where a skilled migrant worker is paid a sufficiently high remuneration no labour market test would be needed*

49. In principle, paying a migrant worker a high remuneration generally reflects a genuine skills shortage and the value that the employer has placed on that migrant's unique skills and experience. It follows that a high level of remuneration could be considered as sufficient labour market testing for skilled workers.
50. Under current settings, no matter how highly paid a worker may be, they are still subject to a labour market test unless they are employed by an accredited employer, which is additional effort on the part of the employer for marginal benefit.
51. I propose that applications for migrants paid at least 200 per cent of the national median income (which would currently amount to \$48.58 per hour or \$101,046 annually) would be deemed to meet a labour market test. As discussed in paragraphs 39 to 41, I propose the threshold would be 150 per cent of the median income for premium accredited employers. Employers would still be required to pay a market rate for the occupation i.e. they could not pay a migrant \$101,046 if the market rate for their job was \$150,000.
52. This would be consistent with current remuneration thresholds under the Skilled Migrant Category, and would ensure that the threshold is sufficiently high to recognise genuinely skilled migrants. Based on 2017/18 data, around 2,500 approved visa applications would be paid above these thresholds. The main occupations were resident medical officers, general practitioners, university lecturers, construction project managers and software engineers.

*I propose to move to regionalised skill shortage lists to recognise differing skill needs in the regions*

53. INZ produces skills shortage lists, currently known as the Essential Skills in Demand (ESID) lists, every year to identify shortages of skilled occupations in New Zealand. Employers recruiting for an occupation on the ESID lists are not

required to meet a labour market test before recruiting temporary migrant workers.

54. I have decided to recast these lists on a more specific regional basis when they are published next in April 2019 and to rename these as Regional Skills Shortages (RSS) lists. This will better reflect the skill shortages that exist in the regions and provide a stronger signal to temporary migrants of opportunities in regional areas.
55. Further reform is needed to the criteria for assessing what occupations are placed on a particular RSS lists. This needs to include wider engagement with regions to take into account specific needs, and engagement with government agencies that undertake national workforce planning. It also needs to ensure that there are mechanisms to trigger a response from the education/training and welfare systems, and from employers, and that there are processes in place that exit occupations. Consultation will test how these RSS lists can be further improved.

*I propose negotiating three-year sector agreements in selected sectors to ensure that industry and government are both contributing to long-term labour market solutions*

56. Some sectors are high users of migrant labour for mid- to lower-skilled roles. This demand may reflect genuine shortages of local labour or may arise because the terms and conditions offered are not attractive to local workers.
57. For a number of sectors with high demand for lower-skilled migrant labour, I propose negotiating sector agreements with representative industry bodies, which would be compulsory for employers seeking to recruit migrants in that sector. The agreements would last for three years and would set out specific occupations covered by the agreement, employer accreditation standards, how the labour market test will be applied, required wages and conditions, caps on the total numbers of migrant workers that can be recruited, training commitments and any special regional or other considerations. This would also address situations where standard visa application processes and the ANZSCO framework don't adequately fit the skill and occupation structure of the sector.
58. These sector agreements will provide employers with the benefit of greater certainty of access to temporary migrant workers over the three-year duration of the agreement. They could also provide employers with commitments to more efficient processing of visa applicants and more favourable visa conditions. Other commitments could also be made by the government (for example, in relation to the education/skills and welfare systems) as part of the negotiations for these agreements.
59. In return, employers would need to commit to improvements to industry productivity, investment in the training and development of domestic workers, or better conditions for both domestic and migrant workers. The aim is to create better jobs for New Zealanders and to incentivise changes that would increase productivity and reduce demand for lower-skilled workers in the sector, reducing the reliance on lower-skilled temporary migrant workers over time.
60. I propose that the negotiations be initially focussed on sectors that have already demonstrated that they are facing significant supply issues for lower or mid-

skilled labour and/or are ready to engage.<sup>6</sup> These sectors are: residential aged care, dairy farming, tourism and hospitality, and road freight and transport. It may also include other sectors such as the forestry, fishing and meat sectors.

61. Subject to consultation and pending Cabinet agreement, I intend to begin negotiations with the residential aged care sector as well as the tourism and hospitality sector in mid-2019, with the expectation that the agreements could come into effect in January 2020. This would be followed by engagement with the road and freight, and dairy farming sectors in 2020.
62. There is a separate Construction Skills Strategy in place to improve the capacity and capability of the construction workforce and a cross-government Action Plan to support it. The Action Plan will be a medium to long-term tool to transform the construction sector workforce with a number of levers available to Government to improve the size and quality of the construction workforce, including the education and training, immigration and welfare systems. The Action Plan is intended to be adjusted as officials understand more about the future skill needs of the sector, and as construction methods advance.
63. As previously agreed by Cabinet as part of a wider work programme to review Pacific migration settings [CAB-18-MIN-0250.01], the Recognised Seasonal Employer policy, which provides access to lower-skilled workers mainly from the Pacific in the horticulture and viticulture industries, will be reviewed separately in 2019. A sector agreement may be negotiated following that review. As part of the Pacific migration review I will also investigate whether we can increase the opportunities for Pacific labour mobility whilst still achieving our domestic aims.

*I propose to consult on a set of labour market indicators that would inform a regionally-differentiated approach to the labour market test, responses from the education/skills and welfare systems and employer responses*

64. There is merit in being able to adjust the responsiveness of immigration settings at a regional level as economic and demographic conditions change over time. I propose regionally differentiating the labour market test based on a set of labour market indicators which reflect the relative labour demand/supply challenges facing each region and the ability of the region to cope with population growth.
65. The dynamic nature of the labour market, and elements of my proposed changes aimed at reducing our reliance on temporary migrant workers over time, means it is likely that the characterisation of the regions will fluctuate. The regional indicators framework must therefore be flexible and monitored on a regular basis, so adjustments can be made as circumstances change.
66. The characterisation of regions would be based on a set of measures including the following (set out in Annex Four in more detail):
  - a. Labour supply – unemployment, underutilisation, and employment, and those undertaking and leaving education and training,

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<sup>6</sup> These sectors have been identified through the multi-agency Sector Workforce Engagement Programme (SWEP).

- b. Labour demand – forecast economic growth, vacancy growth and future forecast reports,<sup>7</sup>
- c. Other data reflecting the demographic change and ability of the region to cope with population growth – infrastructure constraints, investment and level of dependency on immigration.

67. The following matrix sets out how different regional dynamics may trigger different immigration and other supply side responses:

| Labour Demand<br>Available<br>Domestic Supply | <i>High</i>   | <i>Low</i>  |
|---|---|---|
| <i>High</i>                                   | Tight access to migrant labour<br>High investment in domestic response (education/welfare)<br>More obligations on employers i.e. recruiting and training New Zealanders                           | Tight access to migrant labour<br>Moderate investment in domestic response (education/welfare)<br>Some obligations on employers i.e. training and wages |
| <i>Low</i>                                    | Relaxed access to migrant labour, subject to infrastructural constraints<br>Moderate investment in domestic response (education/welfare)<br>Some obligations on employers i.e. training and wages | Moderate access to migrant labour<br>Low investment in domestic response (education/welfare)  |

*Regional differentiation would support the alignment of the education/skills, welfare and immigration systems*

68. At this stage MBIE officials have identified three potential options for improving alignment of the immigration, welfare and education/skills systems that I would like to test through this consultation process. At this point these are ideas for feedback and testing rather than firm proposals. Further development will be in tandem with, or as part of, the changes that may be contemplated to the vocational education and welfare systems.
69. The first idea is the development of regional labour market plans, which could be paired with the establishment of regional skills bodies. Initially this would involve local and regional level engagement on labour market indicators, to inform local labour market responses and to support more coordinated actions such as workforce planning across employers, MSD, and MoE. This local and regional engagement would aim to address both current and potential future skills and labour needs through appropriate use of all supply levers. The focus of the engagement would include opportunities to assist smoother and faster labour market adjustment for affected workers and their employers in transitioning economies as well as broader workforce issues to support emerging industries in a region. The information and insights from this engagement would also inform the RSS lists over time.

<sup>7</sup> MBIE produces two reports on employment forecasts and projections: *The Short-Term Employment Forecast: 2017-20* and; the *Medium to Long-Term Employment Projections - Looking Ahead to 2026*.



70. Local and regional agencies would be supported to work with the local economy to join up their levers, efforts and investments where there is already discretion in the system at a regional/provider level. For example, agreed actions could include tailored and joined up approaches to schools, industry training organisations, jobseekers and workers about the jobs in high demand in the region and the training needed. This would provide a mechanism for linking the significant investments being made through, for example, the Provincial Growth Fund to form part of the overall picture of demand and support coming into each region.
71. Second is the establishment of cross-agency hubs to support skill matching for domestic workers (including both beneficiary and non-beneficiary jobseekers) and to undertake, or provide advice to inform, the labour market test on behalf of agencies in key regions. This approach builds on the successful model of the Canterbury Skills and Employment hub adopted during the earthquake rebuild, and is consistent with proposals signalled through the Provincial Growth Fund which will establish a number of new Jobs and Skills Hubs.
72. Third, while noting that this Government is investing strongly in regions, skills, and active labour market programmes, the consultation will also indicate that the Government is willing to look at bringing its wider resources to bear by targeting supports and initiatives such as, for example, the Construction Workforce Action Plan, Mana in Mahi, and He Poutama Rangitahi to areas where immigration is to be tightened over time.
73. Further work is required on these alignment options, and I will work with the Ministers for Social Development, of Employment and of Education to develop agreed proposals following consultation.
74. Consultation will:
  - a. Test the indicators and the criteria for classifying regions;
  - b. Test the range of immigration responses that could be triggered by the classification of a region (i.e. either tightening or loosening the standard labour market test, and limiting access to lower-skilled migrants where there is available domestic labour supply or providing more generous visa conditions for lower-skilled migrants in regions with relatively tight labour markets);
  - c. Explore the range of responses across the education/skills and welfare systems and employer responses that could be triggered by the classification of a region; and
  - d. Test whether there are any other improvements that can be made to labour market testing processes.
75. In considering these ideas I have noted that reviews of the education and welfare systems are underway. My consultation process will seek views on the sorts of regional mechanisms that could more closely align and integrate the immigration system with the wider labour market, particularly in the regions. Agencies will work closely together in further developing the ideas outlined in this paper, to ensure consistency and alignment across the changes in the immigration, welfare and education systems as the various reviews progress.

### ***Gate 3 – Only after the job check is completed would the migrant check occur***

76. I propose that the current migrant checks on identity, health and character remain largely as they are to ensure that we continue to manage the risks associated with temporary migrant workers. I intend to test through consultation if the current checks on whether a migrant's skills are a suitable match to the job can be removed or amended to simplify this stage of the application process.
77. Migrant workers would only be able to apply for a visa once the employer has passed through the employer and job gateways. This would provide migrants with more assurance about the employer and the job, while also reducing the administrative burden on them and speeding up the visa processing time. Most of the cost of making a visa application would be transferred from migrants to employers to reflect this.

### **My proposed changes build upon policy changes from the last government, but revise some policy features that are not consistent with our government's priorities**

78. The National-led government introduced a range of changes to Essential Skills and Skilled Migrant Category visas in 2017, and indicated a direction of further policy reviews. A number of the proposals I am making are consistent with those changes, such as putting the employer first in the employer-assisted temporary work visa application process, focusing more on sectoral and regional differences and improving alignment of the education/skills, welfare and immigration systems.
79. However, a number of the changes made by the previous government are not consistent with our government's priorities and I am proposing to reverse or review those changes as set out below.

### ***I propose changing the definition of mid-skilled to ensure that the definition accurately reflects the skill levels and remuneration of migrants***

80. Under current settings, there is a group of mid- skilled migrants at ANZSCO levels 1-3 that are paid between 85 per cent (\$20.65 per hour) and 100 per cent of the median wage, and are able to continuously roll over their temporary work visa subject to a labour market test. These workers, however, would not qualify for residence under the Skilled Migrant Category as that salary threshold is set at the median wage. Almost 10,000 Essential Skills migrants (around one third) are in this situation.
81. I seek Cabinet agreement to raise the mid-skilled remuneration threshold to 100 per cent of the national median wage (currently \$24.29 per hour, or \$50,523 per year). This would bring it into line with the threshold for the Skilled Migrant Category and would ensure that this group of temporary migrants is unable to continuously roll over their visa, without having the stability of a pathway to genuine residence.
82. This would mean that around 10,000 migrants that were previously in the mid-skilled bracket and are now lower-skilled would now be required to leave New Zealand for one year once they spend three years here on an employer-assisted visa.

83. The occupations most impacted by this change would be construction trade workers, food trades workers, hospitality and retail managers and automotive engineers. The income data for these sectors shows automotive and construction have a broad spread of incomes both above and below the median income, indicating that there is natural progression in these sectors and therefore that this change would have limited impact on these sectors.

***I propose to consult on reinstating family entitlements for lower-skilled workers***

84. Under current settings, a higher or mid-skilled temporary migrant worker can be accompanied to New Zealand by their partner and dependent children. The partner may apply for an open visa (non-labour market tested) of the same duration as the principal visa holder and dependent children may access primary and secondary education (but can only access tertiary education as a full fee paying international student).
85. As at August 2017, lower-skilled temporary migrants cannot be accompanied by their partner or dependent children unless their partner and children qualify for a visitor or temporary work visa in their own right [EGI-17-MIN-0197].
86. This change was introduced to help address two issues:
- a. There was a pool of lower-skilled temporary migrants that were well settled but had no pathway to residence. Restricting the ability for lower-skilled migrants to support family members reinforces the temporary nature of the visa and that lower-skilled temporary work visas are not a pathway to residence.
  - b. The Government incurs fiscal costs for children in primary and secondary education, which may not be offset by the taxes paid by their parents. Fees for tertiary education acts as a disincentive, particularly for lower-skilled migrants.
87. I propose that we reinstate the right for lower-skilled temporary migrant workers to bring their partners and dependent children to New Zealand. This would be consistent with Government Priority 3, to deliver compassionate government and create an international reputation we can be proud of, as it would support migrants' right to family life.
88. This change would not alter the temporary nature of the visa if the stand down period of 12 months is retained after a maximum of three years. I do, however, propose that partners who would like to work are treated the same as other temporary migrant workers. This would require them to be employed through one of the four job pathways in the proposed gateway framework. This would be consistent with evidence recently published by MBIE that shows that partners of temporary work visa holders have some negative impacts on the outcomes of New Zealanders.
89. Depending on other policy decisions, this could enable up to around 28,000 migrants to bring their partners and children, if they have them.

### ***I propose reviewing stand down periods for lower-skilled migrants***

90. Changes made in August 2017 mean that lower-skilled migrants who have worked in New Zealand for three years are subject to a 12 month stand-down period where they must leave New Zealand. The stand down period is intended to prevent a pool of lower-skilled, lower-paid migrants building up in New Zealand that are well-settled but have no pathway to residence. Prior to this policy, lower-skilled temporary migrants could roll over their visas indefinitely provided their jobs continued to pass a labour market test. This created a range of negative impacts:
- a. their visa is based on a job offer, and so despite being well settled, if they are injured or no longer able to work they lose the basis for their visa leaving them in an insecure situation and vulnerable to exploitation,
  - b. they don't have access to the same rights and benefits and Government support as New Zealanders, such as subsidised tertiary education for their children and
  - c. there are fewer incentives on employers to access the domestic labour market, while they continue to employ a well settled migrant.
91. The stand down emphasises the temporary nature of these visas and helps to set realistic settlement expectations for lower-skilled migrants. However, the policy is not generally supported by businesses, on the basis that it poses some disruption and uncertainty i.e. they may lose productive and experienced workers. Employers have also argued that it could make it harder to attract lower-skilled migrants (however, the evidence does not support this concern as numbers of lower-skilled migrants have continued to increase since the policy was implemented).
92. The impacts of this policy will not be fully realised for a further two years as the three year period only began for lower-skilled migrants approved after August 2017. The most recent estimate indicates that around 20 per cent of Essential Skills visa holders stay on temporary visas for more than three years (around 8,000 based on current visa approvals, about half of whom may have been eligible for the South Island pathway for residence)<sup>8</sup>. However, this number is expected to increase substantially as a result of changes to residence policies in 2016 and 2017 that make it harder to obtain residence and due to the growing number of lower-skilled employer-assisted migrants in recent years.
93. I propose testing through the consultation process whether in the context of the proposals, the policy objectives for the stand down period can be met in other ways. I intend to report back to Cabinet on whether the stand down period should be changed in June 2019.

### **Consultation**

94. The following agencies were consulted on these proposals: the Department of Prime Minister and Cabinet, The Treasury, Te Puni Kōkiri, Tertiary Education

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<sup>8</sup> The South Island pathway to residence was a time limited visa that provided a pathway to residence for some well settled, lower- skilled migrants.

Commission, Ministry for Primary Industries, Ministry of Health, and Ministry for Pacific Peoples, the Ministry of Foreign Affairs and Trade, the Police, the Ministry of Social Development, the Ministry of Education, Worksafe.

95. Overall, agencies were supportive of the proposals and undertaking consultation, with most feedback focussed on issues that were minor or technical and that will need to be addressed before final decisions are made and work is progressed to implementation.
  - a. the Ministry of Social Development, the Ministry of Education (MoE), the Tertiary Education Commission (TEC) and the Treasury were comfortable with the options in the Cabinet paper regarding possible ways to improve the alignment of the immigration, welfare and education systems. They did however express the need for: Proposals to be put forward in public consultation as ideas rather than firm proposals,
  - b. That this consultation does not pre-empt the significant reviews, decisions and announcements currently being worked through in the education and social development portfolios,
  - c. That any regional alignment work seek to compliment and make use of, rather than duplicate existing regional work.

## **Public consultation**

96. Given the broad impact of these changes, I propose to publicly consult on them from December 2018 through to March 2019 and to report back to you on the outcome.

## **Implementation**

97. I intend to implement the Regional Skills Shortages lists in April 2019, as there has already been consultation on the ESID list review and I do not expect opposition to regionalising the shortage lists. Improved versions of the Regional Skills Shortages lists could be implemented in April 2020.
98. I will report back to Cabinet in June 2019 with final proposals following consultation, including a detailed implementation plan. However, the consultation exercises for the changes to the education and welfare systems provide a further opportunity to test options for regional infrastructure to support the domestic labour market response, and decisions regarding these regional mechanisms may be sought at a later time through those review processes.
99. I expect the following phased implementation for the changes proposed in this paper:
  - a. changes to remuneration thresholds (both for the Talent (Accredited Employers) policy as a transitional closing of that loophole and for the definition of mid-skilled temporary migrant workers), rights of lower-skilled temporary migrant workers to bring their partners and dependent children to New Zealand, and to the stand down period could be implemented in August 2019;

- b. the first two sectoral agreements – the aged care sector and the tourism and hospitality sector – could be negotiated in 2019 and be operational by January 2020;
  - c. the new gateway model could be fully implemented between April and June 2020, in order to allow time for development of the new operating model, ICT system changes and training; and
  - d. the next two sectoral agreements – the dairy farming sector and road freight and transport – could be operational by the end of 2020.
100. I will work with the Ministers for Social Development, Employment, and of Education to develop agreed proposals and an implementation plan by June 2019, for better alignment across the immigration, education/skills and welfare systems, including:
- a. how to take a more regionally differentiated approach to the labour market test, based on a set of labour market indicators;
  - b. the responses that should be triggered across the education/skills and welfare systems, and expectations for employer responses, based on the classification of a region using those labour market indicators;
  - c. developing Regional Labour Market Plans and/or establishing Regional Skills bodies; and
  - d. establishing cross-agency Hubs to support skill matching for domestic workers.

**Financial implications**

s9(2)(f)(iv)

[Redacted text block]

102. I will report back in June 2019 with detailed costs and benefits, including a replacement fee system, which would need to be established in order to recover costs from migrants and employers. An indicative range for new fees, based on estimated costs of service, is from approximately \$600 for standard employer accreditation through to approximately \$2,000 for premium and labour hire employer accreditation. The cost of a visa application to migrant applicants is likely to be \$250-\$300. These would replace the current fees for migrant work visa applications, which, as at 5 November 2018, are either \$440 or \$580 for migrant applications, \$440 for an employer approval in principle, and \$2,130 for employer accreditation.

s9(2)(f)(iv)

[Redacted text block]

## Legislative Implications

104. There are no legislative implications associated with this paper.

## Regulatory Impact Analysis

105. There are no immediate regulatory implications associated with this paper. However, the final proposal may have implications due to the potential fees changes that are required. A cost recovery impact statement will be provided when approval is sought for changes to these fees and levies.

## Human Rights

106. This proposal is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Gender Implications

107. There are no gender implications associated with this paper.

## Disability Perspective

108. There are no disability implications associated with this paper.

## Publicity

109. I intend to issue a media release announcing the public consultation of these proposals, and the release of the attached consultation document. I will also coordinate with the Minister of Education, the Minister for Social Development and the Minister for Employment to deliver clear and consistent messaging on system alignment.

## Recommendations

110. The Minister for Immigration recommends that the Committee:

1. **note** that the proposals set out in this paper support the priorities as set out in This is Our Plan and the coalition agreement between the New Zealand Labour Party and New Zealand First, by:
  - 1.1. strengthening the labour market test for work visas to ensure that migrants are not being used for jobs New Zealanders can do, and
  - 1.2. making skills shortage lists more regional so that migrants work where there is a genuine shortage, taking into account the differing needs and circumstances of regions.
2. **note** that the changes proposed in the paper will support our wider labour market objectives by ensuring that:

- 2.1. employers are placing more New Zealanders into jobs, which help their businesses to grow and thrive, and result in better jobs for New Zealanders; and
- 2.2. temporary migrant workers, when they are employed, are not exploited and have wages and conditions that are consistent with New Zealand norms;
3. **agree** to public consultation from December 2018 to March 2019 on the following set of proposals to reform the employer-assisted temporary work visa system:

*Gateway framework*

- 3.1. all employers and temporary migrant workers would need to come through the new employer-assisted gateway framework;
- 3.2. the gateway framework would replace the existing Essential Skills, Approval in Principle, Talent (Accredited Employer), Long Term Skills Shortage List Occupations, Silver Fern Job Search and Silver Fern Practical Experience categories;

*Employer gateway*

- 3.3. all employers would need to be accredited before they could recruit employer-assisted temporary migrant workers;
- 3.4. accreditation would require employers to meet standards;
- 3.5. there are three accreditation groups (standard, labour-hire company accreditation, and premium accreditation);

*Job gateway*

- 3.6. once accredited, employers would follow one of four labour market tests:
  - 3.6.1. the occupation is on a Regional Skills Shortage list; or
  - 3.6.2. the job meets the highly paid threshold of at least 200 per cent of the New Zealand median income or at least 150 per cent for employers holding premium accreditation; or
  - 3.6.3. the job or occupation is covered by a sector agreement and the employer meets the requirements of that agreement; or
  - 3.6.4. the job meets a standard labour market test;

*Migrant gateway*

- 3.7. migrants will only be able to apply for an employer-assisted temporary work visa after employers are approved or accredited and checks have proven there are no New Zealanders available to do the job;
- 3.8. whether the existing migrant capability checks (i.e. do they have the skills for the job) could be managed through other tools;



*Regional differentiation and the alignment of the education/skills, welfare and immigration systems*

4. **agree** to consult on:
  - 4.1. a set of regional indicators that will inform how regions will be differentiated;
  - 4.2. when and how differentiated labour market testing could apply;
  - 4.3. the concept of regional labour market plans, which could be paired with the establishment of regional skills bodies, and the possible roll-out in relevant regions of cross-agency skills and employment hubs,
5. **Note** that agencies will work together to ensure that advice on any new structures or mechanisms is consistent with the outcomes across the current reviews of the immigration, education and welfare systems;

*Supplementary and transitional arrangements*

6. **agree** to consult on:
  - 6.1. whether the stand down period for lower skilled temporary migrants should be changed;
  - 6.2. raising the remuneration threshold for mid-skilled workers to at least 100 per cent of the national median income (from \$21.25 per hour to 25per hour);
  - 6.3. providing all lower-skilled migrants with the ability to support partners and children for the length of their visa, with partners remaining subject to a labour market test should they seek paid employment.
7. **agree** to consult on changing the remuneration threshold for the Talent (Accredited Employers) Work Visa, so that it is aligned with the remuneration threshold for the Skilled Migrant Category, which is indexed to at least 150 per cent of the New Zealand median income (\$37.50 per hour or \$78,000 per annum), for implementation either:
  - 7.1. in August 2019;
  - or
  - 7.2. as part of the new employer gateway (to be implemented in 2020);

*Next steps*

8. **agree** to the release of the attached consultation document subject to any minor or technical changes that may be authorised by the Minister of Immigration;
9. **invite** the Minister of Immigration to report back to Cabinet in June 2019 on:
  - 9.1. the outcomes of the consultation and any changes to the proposals; and
  - 9.2. an implementation plan including the financial implications of the proposals;

10. **invite** the Minister of Immigration, Minister of Education, Minister for Social Development and Minister of Employment to report back to Cabinet in June 2019 on proposals to support domestic labour market outcomes by aligning the education/skills, welfare, and immigration systems at a regional level.

Authorised for lodgement

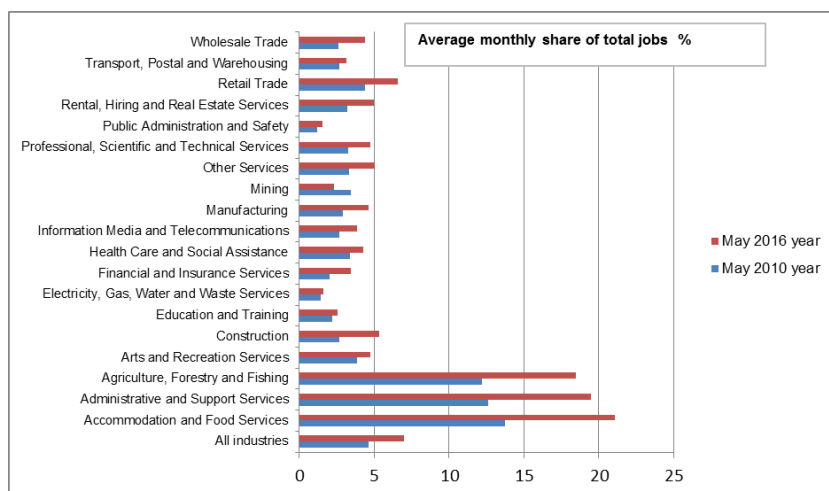
Hon Iain Lees-Galloway  
**Minister for Immigration**

**Annex One: Summary of Progress in the Immigration Portfolio**

## Annex Two: Information on the composition of temporary work visas

### Percentage of jobs held by temporary migrants (students, employer-assisted and open) by sector

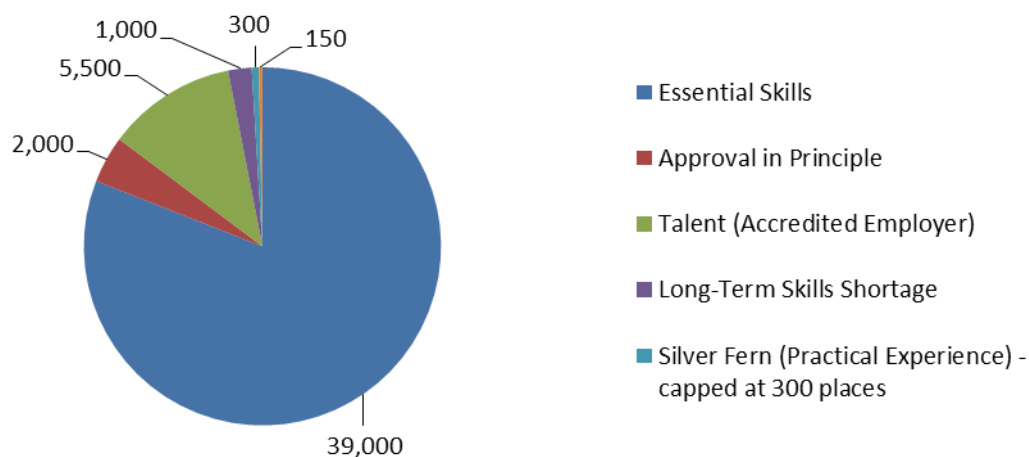
- The share of temporary workers is particularly high in a few lower-wage and lower-productivity sectors and in some regions



### Profile of employer-assisted temporary work visas

- Around 47,000 employer-assisted temporary work visas were issued across six visa categories in 2017/18.
- The total number of employer-assisted temporary work visa holders in New Zealand on 30 June 2018 was 53,505.

### Types of employer-assisted temporary work visas (numbers have been rounded)



- Around 46 per cent of Essential Skills applications in the year to August 2018 were for lower-skilled jobs.
- The main countries the applicants originated from were the Philippines (22 per cent), India (17 per cent) and Great Britain (11 per cent). These countries were the same for both high skilled and lower-skilled occupations.
- The main regions where these migrants worked were Auckland (41 per cent), Canterbury (15 per cent) and Otago (14 per cent).
- The top five occupations were dairy farm workers, chef, carpenter, retail supervisor and café/restaurant manager.
- The median wage for migrants was around \$23 per hour, slightly below the national median wage of \$24.95 per hour.

## Annex Three: Summary of high-level costs and benefits by key stakeholder

|  | Benefits  | Costs   |
|--|---|---|
| <b>Regions</b>   | <ul style="list-style-type: none"> <li>• More New Zealanders trained to meet skill shortages and employed in better jobs in the regions</li> </ul>  | <ul style="list-style-type: none"> <li>• Cost of establishing and servicing new regional governance frameworks</li> </ul>   |
| <b>Employers (around 16,000)<sup>9</sup></b>                                 | <ul style="list-style-type: none"> <li>• More flexibility and options to make choices to suit preference</li> <li>• More incentives to attract workers through better visa conditions for some employers</li> <li>• More certainty on both skilled and low-skilled labour through pre-approval</li> <li>• Easier processes to navigate</li> <li>• Faster processes to navigate for bulk recruitment (for some employers)</li> </ul> | <ul style="list-style-type: none"> <li>• New fees would be introduced – this would include a transfer of some costs from migrants to employers as well as a more general increase in fees to reflect the uplift in standards and accreditation requirements</li> <li>• Higher standards and new responsibilities would increase upfront administrative costs particularly for employers who are currently just meeting minimum standards</li> </ul> |
| <b>Migrants (53,505)<sup>10</sup></b>  | <ul style="list-style-type: none"> <li>• Risk of exploitation is reduced</li> <li>• Easier process to navigate</li> <li>• Can target better employers</li> <li>• Better work conditions and remuneration</li> <li>• More certainty about future visa pathways and options</li> <li>• Cost of visa is reduced</li> </ul>   | <ul style="list-style-type: none"> <li>• Fewer opportunities to work in New Zealand if employers can't meet standards or if employers start replacing migrant workers with local workers</li> </ul>   |
| <b>Immigration New Zealand</b>   | <ul style="list-style-type: none"> <li>• Easier to incentivise and reward good employers</li> <li>• Easier to target non-compliant employers</li> <li>• Potential reduced role over the long-term</li> </ul>  | <ul style="list-style-type: none"> <li>• Transitional costs would be incurred (e.g. operational reviews and disruption to business as usual during the implementation period)</li> </ul>  |
| <b>Government agencies – labour market system (MoE, TEC, MSD &amp; MBIE)</b> | <ul style="list-style-type: none"> <li>• Improved feedback loops to and from INZ regarding immigration drivers, impacts and controls</li> <li>• More opportunities to develop improved local solutions to manage labour and skilled shortages</li> </ul>  | <ul style="list-style-type: none"> <li>• More complex coordination particularly in the short-term</li> <li>• May result in cost pressures and changes to the existing work programme</li> </ul>   |

<sup>9</sup> Based on 2017/18 data.

<sup>10</sup> Total employer-assisted temporary migrant workers as at 30 June 2018.

## Annex Four: Summary of key regional indicators

| Indicator group | Indicator  | Measure(s)   |
|-----------------|--|--|
| Labour Market   | Unemployment volumes and rates (including splits for Māori, Pacific Peoples, youth and disabled people) and by region / sub-region | Relative to national average, and range  |
|                 | Trend in unemployment volumes and rates  | Direction of change over the last 3 years, and range                           |
|                 | Employment rate by age, gender, ethnicity, disability status and region/ sub-region  | Relative to national average, and range  |
|                 | Trend in employment rate and volumes   | Direction of change over the last 3 years, and range                           |
|                 | Underutilisation rates by age, gender, ethnicity and region / sub-region   | Relative to national average, and range  |
|                 | Trend in underutilisation volumes and rates, by age, gender, ethnicity, disability status and region / sub-region                  | Direction of change over the last 3 years and for the 3 years ahead, and range |
|                 | Wage levels and labour cost index projections for the next three years, by occupation, industry and region / sub-region            | Relative to national average, and range  |
|                 | Forecast economic growth by region   | Relative to national average and range   |
|                 | Vacancy growth (job growth)  | Relative to national average, and by occupations type and level                |
| Supply          | Projected annual volume of school-leavers by region / sub-region   | Direction of change over the last 3 years and for the 3 years ahead, and range |
|                 | Projected enrolments in tertiary education, by level and field of study, and by region / sub-region                                | Direction of change over the last 3 years and for the 3 years ahead, and range |
|                 | Projected completions by level and field of study and by region / sub-region   | Direction of change over the last 3 years and for the 3 years ahead, and range |
|                 | Projected net migration, by occupation and by visa type, and by region / sub-region  | Direction of change over the last 3 years and for the 3 years ahead, and range |
|                 | Number of work-tested beneficiaries by region / sub-region   | Direction of change over the last 3 years and for the 3 years ahead, and range |
|                 | Projected volume of exits by g17   | Direction of change over the last 3  |

|                    |   |   |
|--------------------|---|---|
|                    | <b>beneficiaries to employment, by region / sub-region</b>  | <b>years and for the 3 years ahead, and range</b>                           |
| <b>Demographic</b> | <b>Working age population as a proportion of total population, including those who are not in the labour force (NILF) or not in employment, education or training (NEET), and by gender, ethnicity and by region / sub-region</b> | <b>Relative to national average</b>   |
|                    | <b>Projected change in working age population, and by gender, ethnicity and region / sub-region</b>   | <b>Relative to national average</b>   |
|                    | <b>Age distribution within key occupations for region</b>   |   |
| <b>Other</b>       | <b>Infrastructure constraints</b>   | <b>Demand for housing</b>   |
|                    |   | <b>Pressure on road and rail</b>  |
|                    | <b>Investment</b>   | <b>Level of planned investment over next 3-5 years</b>                      |
|                    | <b>Level of dependency on immigration</b>   | <b>The number of temporary migrants and their share of total employment</b> |

## **Annex Five: Draft consultation document**