



# BRIEFING

## Defining Regions for Regional Skills Shortage Lists

<b>Date:</b>	25 March 2019	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2854 18-19

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway <b>Minister Immigration</b>	<b>Agree</b> to define regions for the regional skills shortage lists based on the 15 region standard geographic regions.  <b>Forward</b> this briefing to the Minister of Education and the Minister for Social Development	1 April 2019
Hon Kris Faafoi <b>Associate Minister of Immigration</b>	<b>Note</b> the contents of this briefing.	1 April 2019

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Shane Kinley	Director, Labour and Immigration Policy	04 901 8619	Privacy of natural persons	✓
Ged Hiscoke	Senior Policy Advisor	04 474 2998		

The following departments/agencies have been consulted
Ministry of Social Development, Ministry of Education

Minister's office to complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments**



## BRIEFING

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#### Purpose

You have previously agreed that the current skills shortage lists would be published on a regional basis in April 2019. This briefing seeks your agreement to a definition of regional boundaries in order to publish Regional Skills Shortage Lists (RSSLs) for 2019.

#### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Agree** to define regions for the publication of Regional Skills Shortage Lists based on the 15 standard geographic regions;  
*Agree / Disagree*
- b **Agree** to forward this briefing to the Minister of Education and the Minister for Social Development;  
*Agree / Disagree*
- c **Agree** that version 1 of the Regional Skills Shortage List will replace the Immediate Skills Shortage List;  
*Agree / Disagree*
- d **Agree** that version 1 of the Regional Skills Shortage Lists will not include occupations on the Long Term Skills Shortage lists;  
*Agree / Disagree*
- e **Note** that advice on incorporating occupations on the Long Term Skills Shortage Lists into the Regional Skills Shortage Lists will be provided ahead of your June report back to Cabinet;  
*Noted*
- f **Note** that Immigration New Zealand will separately seek decisions from you regarding the annual review and update of occupations on the skills shortage lists;  
*Noted*

g **Note** that a decision is needed by early April on what regional boundaries are to be used for version 1 of the Regional Skill Shortage Lists in order to publish the lists in late April/ early May 2019;

*Noted*

h **Note** that MBIE officials are working closely with the Ministry of Social Development and the Ministry of Education to ensure that this work aligns as much as possible with the work currently underway in the education and social development portfolios (e.g. RoVE ) however the exact implications are unclear at this time;

*Noted*

i **Note** that adjustments to the regions for future Regional Skills Shortage Lists may be recommended to support any new arrangements arising from these reviews;

*Noted*

j **Note** that you will be provided further advice on regionalising the labour market test and the design of future versions Regional Skills Shortage lists in April/May 2019.

*Noted*

Shane Kinley  
**Director, Labour and Immigration Policy**  
Labour, Science and Enterprise, MBIE

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

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## Background

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### You have agreed to publish regional skills shortage lists in 2019

1. In December 2018, you took a paper to Cabinet seeking agreement to consult on a *new approach to employer supported temporary work visas and regional workforce planning* [CAB-18-MIN-0608.01 refers]. This Cabinet paper also indicated that you would publish regional skills shortage lists in April 2019, to coincide with the annual review of the Essential Skills in Demand (ESID) lists.

### The 2018 review of the ESID lists is currently underway

2. The 2018 review of the ESID lists is nearing completion, and you will separately be briefed by Immigration New Zealand (INZ) on the findings of the review. This is focussed on occupations to be added, removed, or moved between existing skills shortage lists.
3. Once you have agreed to the occupational changes proposed from the review, INZ will draft changes to Immigration Instructions for you to certify, and that will enable the publication of the updated ESID lists, as well as version 1 of the regional skills shortage lists.

### The Current Essential Skills in Demand (ESID) lists

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4. The Ministry of Business, Innovation and Employment (the Ministry) administers three skill shortage lists, called ESID lists;
  - a. The Long Term Skills Shortage List (LTSSL): Intended to fill long term persistent occupational gaps – usually nationwide;
  - b. The Immediate Skills Shortage List (ISSL): Intended to meet immediate skills gaps with some regionalisation (some occupations are broken into 6 'regions').
  - c. The Construction and Infrastructure Skills Shortage List (CISSL) (Formerly the Canterbury Skills Shortage List): Similar to the ISSL in function, but focussed on the construction sector.
5. Under current settings, skills shortage lists carry out three main functions:
  - a. occupations on an ESID list are deemed to have already tested the labour market by having an occupation on the list, and so the employer does not have to demonstrate that they have attempted to recruit or hire a New Zealander when a migrant applies for an employer supported work visa;
  - b. lists provides signalling effect to prospective migrants about the skills that are in shortage in New Zealand; and
  - c. the LTSSL provides pathways to residence through:
    - i. A work-to-residence visa granted to migrants that are paid above \$45,000 annually. After 2 years on this visa they are eligible to apply for residence.
    - ii. Bonus points for residence under the Skilled Migrant Category (this varies from 10 to 60 points depending on if they have a job offer for an occupation on the LTSSL).
6. Importantly from a labour market perspective, skill shortage lists are limited to occupations classified as mid- to higher- skilled (level 1-3 on the Australia New Zealand Standard Classification of Occupations (ANZSCO) classification system). Skills shortage lists do not include lower skilled ANZSCO 4 and 5 level occupations, which require employers to engage

more heavily with Work and Income New Zealand (WINZ). See Annex one for a breakdown of how ANZSCO skill levels are defined.

## Consultation has closed on proposals to move to regional skills shortage lists

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7. Public consultation on the proposals set out in “A new approach to employer-assisted work visas and regional workforce planning” closed on 18 March. Submitters were broadly supportive, with views expressed in consultation including:
  - a. The importance of a regionally differentiated approach in targeting recruitment, prioritising local skills needs and supporting regional voices; and
  - b. Some submitters indicated that their regions needed their own skills shortage lists, or recognition of a separate labour market (South Canterbury, Mackenzie district, Queenstown, South Waikato).
8. Of those submitters that were not supportive:
  - a. Some submitters raised that RSSLs would reinforce and support existing industry and skills needs, and so would limit the ability of new industries to grow in those regions; and
  - b. Some submitters objected to differentiated regional labour market responses either because they saw the role of government as providing an equal, not differentiated platform to regions, or because they saw regional skills lists as too much additional government intervention.

## Officials recommend moving to a 15 region model for version 1

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### There are a range of factors relevant to what regional model is used

9. In considering how to define regions, officials considered a range of factors, including the policy intent and the practical considerations of implementing the lists:

#### *Policy Intent*

- a. To better reflect regional labour market needs; and
- b. Use the lists to support the use of government and regional institutions, tools and work programmes to improve local labour market supply.

#### *Practical considerations*

- c. The regional structure of existing infrastructure and institutions, such as Economic Development Agencies, Industry Associations, Chambers of Commerce, and Work and Income Regional Commissioners;
- d. The availability of data - both administrative data held by agencies, as well as reliable official labour market statistics disaggregated by region;
- e. The likely cost to administer larger numbers of lists through increased consultation, data modelling and regional analysis;
- f. The marginal benefits gained from increasingly smaller regions and the meaningful level of variation between labour markets at the ANZSCO 1-3 level.

- g. The capability and resourcing of a region to engage with the process of regularly renewing a regional skills shortage list, and the increased pressure this would place on regions the smaller the regional definition gets.
10. The assessment is primarily one of the practicalities of implementation.

**Officials recommend a 15 region model**

11. Officials considered a range of options, including:
- a. Using the 67 territorial authorities, or a combination of these to develop custom regions;
  - b. Developing customised regions based on analysis of labour market areas;
  - c. Using the 15 standard geographic regions;
  - d. Using the 11 WINZ regions, each of which has a regional commissioner;
  - e. Splitting the main geographic regions into 'sub regions' (for example Hamilton and South Waikato, Christchurch and South Canterbury, Queenstown lakes and Dunedin) on an exceptions basis;
12. The two most practical options for version 1 of the RSSL are c) and d), as they best balance the availability of data, the desire of regions to have a voice in development of their own lists, the administrative burden of renewing lists, and the institutions and organisations that exist in the regions to support their administration.
13. Officials recommend that proceeding with a 15 region model, rather than the 11 region WINZ model as:
- a. the regional commissioners work has a significant focus on lower-skilled (ANZSCO 4-5) occupations, however the regional skills shortage lists only include mid- to – higher skilled occupations (ANZSCO 1-3), meaning that in practice they are targeting slightly different labour markets.
  - b. although MSD administrative data is available based on their 11 region model, other more widely used datasets are not (there is some variation in how various datasets combine some regions);
  - c. the combination of some regions (Nelson/Tasman/Westcoast/Wellington for example) and the separation of others (Auckland is currently proposed to be split into 3 regions, each with a regional commissioner) for administrative efficiency within WINZ's operations would not easily align with the purpose of a skills shortage lists as defining a reasonably differentiated labour market.
14. The 15 regions proposed to be used are:
- Northland
  - Auckland
  - Waikato
  - Bay of Plenty
  - Gisborne
  - Hawkes Bay
  - Taranaki
  - Whanganui-Manawatu
  - Wellington
  - Marlborough
  - Nelson-Tasman
  - West Coast
  - Canterbury
  - Otago
  - Southland

## Further advice for version 2 and 3 of the RSSL

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15. Further advice will be provided in advance of the scheduled June Cabinet report back on a *new approach to employer supported temporary work visas and regional workforce planning*. This advice will seek decisions on further policy issues for the publication of lists in version 2 and version 3 (in 2020 and 2021), including:
  - a. the continued role of the LTSSL and the LTSSL pathway to residence;
  - b. reform of the process and criteria for adding and renewing occupations to the lists;
  - c. better information sharing between the lists and the education and welfare systems; and
  - d. a review of what organisation is best placed to administer the RSSL in future;
  - e. enabling alignment with the findings of work currently underway in the Social Development and Education portfolios.
16. We do not however recommend waiting to implement regional skills shortage lists as:
  - a. You have publically committed to implementing regional skills shortage lists in early 2019;
  - b. Business and regions are seeking certainty as early as possible; setting up the regional skills shortage lists provides regions and business with a clear organising framework to engage with as we refine future versions of the lists.

### Further advice will be provided on the future of the LTSSL

17. You have agreed to publish the ISSL on a regional basis when the ESID lists are updated in late April/ early May 2019.
18. The LTSSL is not intended to be published on a regional basis in as part of version 1 of the RSSL as further policy work is needed to assess options for replacing the pathway to residence and the bonus points for the Skilled Migrant Category that the LTSSL currently provides, as noted in paragraph 4. Both of these pathways will require further policy decisions from you, and may require agreement from Cabinet in the June report back.

### There may be implications for work currently underway in the Education and Social Development portfolios

19. Officials note that it is not clear at this time what impact the RSSLs will have on work currently underway in the Education and Social Development portfolios.
20. As a decision on what regions will be used for the regional skill shortage lists is being made before the findings of the Welfare Expert Advisory Group (WEAG) and the Review of Vocational Education (RoVE) are made public, it is possible that decisions or activity in MSD and MoEs work may result in a need to adjust the regions used for regional skills shortage lists at a later date, or make operational adjustments in the way these work programmes are delivered.
21. Officials do not however think that any adjustment would be of material impact, as any regional recommendations out of MSD and MoE's work is more likely to involve smaller regions that fit within the geographic regional boundaries, or larger regions that are combinations of geographic regions rather than wholly new regional definitions.
22. Advice regarding potential impacts and mitigations will be provided ahead of the June Cabinet report back.

## **There may be a need to adjust the regions used in future versions of the RSSL**

23. As further work is undertaken to review the process for adding and removing occupations from these lists on a regional bases, there may be a case for small adjustments to the regions being used (combining two or more regions for example).
24. Adjustments to the regions may be based on factors such as data availability<sup>1</sup>, or as indicated in paragraph 20, the outcomes of the WEAG and RoVE work programmes.
25. While significant changes to the regions used may risk version 1 of the RSSL being perceived as not a meaningful change, officials do not anticipate this being likely, and expect any changes to be minor.

## **There may be a case for some sub-regions to have their own regional skills shortage lists**

26. Publically, and as part of consultation, some sub-regions have called for their own skills shortage lists in order to better reflect their local labour markets. This has included splitting Canterbury into North and South Canterbury, Otago into Queenstown-lakes and Dunedin, and Waikato into Hamilton and South Waikato for example.
27. While the assertion that there are labour market differences between these sub-regions is correct, it is unclear how a separate skills shortage list for these sub regions would address the challenges identified by these regions, in particular:
  - a. Data for sub-regions is much less readily available, and so administering the list would pose significant challenges;
  - b. The focus of the lists on ANZSCO 1-3 occupations means that skills shortage lists are not the right tool to address the more frequent ANZSCO 4-5 labour shortages many of these sub regions are facing;
  - c. There is not proposed to be a pathway to residence as part of the skills shortage lists, and so the lists will not be able to address issues of attracting and retaining migrants to sub-regions.
28. Engagement on these issues will be a priority for the development of version 2 and 3 of the regional skills shortage lists, and further advice on this issue will be provided ahead of the June Cabinet report back.

## **Next steps**

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29. INZ will brief you separately on the occupations proposed to be added and removed from the skills shortage lists. Once you have agreed to both the occupational changes and the regional definitions, officials will proceed with the publication of lists on a regional basis.
30. Officials plan to provide recommendations on regionalising the labour market test and the design of future Regional Skills Shortage Lists shortly, as part of the wider package of advice on new approaches to employer-assisted temporary visas.

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<sup>1</sup> The Household Labour Force Survey for example is the most reliable source of labour market data and combines Westcoast/Tasman/Nelson/Marlborough and Hawkes Bay/Gisborne. Disaggregated data from these regions is available, however the sample size is small and so the data is less reliable.



**Annexes**

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Annex One: ANZSCO skill level definitions

PROACTIVELY RELEASED

## **Annex One: ANZSCO skill level definitions**

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ANZSCO assigns occupations to one of five skill levels. In determining the skill level of each occupation in ANZSCO, advice was sought from employers, industry training bodies, professional organisations and others to ensure that the information is as accurate and meaningful as possible. The determination of boundaries between skill levels is based on the following definitions.

### **SKILL LEVEL 1**

Occupations at Skill Level 1 have a level of skill commensurate with a bachelor degree or higher qualification:

- At least five years of relevant experience may substitute for the formal qualification.
- In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

### **SKILL LEVEL 2**

Occupations at Skill Level 2 have a level of skill commensurate with one of the following:

- NZ Register Diploma or
- At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

### **SKILL LEVEL 3**

Occupations at Skill Level 3 have a level of skill commensurate with one of the following:

- NZ Register Level 4 qualification
- At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

### **SKILL LEVEL 4**

Occupations at Skill Level 4 have a level of skill commensurate with one of the following:

- NZ Register Level 2 or 3 qualification; or
- At least one year of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience may be required in addition to the formal qualification.

### **SKILL LEVEL 5**

Occupations at Skill Level 5 have a level of skill commensurate with one of the following:

- NZ Register Level 1 qualification
- compulsory secondary education.
- For some occupations a short period of on-the-job training may be required in addition to or instead of the formal qualification. In some instances, no formal qualification or on-the-job training may be required.