



BRIEFING

International Education Manifesto Commitments and Immigration Levers

Date:	22 November 2017	Priority:	Medium
Security classification:	In Confidence	Tracking number:	1104 17-18

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway Minister of Immigration	Agree the recommendations in this briefing	27 November 2017
Hon Chris Hipkins Minister of Education	For your information	27 November 2017
Hon Kris Faafoi Associate Immigration Minister	For your information	N/A

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Siân Roguski	Manager, Immigration Policy	04 901 3855	s 9(2)(a)	✓
Misty Parbhu	Senior Policy Advisor	04 896 5319		

The following departments/agencies have been consulted:
Ministry of Education, New Zealand Qualifications Authority, Education New Zealand, Tertiary Education Commission

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 Withdrawn |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

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Purpose

This report follows on from the Cross Agency Briefing on International Education [0845 17-18 refers]. It seeks your agreement to a proposed approach to the immigration-specific international education work programme for the next 12 months, to address your manifesto commitments and manage identified risks.

Executive summary

Your manifesto commitments relating to international education and immigration are focused on:

- changes to limit in-study and post-study work rights to those students undertaking degree-level and above study
- requiring courses at sub-degree level to be assessed to be of high quality before a student visa can be issued for that course.

We understand the objectives of the changes are to:

- ensure the international education system is focused on quality education for genuine students
- remove any 'back door' to residence for lower-qualified international students
- reduce the likelihood of students being exploited by unscrupulous employers or education providers.

We understand that achieving a specific reduction in migrant numbers is second order to achieving these policy objectives.

Being able to work both while studying and after completing study are key components of New Zealand's international education offering. This has been one of the factors driving the attractiveness of New Zealand as a study destination. However, there have been some undesirable consequences of this growth which we understand your manifesto commitments aim to address.

In response to these undesirable consequences, changes have been made to re-balance settings for international students (via changes to English language proficiency requirements and Skilled Migrant Category settings). This has led to significant reductions in international enrolments at sub-degree level since 2015, with further reductions expected to be reflected in 2017 figures. These changes (and their effects) reflect a new 'baseline' from which to develop options to achieve your manifesto commitments.

Policy options designed to achieve your objectives will also have potential implications across other aspects of the international education system, including on New Zealand's competitiveness as an international education destination, and on provider sustainability.

In light of this we are recommending a staged approach to providing advice to you on these issues: conducting a review of post-study work rights, followed by a review of in-study work rights. We consider this staging will address manifesto commitments on changing settings to address exploitation and residency issues, while allowing the impact of existing changes to embed.

These commitments will have an impact across a broad range of agencies. The Ministry of Business, Innovation and Employment (MBIE) - working jointly with other international education agencies - proposes a schedule of briefings to support the further development of policy to meet your objectives. The Ministry of Education and the New Zealand Qualifications Authority (NZQA) will be providing advice on the education quality aspects of your manifesto commitments.

There is also some existing work that related to international education, which officials can brief you on, relating to:

- *Review of Immigration Advisors Licensing Act*: recent work in the review of regulation of offshore education agents, and options for next steps
- *Dependent Children and Partners of International Students*: advice on options to better align policy settings for post-study work rights to intended immigration outcomes
- *Living Cost Affordability for International Students*: advice on whether the immigration living cost requirement for international students is sufficient and options for change.

Recommended action

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

a **Note** that officials have identified the following manifesto commitments regarding international education

- i) Stop issuing student visas for courses below a bachelor's degree which are not independently assessed by the Tertiary Education Commission and NZQA to be of high quality
- ii) Limit the ability to work while studying to international students studying at Bachelor-level or higher. Those below that level will have the ability to work only if it is approved as part of their course
- iii) Limit the 'Post Study Work Visa – Open' after graduating from a course of study in New Zealand to those who have studied at Bachelor-level or higher.

Noted

b **Note** that MBIE understands that work to deliver on the commitments in recommendation a will be closely linked to work across the immigration portfolio (and wider) to address migrant exploitation

Noted

c **Note** that MBIE will lead work (in close collaboration with international education agencies) on commitments a.ii) and a.iii)

Noted

d **Note** the Ministry of Education and NZQA will provide advice on commitment a.i), jointly reporting to both you and the Minister of Education

Noted

e **Note** that changes have been made to address the negative impacts of recent growth in international education, leading to significant reductions in the number of students studying

sub-degree programmes, however the full impact of these changes is still working through the system

Noted

- f **Agree** that MBIE take a staged approach to achieving your manifesto commitments to focus on changing settings to address exploitation and residency issues, while allowing the impact of existing changes to embed

Noted

- g **Agree** to indicate your preferences for further briefings relating to existing work and delivering your manifesto commitments:

Briefing Title	Proposed Timing	Decision
Summary of Advice on the Immigration Advisors Licensing Act (IALA) Review	December 2017	Agree / Disagree
Dependent Children and Partners of International Students	February 2018	Agree / Disagree
Review of Post-study Work Rights: scope and options for development	March 2018	Agree / Disagree
Living Cost Affordability for International Students	May 2018	Agree / Disagree
Review of In-study Work Rights: scope and options for development	October 2018	Agree / Disagree



Siân Roguski
Manager
Immigration Policy, MBIE

23 / 11 / 2017

Hon Iain Lees-Galloway
Minister of Immigration

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International education manifesto commitments

1. Your manifesto commitments relating to international education and immigration are to:
 - i. stop issuing student visas for courses below a bachelor's degree which are not independently assessed by the TEC and NZQA to be of high quality
 - ii. limit the ability to work while studying to international students studying at Bachelor-level or higher. Those below that level will have the ability to work only if it is approved as part of their course
 - iii. limit the 'Post Study Work Visa – Open' after graduating from a course of study in New Zealand to those who have studied at Bachelor-level or higher.
2. We understand the policy objectives of your commitments are to:
 - ensure the international education system is focused on quality education for genuine students
 - remove any back door to residence for lower-qualified international students
 - reduce the likelihood of students being exploited by unscrupulous employers or education providers.
3. From our discussion with you on your immigration policy priorities on 15 November, we understand that achieving a reduction in migrant numbers is second order to achieving these policy objectives.
4. Immigration policy settings seek to facilitate the entry of genuine international students to receive a high quality education and experience, as well as providing a potential pathway for international tertiary students to contribute the skills New Zealand needs to the labour market, should they wish to.
5. Policy change to deliver on your commitments requires collaboration across a broad range of agencies (Ministry of Education, TEC, Education New Zealand (ENZ) and NZQA, henceforth referred to as 'international education agencies') and any proposals for change will require close consultation with the Minister of Education.
6. This report seeks your agreement to a proposed approach to the immigration-specific components of the international education work programme for the next 12 months, to address your manifesto commitments and manage identified risks.

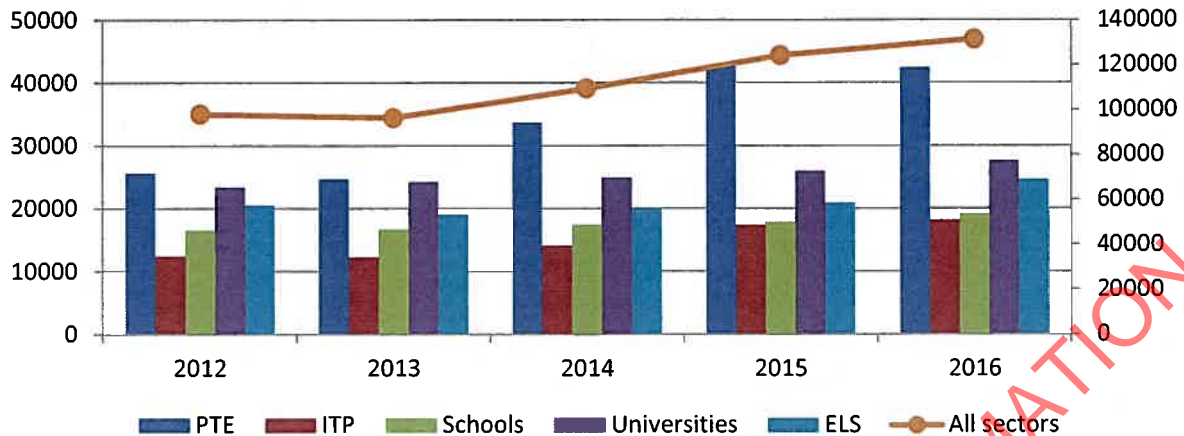
Growth in international education

New Zealand has experienced recent strong growth in international education

7. The international education industry has grown substantially over the last three years, with significant increases in the number of international students, particularly those at private training establishments (PTEs)¹ (see Figure 1 on following page).

¹ Types of tertiary institutes in New Zealand: Universities, Wananga, PTE, ITP, ELS
PTE: Private Training Establishment. PTEs are operated by a wide range of companies, trusts and other entities, and offer post-school education or vocational training.
ITP: Institutes of Technology and Polytechnics. Institutes of Technology and Polytechnics provide a very wide variety of technical, vocational and professional education. They also do research, particularly applied and technological research.
ELS: English Language School.

Figure 1: International students by Sector



Source: Ministry of Education: the Export Education Levy, Schools and Single Data Return (SDR)

8. New Zealand is the fifth most popular English speaking destination for international students. Compared with our key competitors – the United States, United Kingdom, Canada and Australia – New Zealand does not have a comparable level of market power or enjoy similar levels of brand recognition/preference. New Zealand is nevertheless a comparatively attractive international education destination, in part because:
 - the visa application process is considered to be user-friendly and relatively straightforward
 - the cost of study in New Zealand is in the middle range of costs compared to key competitors
 - New Zealand has some of the least restrictive settings for in-study work rights (on par with Ireland and Australia).
9. In 2015/16, the contribution to GDP from onshore international education activity was estimated at \$4.2 billion (excludes offshore activity), up from an estimated \$2.7 billion in 2014. In 2017 the industry is estimated to support 33,000 jobs and is now New Zealand's fourth largest export earner.
10. This growth has been driven predominantly by two key markets – China and India – although the composition of these markets is very different, with China more highly represented in the higher-value sectors². More information on growth in the international education sector is provided in Annex One.

Impacts of the growth in international education have been both good and bad

11. As the Cross Agency Briefing on International Education noted, international education is important to New Zealand educationally, economically, socially and culturally [0845 17-18 refers]. It builds stronger international connections, strengthens research links, encourages innovation, increases global competitive advantage, encourages tourism and regional economic growth, creates jobs and provides a potential pool of highly skilled migrants for New Zealand's labour market.

² 'Higher-value' refers to both the economic value per international student (studying at higher levels on the New Zealand Qualification Framework has a higher financial benefit to New Zealand) as well as the vital skills that international students can bring to the labour market, once they have completed their qualification.

12. Most international students have a positive experience when they study in New Zealand, and New Zealand offers quality programmes at all qualification levels and at all types of education institutions. This positive experience is supported by the Code of Practice which prescribes the required outcomes education providers and their agents need to deliver for international students.³
13. However, there have been some downsides to the recent significant growth of international education in New Zealand:

Labour market impacts

14. The recent growth in student numbers has resulted in greater in-flows of international students into the labour market, both during and after their studies. While the presence of international students can increase demand for services (and hence labour market growth). However, there are also risks with international students, and those on post study visas, in part-time or full-time work displacing domestic labour and suppressing wages. However, data to confirm the extent to which this occurs is limited.

Unintended pathways to residency

15. Under current immigration settings, post-study work rights have enabled the transition to permanent residency for some international students (including those studying at lower/sub-degree levels and in generic subjects such as business studies) who might otherwise not have been considered suitable for the residence programme. This has been a factor in the gradual decline in the average skill level of new permanent residents observed over the last five years.⁴
16. The transition rate from student visas to permanent residency is particularly high for some nationalities, suggesting that students from some markets may be more driven by migration prospects than education quality when choosing to study in New Zealand.
17. For example, Indian students are more likely than Chinese students to become residents. For instance, of the cohort who transitioned from their last student visa in 2011/12, there is a marked difference in the visa status of these students five years later: 38.3% of Chinese students had New Zealand residence in 2016/17 compared to 62% of Indian students.

Exploitation and fraudulent behaviour

18. Labour exploitation encompasses a spectrum of non-compliance with New Zealand labour legislation, ranging from ignorant non-compliance to forced labour. MBIE research⁵ and experience indicates that labour exploitation in New Zealand relates overwhelmingly to people who are being paid but are working in conditions that do not meet New Zealand's minimum employment standards.

³ All tertiary providers must be a signatory to the Education (Pastoral Care of International Students) Code of Practice 2016 before they can enrol international students. Signatories must take reasonable steps to protect the international students they enrol and provide a positive experience that supports educational achievement. NZQA monitors this and may impose sanctions if Code signatories are not meeting their responsibilities. The International Student Wellbeing Strategy, launched in June 2017, complements the Code by providing a shared vision for international students and an outcomes framework that focuses government activity on initiatives that will strengthen international student wellbeing.

⁴ Analysis shows that SMC migrants who were former international students earn less than other types of SMC migrants and, post-graduation, they also earn less than domestic students with the equivalent qualification and field of study (with one exception, health). The gaps in earnings, with both other SMC migrants and domestic students does not fully close over the period of analysis, with the gap widening in later years for graduates in some fields of study.

⁵ For example, Temporary Migrants as Vulnerable Workers: A literature review (Ministry of Business Innovation and Employment, 2014); Vulnerable Temporary Migrant Workers: Hospitality Industry (Ministry of Business Innovation and Employment, 2015)

19. International students are vulnerable to exploitation because they are away from their existing network and family. They can face financial pressures, which can arise from higher than expected living costs, loan repayment obligations (to family or education agents) and lack of access to funds for living costs.⁶ Financial pressures can in turn lead international students to work in excess of the hours allowed on their student visa. Those students who work outside the terms of their visa are at increased risk of exploitative employers, because of the risk of visa cancellation if it is brought to the attention of Immigration New Zealand (INZ).
20. Students who have come to New Zealand with a focus on residency rather than study are particularly vulnerable to exploitation because they are often unable to secure skilled employment (possibly due to their low quality qualification) and are often carrying debt. This can leave them open to accepting arrangements to buy job offers, and thus become a party to immigration fraud, in order to gain residence.
21. Work to combat migrant exploitation has been undertaken across a range of fronts, from legislation and policy change to operational strategy development and interdepartmental cooperation. For example, MBIE works closely with other agencies (in particular the NZQA) to combat exploitation of students. However this work is constrained by existing resources. For example, INZ receives a large number of allegations of migrant exploitation but lacks the capacity to investigate and, if necessary, prosecute more cases.
22. The industry has also been subject to fraud from applicants, agents and advisors (primarily based in India) as well as some education providers with unscrupulous practices. Instances of fraud include false financial documents (being used to obtain visas by falsely showing that students had access to funds to pay fees and living costs) and false evidence of English language ability (e.g. imposters being used when Immigration New Zealand tried to verify applicants' language ability through interviews).

Changes have been made to re-balance settings for international students in response to the unintended consequences of the recent growth

23. Concerns about growth in some sub-degree segments of the market has led to a tightening up of entry settings (in terms of both access to student visas and access to the residence programme) and provider compliance over the last 18 months. None of these changes have directly targeted work rights.
24. The effects of these changes are still making their way through the international student 'pipeline'. There has already been an impact from these changes on the number and characteristics of international students. The changes that were introduced are:
- Strengthening English language proficiency settings in 2015 and 2017
 - Changes to the Skilled Migrant Category (SMC) requirements (2017)

Strengthening the English language proficiency settings

25. This change was made to manage concerns about the quality of English language proficiency testing (particularly from markets with high levels of student visa declines), and to ensure that all international students have an appropriate level of English language proficiency to undertake their courses. NZQA made changes to Rule 18,

⁶ International students are required to have access to \$15,000 per annum in funds. INZ declines student visa applications which do not pass a check of the availability of funds. This figure is however currently being reviewed, as \$288 per week is not enough to live on in most locations.

which sets mandatory requirements that specify the types of English language proficiency evidence and minimum levels requirement for the enrolment of international students. The policy change put a stop to an influx of students – mostly Indian – who were entering New Zealand on student visas without the appropriate language skills to take advantage of education being delivered in English.

Changes to the Skilled Migrant Category (SMC)

26. These changes require applicants to have higher levels of skill and experience and higher remuneration in order to achieve residency. Changes to the SMC will make it difficult for those that have studied at sub-degree level to apply for residency unless what they have studied matches with New Zealand's skills requirements. This will make it less attractive for migration-motivated individuals to invest in studying in New Zealand.
27. More detail on these recent changes to regulatory settings that impact on international students is provided in Annex Three.

Changes in settings have led to significant reductions in international enrolments at sub-degree level since 2015

28. There has been a significant reduction in the number of students studying sub-degree programmes - particularly at PTEs and to a lesser extent at ITPs – following the 2015 and 2017 changes to English language proficiency requirements. Enrolment data shows that there has already been a reduction of approximately 10,000 students from PTEs. However, other sectors of the international education industry – including Universities, schools and English Language Schools – have continued to experience some growth, which has to an extent counteracted the fall in sub-degree tertiary student numbers.
29. Changes to the SMC were made this year and the impact is yet to be reflected in visa numbers, but is likely to result in reductions of those studying at sub-degree level. This, combined with the continuing impact of the change to Rule 18 English language proficiency settings, is likely to result in the order of 8,000 – 10,000 total fewer students, by the end of 2017 compared to 2016, with much lower numbers studying on programmes below bachelor degree level.
30. More accurate and up-to-date data about student numbers in 2017 will be available near the end of February 2018, which will provide a better picture of the impact of the changes.

Achieving the objectives of your manifesto commitments for international education

Being able to both work while studying and after completing studies can be an important factor in attracting some international students

31. Work rights are one of the means that New Zealand can use to compete with other countries for international students (see Annex Two for information on current work rights settings). Being able to work is important to many international students that come to New Zealand as it provides opportunities to gain work experience, enables additional income to be earned to help cover costs and provides opportunities to improve their English outside of the classroom.
32. However, if immigration settings for international education are too permissive and incentivise work over study, they can undermine the integrity of the immigration system

(including preventing migrant exploitation and addressing skill shortages/lifting skills levels).

33. Restricting in-study and post-study work rights to those studying at degree level (7+ on the New Zealand Qualification Framework), could also reduce the attractiveness of New Zealand as a study destination for those motivated primarily by work and residency rather than study (more of whom are likely to be enrolled at PTEs and ITPs than universities) but could also deter some genuine students whose main focus is study, but who nevertheless would welcome the opportunity to work while studying.

Estimated impact of implementing manifesto commitments - at a glance

34. It is not possible to forecast, with certainty, the impact of the manifesto commitment proposals on future international student numbers. International education is a global market. How the changes will impact New Zealand would depend in part on whether competitor countries make changes to their work rights settings. Some students who currently have work rights would still come to New Zealand to study even if those work rights were not available, or it could lead them to change to a course of study in which work rights were available. However others who currently study here, including some not directly affected by the proposed changes, would chose to study somewhere else.

In-study work rights

35. In 2016/17, for in-study work rights, there were 51,684 full-fee paying international education students at tertiary providers.⁷ Of these, it is estimated that around 14,000 - 16,000 of those students that had work rights were studying at sub-degree level. However, not all students choose to work: data indicates around 34% of University students and around 61 – 63% of ITP and PTE students engage in paid work.
36. This implies that if work rights were removed for all people studying at sub-degree level, the number of students directly affected would likely be between 7,000 – 8,000. However, the actual number affected may be lower than this estimate, because the number of international students studying at sub-degree level has reduced as a result of the recently implemented Rule 18 changes (see paragraphs 23 - 25 above) and is expected to continue declining in response to the SMC changes. We also note that depending on how your manifesto commitments are implemented, some students studying sub-degree courses may still be eligible for work rights. We can provide a more accurate picture once we have final international student figures for 2017. These will be available in February 2018.

Post-study work rights

37. In 2016/17, there were 18,266 students who transitioned to an open post-study visa. Based on what we know about who takes up post-study work rights, we would anticipate that between 9,000 and 12,000 students would be impacted by the manifesto commitment. We will be able to provide more accurate data in February 2018.
38. It is challenging to accurately predict the market's response to potential changes to post-study work rights. For example, limiting work rights by qualification type and level of study could also reduce the attractiveness of studying other qualifications at PTEs and ITPs (the institutions most likely to be affected by any changes). PTEs have already been impacted by the changes to the English language requirements (Rule 18).

⁷ Student visas are granted under a number of different policies: English Language studies, Exchange Student, Dependants and Full fee paying (FFP). FFP accounts for the majority of students (71% in 2016/17). For the purposes of this paper, unless stated otherwise, we focus on FFP students.

39. There is also a possibility of double counting the impact of the proposed changes. For example, changes to in-study work rights that lead to reductions in students would also lead to a subsequent reduction in the number of students on post-study visas. Some students whose prime motivation for studying in New Zealand is to seek residence, would be deterred by changes to post-study work rights, which would also reduce the numbers seeking in-study work rights.

We recommend a staged approach to achieving your policy objectives and manifesto commitments

40. As Minister of Immigration, you have a range of tools and levers available to influence international education outcomes. This includes visa requirements, the conditions and associated benefits associated with particular visas, and other levers such as caps on numbers. There are also a broader range of levers available that can impact the settings for international education, including education quality-focused changes (that are the remit of the Minister of Education).
41. As a number of the current commitments can be met through changes to operational settings, technically implementation could be relatively fast (within months) if desired. However, as the impact of earlier changes are still making their way through the system, and the sector has historically been very responsive to changes in regulatory/operational settings, the transition process will need to be carefully managed. This includes assessing the extent to which existing changes are already achieving the proposed outcomes, and to mitigate risks identified from paragraphs 48.

A review of post-study and in-study work rights is proposed

42. Given your focus on ensuring that the 'back door' to residency is closed for lower-qualified students and to prevent exploitation of students by unscrupulous employers, we consider the most effective first step would be a review of post-study work rights (both 'open' and 'employer-assisted').⁸
43. The rationale for the review is to address exploitation and residency issues while mitigating and managing some of the potential risks associated with change. It builds on the SMC changes, which have gone some way to 'closing' the residence door, and will reinforce settings that create realistic expectations about prospects for residency.
44. We recommend staging the review of in-study work rights to follow, to consider and analyse whether further changes are needed to meet your policy objectives. This would enable us to assess the impact of earlier changes, alongside monitoring the impact of tightening post-study work rights. If the recent reduction in international students studying sub degree programmes is sustained, it is unlikely that there will be a need for further revisions to in-study work rights. It is possible that many students motivated by work and/or residence rather than study would already be deterred from studying in New Zealand by the changes introduced since 2015 and through tightening post-study work rights.

Policy options for achieving your manifesto commitments will be assessed against achieving your objectives and other flow-on implications

45. Officials will consider how policy changes affect New Zealand's overall competitiveness with other markets for international students, and the extent to which potential impacts can be limited to specific segments of the market.

⁸ It is important to note that your commitment to grandparenting settings for existing international students means that the impact of changes will take place over a four year period.

46. When developing changes to policy settings for work rights, it will be important to ensure that changes do not disincentivise non migration-focused, high value students who wish to gain a New Zealand qualification and international work experience, but then return to their country of origin.
47. Potential changes to policy settings for work rights therefore need to be assessed against a wide range of factors and are likely to involve a range of potential trade-offs:
- reduced revenue from international education
 - impact on the viability of some tertiary education organisations (TEOs), including government-funded and Crown-owned TEOs
 - short-term labour market impacts
 - impact on international relations.

Reduced revenue from international education

48. Government agencies involved in international education have developed estimates of potential revenue decreases, based on 2016 figures, that could result from removing work rights for international students studying tertiary qualifications below bachelor degree level. For example, a reduction in student numbers of 10,000 would have an estimated economic impact of around \$261 million per year, including \$70 million of lost fee revenue across the industry as a whole. This figure is a 'best case' scenario that assumes any change to work rights is successfully targeted at the 'lower-value' tertiary sector (that is, PTEs would experience the most loss, ITPs would experience some loss and Universities would experience no direct loss). Any flow-on impact to higher-value sectors would see increased economic and tuition fee losses.

International education provider sustainability

49. The sustainability of many ITPs and PTEs is closely linked to their ability to recruit international students who pay full tuition fees. It is likely that some PTEs whose businesses are dependent on international students studying below bachelor degree level will become unsustainable as a result of changes to work rights (some are likely to be struggling already as a result of recent changes).
50. In 2016, 85% (36,000) of international students at PTEs (excluding English language schools) were studying qualifications below bachelor degree level. Over half of these students (23,096) were from migration-motivated markets, s 9(2)(b)(ii) [REDACTED] Some PTEs offer higher level programmes and would be less likely to be adversely affected by the proposed changes.
51. Many ITPs are also increasingly reliant on international student revenue to support their ability to provide education to domestic students, with over half of ITPs experiencing a decline in revenue from domestic tuition fees from 2013. As a result, some ITPs are also vulnerable to changes in immigration policy settings that could reduce international student numbers. International student numbers at ITPs grew rapidly through 2014-2015, particularly from migration-motivated markets. In 2016 there were 18,239 international students at ITPs. Approximately two-thirds of these students were from migration-motivated markets and were undertaking two-year qualifications below bachelor degree level.
52. Early 2018 data on valid student visas will provide the first indication of any decreases of students in the ITP sector since the recent policy changes were introduced. First time student visa numbers for the ITP sector are currently slightly up on 2016 levels

and the ITP sector could be partially insulated from the wider adverse impacts of reduced sub-degree student numbers as a result.

Short-term labour market impacts

53. Any sharp reduction of work rights (in-study or post-study) could have an impact on the labour market, at least in the short-term, particularly in specific markets such as Auckland, which accounts for two thirds of New Zealand's international students. We know that international students are employed in the retail and service industries, and some businesses in these sectors may face labour shortages if there is a significant fall in international student numbers.

Maintaining international relations

54. Changes to immigration policy settings may be perceived as impacting or targeting particular jurisdictions, and these perceptions have the potential for impacting New Zealand's foreign relations. For example, if a foreign government perceives that their country or region has been unfairly targeted by changes in New Zealand's policies, this could disrupt our international relationships and that government could take consequential negative action. However, effective management of the relationships could mitigate possible negative action.
55. A recent example was when consultation was being carried out on SMC changes. MBIE, with support from the Ministry of Foreign Affairs and Trade, met with a number of foreign missions in New Zealand (including Chinese, Indian and Philippines), to assure them that the changes were not targeted at any nationality or at international students.

Other work underway

56. The following work items were on the existing immigration-specific international education work programme. The items have links to your manifesto commitments, as they will strengthen immigration settings and focus on measures to reduce exploitation. We propose providing briefings to you on these work items in order to seek your direction on whether, and in what form, you want them to proceed.

Living Cost Affordability for International Students

57. International students are required to have access to \$15,000 per annum in funds to support living costs. INZ declines student visa applications which do not pass a check of the availability of funds.
58. A report into international student welfare noted that the costs of living in New Zealand (particularly Auckland) were in excess of students' expectations pre-arrival, sometimes significantly so. This is problematic and can increase students' vulnerability to exploitative employers. Work is underway to consider increases to the minimum funds required so that the minimum living costs requirement better reflects actual living costs.

The Immigration Advisor Licensing Act (IALA) Review

59. We understand that the Government may have concerns about the regulation of offshore education agents. MBIE recently completed a review and can provide you with a summary of this information and options for next steps.

Dependent Children and Partners of International Students

60. The previous government agreed to change visa settings to restrict the eligibility of partners of international students to obtain work visas and for their dependent children

to study as domestic students. Peak bodies were consulted and transitional policies have been put in place. If you are in agreement with the changes, these will need to be taken to Cabinet to be finalised.

Next steps

61. We propose the following schedule of briefings to shape the immigration-specific components of the international education work programme for the next year, for your agreement.

Briefing Title	Description	Proposed Timing
Summary of Advice on the Immigration Advisors Licensing Act (IALA) Review	This will provide a summary of the recent review of offshore education agents and options for next steps, should you wish to consider changes to regulatory settings in place for agents.	December 2017
Dependent Children and Partners of International Students	This will provide information on changes previous Ministers agreed and have been consulted on. Taking forward the changes would require Cabinet agreement and changes to immigration instructions.	February 2018
Review of Post-study Work Rights: scope and options for development	Advice on options to better align policy settings for post-study work rights to intended immigration outcomes. This will include analysis of the impact of previous changes, including finalised student visa and enrolment data for 2017.	March 2018
Living Cost Affordability for International Students	Advice on whether the immigration living cost requirement for international students is sufficient and options for change.	May 2018
Review of In-study Work Rights: scope and options for development	Advice on whether change is needed to better align policy settings for in-study work rights to intended immigration outcomes, and potential options.	October 2018

62. The work above will be undertaken in the context of the government's wider manifesto commitments on preventing migrant exploitation. As discussed with you, further advice on this wider work will be provided in March 2018.

Annexes

Annex One: Growth of international education in New Zealand

Annex Two: Visa Rights and Pathways

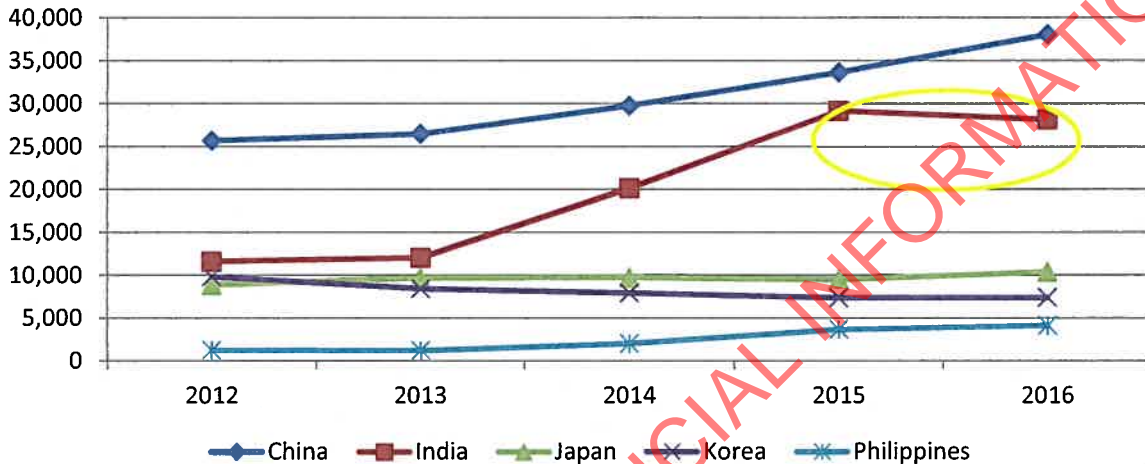
Annex Three: Recent changes to regulatory settings that impact on international students

Annex Four: Sources of Immigration Data

Annex One: Growth of international education in New Zealand

Growth has predominantly been driven through two key markets – China and India (see Figure 2) which account for around half of the international students studying in New Zealand. The number of Chinese students has been gradually increasing over a number of years. The recent rapid growth from the Indian market reflects similar trends experienced by countries like Canada, the United Kingdom and Australia. There has been a dip in Indian enrolments since 2015 which we expect to continue in 2017.

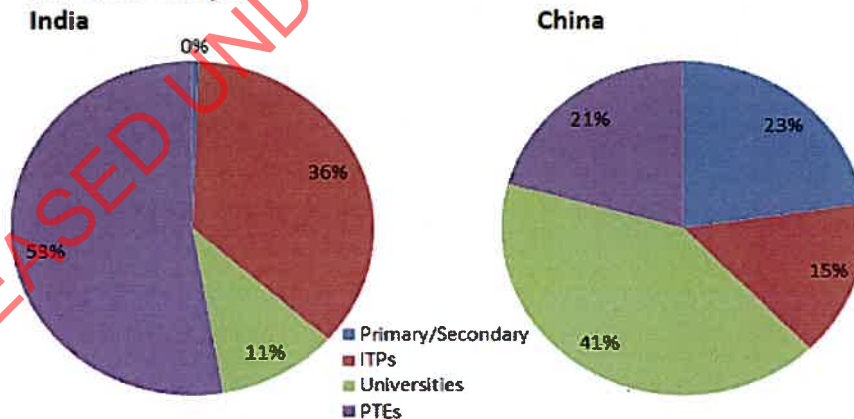
Figure 2: Total international student enrolments for top five markets 2012 - 2016



Source: Ministry of Education: the Export Education Levy, Schools and Single Data Return (SDR)

The composition of these two markets, as seen in Figure 3, is very different. Indian student visa holders are most likely to be studying at PTEs and ITPs, which are lower-value in terms of revenue for New Zealand (on average \$29,727 and \$34,269 per student respectively). Chinese student visa holders are more likely to be studying at Universities and Primary and Secondary Schools, which represent a significantly higher value in terms of revenue for New Zealand (\$42,932, \$60,763 and \$36,178 respectively).⁹

Figure 3: Full fee-paying Student Visa holders by institution: China and India 2016/17



⁹ Infometrics and National Research Bureau (2016) *The Economic Impact of International Education in New Zealand 2015/16 for Education New Zealand*.

Annex Two: Visa Rights and Pathways

In-study work rights	Post-study work rights	Transition to SMC
<p>Most international students are allowed to work for up to 20 hours per week while they study, and full-time during official study breaks (e.g. over summer and term breaks).</p> <p>To be eligible for 'work rights', they must be enrolled in a full-time programme of study that meets one of these requirements:</p> <ul style="list-style-type: none"> • any course that leads to a qualification that would get points under the Skilled Migrant Category (SMC) for permanent residence • a two-year long course, or • a one-year long student exchange programme, or • a six-month long English language course, and the student meets a set level of language ability, or • a 14-week long English language course at a university or a high-performing education provider <p>Master degree and PhD students do not have a limit on hours of work during term time.</p>	<p>The 'study-to-work' pathway was designed to allow students with good qualifications to transition from being new graduate to skilled work in their chosen field in the form of:</p> <ul style="list-style-type: none"> • first a one-year 'open' work visa • followed by a two-year employer-assisted work visa (job-based, must be related to studies, but not labour market-tested). <p>To be eligible for study-to-work visas, a student must have completed a qualification that would get points under the SMC (see column to the right) and meet minimum study duration requirements:</p> <ul style="list-style-type: none"> • at least one academic year (30 weeks) at bachelor level (includes Level 7 diplomas), or • at least two academic years (60 weeks) at sub-degree levels, either as one course or two subsequent courses with a progression (eg Level 5 or Level 6 diplomas and above). 	<p>International students who have completed study are able to claim points under the SMC for the following:</p> <ul style="list-style-type: none"> • basic points for their qualification, if it was at level 4 or above on the New Zealand Qualification Framework (NZQF) • bonus points if they completed a higher level New Zealand qualification (bachelor degree with at least two years of study in NZ, postgraduate degree with at least one year of study in NZ) • basic points for their work experience, including any gained while on the study to work visas, if they can show it was skilled work (the 'skilled' requirement for work experience introduced August 2017) • bonus points for their New Zealand work experience gained while on the study to work visas, if they can show it was skilled.

Annex Three: Recent changes to regulatory settings that impact on international students

Strengthening English Language Proficiency settings (2015)

1. NZQA sets the mandatory requirements that specify the types of English language proficiency standards and minimum levels required for the enrolment of international students by non-university tertiary education organisations (TEOs) in programmes on the New Zealand Qualifications Framework (Rule 18). Universities can set their own requirements.
2. In 2013, additional evidence such as prior study in English, and internal English language testing by some TEOs (Category 1 and 2) were accepted. This led to significant growth in student numbers, particularly from India between 2013 and 2015. The increased flexibility resulted in many of these students being enrolled with insufficient English language proficiency to engage meaningfully in their education. Poor English language proficiency also increased students' vulnerability to workplace exploitation, with potentially long-term impacts as the students used their New Zealand qualification to get residence under the SMC (including as evidence of their English language ability under the SMC¹⁰).
3. In 2015, the English language proficiency settings were strengthened to restrict the English language proficiency evidence for international students from high visa decline countries¹¹ to internationally recognized and accepted tests. The number of international students, particularly from India, dropped the following year.
4. The English language proficiency settings were further strengthened in 2017. The ability for some TEOs to offer NZQA approved internal English language testing is limited to Category 1 providers only, and is being closely monitored to ensure all international students have the appropriate English language proficiency for the level of study they are enrolling in to succeed.
5. Table 5 below shows the impact the changes to Rule 18, along with other changes discussed in this paper, have had on the market for Indian students in New Zealand, with rapid growth from 2012/13 to 2015/16, and a decrease in 2016/17.

Table 5: Number of Indian International Students - 2011/12 to 2016/17

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Indian students	8,997	8,363	13,598	19,253	19,920	16,171

Changes to Skilled Migrant Category and the impact on former international students

6. The SMC is the largest visa category for residence, with high demand from migrants already in New Zealand either as workers, international students or recent graduates. The number of visas under the SMC is limited by the proposed planning range for the New Zealand Residence Programme (there are current 50,500 to 57,500 places).
7. In response to growing demand and the need to manage numbers, the selection level for the SMC was increased in October 2016 to 160 points (up from 100 points) while a review of the overall category also took place. The new selection level impacted former international students less than other workers because they could get points for work in New Zealand, their age and their qualification. This meant that they were likely to get comparatively more points than migrants that hadn't studied and worked in New Zealand.

¹⁰ SMC policy was changed in October 2016 to remove the ability to use most New Zealand qualifications as evidence of English language ability. Only some higher level qualifications are still accepted.

¹¹ Where high percentages of student visas have been declined.

8. The review of the SMC category resulted in further changes to how points are awarded (including more points for work experience) and the introduction of a minimum salary threshold¹² in order to claim points for a skilled job in New Zealand. These changes were implemented at the end of August 2017.
9. There is not as yet enough data to assess the impact of the new points model and the salary threshold on particular groups of SMC applicants. However, based on analysis¹³ of SMC applicants who were former international students, this group is expected to be more significantly affected by these changes than other potential applicants. The main sectors likely to be affected by the salary threshold are largely the same as those used by former international students to apply for residence (specifically hospitality and retail management).
10. Former international students who secure well-paid, skilled employment will still be able to qualify for residence. Students doing higher level qualifications are expected to be less impacted than those enrolled in sub-degree qualifications. Former students now excluded from the SMC (who may be most motivated by the pathway to residence) may look at other ways to get residence (eg forming relationships and applying under the Partnership category). Displacement to other policies is being monitored as part of the evaluation of the SMC changes.

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¹² The threshold is set at the New Zealand median income level for full-time work in a main job

¹³ SMC migrants who were former international students tend to earn less than other types of SMC migrants, even when age and experience are taken into account. In the five years to 2016/17, SMC incomes dropped, and concurrently, the proportion of SMC applicants who were former international students rose.

Annex Four: Sources for Immigration Data

There are 3 commonly used data measures for immigration:

Visa holders: a measure of individuals in the immigration system

Source: MBIE

- This measure captures the total number of visa holders of a particular type of visa in the system.
- A specified time frame (a number of years) is often used to avoid counting immigrants who have been in NZ for a very long time.

Visa approvals: a measure of INZ operational activity

Source: MBIE

- This measure captures the number of visa approvals granted in a given time period (usually calendar or financial year).
- Visa approval figures may count visas and thus include only principal visa applicants (one person per visa), or approval figures may be given for the total number of people covered by approved visas, which would include secondary applicants - usually partners or dependent children.
- Visa approval settings can be a strong policy lever to manipulate certain categories of inflow, though there is often a time-lag before changes are seen.

Net Permanent and Long Term (PLT) Migration

Source: Statistics New Zealand, published monthly

- PLT net migration measures the number of international travellers (including NZ citizens) who:
 - **Arrive** in NZ and **intend** to stay for 12 months or longer and have most recently resided outside NZ for 12 months or more
 - **Depart** from NZ and **intend** to stay outside NZ for 12 months or more and have most recently resided in NZ for 12 months or more
 - Because PLT migration is based on intention (as stated on departure and arrival cards), it is only indicative.
 - Government has only limited control of the flows measured by PLT, as most cannot be easily manipulated through immigration policy settings.

ENZ Definition of Students as used in their data

ENZ defines international students¹⁴ as students who are non-residents of New Zealand who:

- Have entered into New Zealand expressly with the intention to study, or
- Have enrolled in a New Zealand provider offshore, where the educational programme is delivered in-market

Along with full fee-paying students, the following categories have been included when measuring the economic value and performance of the international education industry:

- International PhD students
- Exchange students
- NZ Aid Students

¹⁴ Australian citizens are not included as international students.

- Foreign research postgraduate students
- Offshore students

Ministry of Education Data

The enrolments data from the Ministry of Education counts enrolments.

Funded students numbers are counted using the National Student Number.

For funded tertiary international students, this includes subsectors Universities, ITP, Wananga and PTE (funded).

For international students, counts are referred to as the number of international students enrolled at any time during the year with a tertiary education provider in a:

Recognised qualification listed on the New Zealand Qualifications Network, and

Programme of study that is greater than 0.03 EFTS (more than one week's full-time study).

This means students may appear in more than one broad field, level, region and sector.

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