



BRIEFING

Further advice on defining skill level and defining cities under reforms to the employer-assisted work visa system

Date:	28 June 2019	Priority:	Medium
Security classification:	In Confidence	Tracking number:	3966 18-19

	Action sought	Deadline
Hon Iain Lees-Galloway Minister of Immigration	<p>Agree to use a salary threshold to define skill level, for the purposes of the labour market test and visa conditions</p> <p>Agree to use territorial authorities to define cities for the purposes of the labour market test</p>	1 July 2019

Contact for telephone discussion (if required)				
Name	Position	Telephone	Privacy of natural persons	1st contact
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The following departments/agencies have been consulted
Immigration New Zealand

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 Withdrawn |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

Further advice on defining skill level and defining cities under reforms to the employer-assisted work visa system

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Purpose

This briefing seeks your direction on two further policy decisions to inform the Cabinet report back on new approaches to employer-assisted temporary work visas:

- Defining skill level, for the purposes of the labour market test and visa conditions; and
- Defining cities, for the purposes of the labour market test and skill shortage lists.

Executive summary

Officials provided you with options on making labour market testing more effective, as part of the suite of proposals for regionalising the labour market test (LMT) [briefing 3518 18-19 refers]. Following your agreement, officials have carried out further analysis on the option of using a salary threshold to define skill level.

We recommend using the median wage to define jobs as either being higher-skilled or lower-skilled for the purposes of both the LMT and visa conditions for temporary work. This would send a stronger signal to employers to raise wages to access more generous visa conditions, be better targeted to manage regulatory risks, and significantly simplify the process for employers, migrants and Immigration New Zealand (INZ), compared to using a different combination of ANZSCO and pay rates for the LMT and for visa conditions.

However, this is a different approach to the definition of skills for the purposes of residence. Officials recommend that we undertake further work on the flow through from the reforms of temporary work settings to the skilled migrant category for residence, and will consider skill level approaches as part of this.

As part of the advice on regionalising the labour market test, officials undertook to provide you with further advice on defining cities beyond territorial authority level, to ensure the regionalised response for cities is targeted at areas of high populations. We also noted the need to ensure boundary definitions are clear and do not create anomalies.

Given the operational and data challenges associated with using a more targeted breakdown, we recommend using territorial authority boundaries to define cities.

Recommended action

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

- a **Note** that officials have carried out further analysis on options for defining skill level and defining cities for the purposes of the regionalised labour market test [briefing 3518 18-19 refers]

Noted

- b **Agree** to recommend using the median wage to define jobs as either being higher-skilled or lower-skilled for the purposes of both the labour market test and visa conditions
Agree / Disagree
- c **Agree** to use territorial authorities to define cities for the purposes of the labour market test
Agree / Disagree
- d **Agree** to incorporate your decisions on recommendations (b) and (c) in your proposals for Cabinet for the new approach to employer-assisted temporary work visas.
Agree / Disagree

Siân Roguski
Manager, Immigration Policy
Labour and Immigration Policy, MBIE

Hon Iain Lees-Galloway
Minister of Immigration

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Background

1. Officials briefed you on options for regionalising the labour market test as part of the broader package of advice on new approaches to employer assisted temporary work visas and regional labour market planning on 13 June 2019 [briefing 3518 18-19 refers]. You agreed further advice would be provided on:
 - a. Using a salary threshold to define skill level, rather than using the ANZSCO skill level classification; and
 - b. Defining cities for the purposes of the regionalised labour market test and skill shortage lists.
2. Officials are developing a Cabinet paper that reflects your decisions to date on the job gate for employer-assisted temporary work visas. We will reflect your decisions on the matters in this paper in the next iteration of the draft Cabinet paper.
3. Officials are available to discuss your views at the meeting with officials on Monday 1 July 2019.

Defining skill level for employer-assisted temporary work visas

The current approach to defining skill level for temporary work visas is contributing to a lack of effectiveness in the current system

4. As part of the application and approval process for temporary work visas, jobs are classified according to skill level. Currently, the skill level of a job is defined in two different ways at different stages in the process.
5. For the purposes of the labour market test (LMT), the skill level for the relevant occupation in ANZSCO determines the skill level of the job:
 - a. ANZSCO skill level 1-3 jobs are defined as **higher skilled** and require the employer to advertise the job, if the occupation is not on one of the skill shortage lists;
 - b. ANZSCO skill level 4-5 jobs are defined as **lower skilled** and require the employer to engage with the Ministry of Social Development (MSD) to assess whether any New Zealanders are suitable, available or trainable for the job, in addition to advertising.
6. For the purposes of visa conditions, a combination of ANZSCO skill level and wages are used to determine whether a job is **higher, mid, or lower skilled**, according to a matrix (set out in **Annex One**). This assessment of skill level dictates the length of visa available, eligibility for renewal, and ability to support visas for partners and dependents. Visa holders can also gain bonus points towards residence under the Skilled Migrant Category for jobs which are defined as higher-skilled or mid-skilled.
7. Key issues with the current approach include:
 - a. **Low pay** – Widespread low pay across job types is likely to be contributing to skill and labour shortages, by disincentivising New Zealanders to take up certain jobs, as well as creating a gap between the pay and conditions of migrants versus New Zealand workers. Visa data shows a high proportion of visas for jobs are currently paid below the median wage, including for occupations at ANZSCO 1-3 (ie. jobs which generally require tertiary-level qualifications or trades training and experience).
 - b. **Job description inflation** –By using ANZSCO to define skill level, the current system creates an incentive to inflate the job description to match ANZSCO 1-3 occupations, as it is linked to an easier labour market test and more favourable visa conditions. High

volumes of jobs currently appear higher-skilled on paper, but the level of pay is indicative of an entry level or lower-skilled job.

- c. **Lack of flexibility** – Consultation feedback indicated there are a number of jobs which don't fit neatly into an existing ANZSCO occupation – whether this is because the occupations do not reflect the different stages in the career path, or because they are new jobs which have not yet been incorporated into the ANZSCO framework. This is likely to be contributing to job description inflation.
- d. **Lack of clarity** - Having two different definitions of skill level makes it hard for employers and migrants to understand the link between the pay, skills and visa settings, and the rationale behind this. The increased engagement needed to assess and manage job description inflation increases processing times for temporary visas.

You have already made decisions to improve the effectiveness of the current approach...

- 8. The aim of the new approach to employer assisted temporary work visas and regional labour market planning is to create a system where:
 - Employers place more New Zealanders into jobs, which help their businesses to grow and thrive, and result in better jobs for New Zealanders.
 - Temporary migrant workers, when they are employed, are not exploited and have wages and conditions that are consistent with New Zealand values.
- 9. The approach to defining skill level in the temporary work system has a key role to play in achieving this, by:
 - a. **Incentivising employers to improve wages, conditions, and benefits** to attract and retain New Zealand workers, and to improve work for migrants;
 - b. **Supporting better matching** of Zealand workers to jobs by tailoring labour market tests to types of skill shortages, sectors and regions;
 - c. **Managing risks** to the immigration system (ie. ensuring employers and migrants are using the system the way it is intended) and the labour market system (ie. ensuring immigration settings are not lowering market rates)
 - d. **Simplifying immigration processes** to make it easier for employers and migrants to understand the system, and for INZ to operationalise it.
- 10. As part of the consultation and decisions taken to date on the new approaches to employer assisted temporary work visas, you have agreed to:
 - a. Raise the threshold for jobs to be defined as “mid-skill” from 85% to 100% of the median wage, to bring it into line with the threshold for the Skilled Migrant Category (SMC) [briefing 3095 18-19 refers];
 - b. Introduce a “highly paid” remuneration threshold at 200% of the median wage and remove the LMT for this category [briefing 3095 18-19 refers]; and
 - c. Continue to differentiate between higher-skill and lower-skill jobs for the purpose of the LMT [briefing 3518 18-19 refers]; and
 - d. Differentiate the LMT by region [briefing 3518 18-19 refers].
- 11. You have also agreed to consider the use of specified pay rates for occupations with identified regulatory risks, subject to further advice [briefing 3518 18-19 refers].

12. These improvements are expected to make a significant difference to the ability of the temporary work system to better support matching of New Zealand workers to jobs, to facilitate access to migrant labour and skills where this is genuinely needed, and to manage risks.

... but further gains could be made by using a wage threshold to define skill level

13. Using two different definitions of skill level for two different purposes means the system is not simple to use and implement. While providing a more tailored and flexible approach, differentiating the LMT by region will add a layer of complexity onto the current system.
14. In addition, even with the improvements above, potential remains for the system to better incentivise employers to improve wages, match New Zealand workers to jobs, and manage risks.
15. Officials considered a range of options for defining skill level for temporary work settings:
 - a. **Option A (recommended):** Use the median wage to define skill level, for the purposes of both the LMT and visa conditions;
 - b. **Option B: (improved status quo)** Continue to use ANZSCO for the LMT and the combination of ANZSCO and salary for visa conditions, but with specified pay rates for occupations with identified risks to the labour market and immigration systems; and
 - c. **Option C: (change LMT definition only)** Use the median wage to define skill level for the purposes of the LMT, but continue the current combination of ANZSCO and salary for visa conditions.
16. **Officials recommend Option A**, as it has the most potential to address the problems with the current system and contribute to the effectiveness of the new employer-assisted temporary work visa system. In particular, using the median wage to define skill level for the LMT and visa conditions is likely to provide:
 - A clear signal and incentive for employers to improve pay, especially for ANZSCO 1-3 jobs below the median wage, by creating a clear link between job conditions offered and treatment (for both LMT and visa conditions)
 - Built-in management of risk of job description inflation, rather than creating additional bespoke settings to do this
 - A system which is simple and intuitive to understand and apply for employers, migrants and INZ.
17. An overview of each of the approaches is set out in **Annex One**, and an assessment of the options in **Annex Two**.

Using wages to define skill level creates a clear link between better job conditions and immigration treatment

18. Using a wage threshold to define jobs as either higher or lower skilled would significantly shift the incentive on employers to raise wages, by creating a direct link between higher wages and more favourable LMT and visa conditions.
19. Currently, the majority of temporary work visa holders are paid less than the median wage, for both ANZSCO 1-3 and ANZSCO 4-5 roles. Officials expect that roles which are genuinely higher-skilled should see this reflected in wages.
20. Officials consider that using the median wage as the threshold is likely to strike a good balance between setting the bar higher, and realistically incentivising behaviour change. At

current median wage estimates¹, this would mean that jobs will need to be paid at least \$25 per hour or \$52,000 per year to be above the median wage. Indexing the threshold to the median wage also means that as New Zealanders' wages rise, so does the threshold for migrants.

21. To provide transparency of the policy settings, officials recommend using terminology which reflects the link between wages and associated benefits – rather than describing skill levels, which can be highly contested and contributes to misunderstanding of the system.
22. **Table 1** below shows the likely distribution of visas across the proposed new categories, based on the number of Essential Skills visas approved in the year to April 2019.

Table 1: Estimated distribution of visas under recommended approach

	ANZSCO 1-3	ANZSCO 4-5	Total:
Highly paid >\$104,000	1,169	23	1,192
Above median wage \$52,000-\$104,000	10,934	3,049	13,995
Below median wage <\$52,000	12,526	14,148	26,689
Total:	24,735	17,264	

The increased certainty and reduced complexity of a simple threshold would add considerable benefit for users

23. Public consultation has highlighted that the link between wages and skill level definitions is not well understood. Under a single skill level approach, employers and migrants would benefit from the certainty of knowing which labour market test and visa conditions apply to the role they are seeking to fill before putting in an application.
24. Removing ANZSCO as a determinant would also reduce current inefficiencies in the system. Under the current system, checking the job in the application matches against the ANZSCO occupation applied for increases INZ's processing time for temporary work visas.
25. Officials will work with INZ to estimate the reduction in processing time from removing ANZSCO as a factor in decision making for temporary visas.
26. Officials note that we will still need to collect and monitor information about the nature of the job, even if the ANZSCO occupation code is no longer relevant for immigration decisions. This is important both for data collection purposes (including trend analysis and evaluation) and to assist INZ to triage employer applications for further assurance and verification.
27. We will continue to assess options for collecting quality information and data on occupations in the temporary work system under the recommended approach, including exploring whether a substantive match to an ANZSCO occupation is able to be assessed and recorded by an immigration officer rather than the applicant.

Employers will be better able to seek the skills they genuinely need

28. De-coupling from ANZSCO means that employers can more accurately reflect the skills they need, rather than trying to fit a description of the job to one of the ANZSCO occupations, in their advertisement for New Zealand workers (or in the job description for a migrant if no New Zealand workers are available, suitable or trainable). This includes providing for jobs which are not yet reflected in the ANZSCO framework (which is based on past data rather than forward looking).

¹The median wage is due to be updated later in 2019

29. Under this approach, employers for jobs which are paid less than the median wage would be required to engage with MSD (or a Regional Hub where applicable) to assess whether any New Zealand workers are available for the role, in addition to advertising.
30. Differentiating the LMT based on pay rather than ANZSCO means employers may be required to go to MSD for jobs with genuinely high qualifications, training, or experience requirements, for which MSD is unlikely to have suitable clients available. Appropriate responses will rely on MSD having processes in place to identify and respond to jobs with genuinely high education, qualifications, experience and/or licencing requirements.
31. With the decisions you have made to date (see paragraph 10), including specifying pay rates for occupations with identified regulatory risks, this would see approximately 5,000 visas downgraded to lower-skilled for the purposes of the LMT, based on data for 2018-19.
32. The recommended approach would see an additional 7,500 ANZSCO 1-3 jobs being classified as lower-skilled (below the median wage). We are uncertain what proportion of these jobs are entry level roles, and would be suitable for MSD clients. We will discuss options with MSD about how to manage the additional workload for these roles.

The proposed approach builds risk management into the system, rather than needing to add it on

33. A large proportion of applications require INZ to engage further with the applicant in order to re-assess the skill level of the job against the ANZSCO occupation selected by the employer before a visa is approved. INZ disagreed in approximately 50% of cases with the occupation selected by the employer, in a 2018 sample of applications for occupations where immigration officers regularly see job description inflation. In all of these cases the ANZSCO level of the job was downgraded.
34. In addition, widespread low pay in a number of jobs (including occupations at ANZSCO 1-3) contributes to shortages by disincentivising New Zealand workers to take up jobs, as well as to exploitation of migrants.
35. While introducing specified pay rates for jobs with identified regulatory risk would manage risks from nearly 40% of lower-paid ANZSCO 1-3 jobs, other occupations may need specified pay rates in future which haven't been identified yet. This appears likely, given the overall wage distribution for ANZSCO 1-3 jobs remains largely the same when the jobs with identified risk to immigration system are removed.
36. Basing skill level on pay alone would reduce incentives to inflate job descriptions to match an ANZSCO level 1-3 occupation. Officials expect this to result in a further reduction in processing time, in addition to the reduction from introducing specified pay rates for occupations with identified regulatory risk.
37. Relying on wages as the sole determinant of skill level may mean an increased likelihood of employers setting an on-paper pay rate which does not reflect actual earnings. In general, checking pay is more easily able to be managed through assurance and verification processes than the determining whether the job matches the selected ANZSCO occupation description (as per current practice).
38. Officials will work to ensure the tools and processes available support effective verification of pay. Officials will also begin discussions with Inland Revenue about linking to their pay data to support verification activity. We also note the accreditation standards and requirements provide the flexibility to seek employers' agreement for this information to be exchanged, or require this information to be provided. The work on migrant exploitation will address risks of migrants being expected by employers to hand back some of their earnings, or otherwise assent to exploitative arrangements post-payment of wages.

This is a different approach to the definition of skills for the purposes of residence

- 39. Currently, migrants can qualify for bonus points if the work they are doing is considered “skilled” under SMC. This is aligned to the matrix used to define skill level for visa conditions as part of the temporary work system. By changing the settings for temporary work, this would de-link it from “skilled work” under residence categories.
- 40. Officials propose to undertake work on the interaction with temporary work settings and SMC as part of providing further advice on reviewing the Long Term Skill Shortage List, and will explore options for aligning the temporary and residence definitions of “skilled work” as part of this.
- 41. In the interim this would affect approximately 2,900 visa holders who are currently considered lower-skilled and subject to the stand down period due to their ANZSCO level (4-5), but who would be considered higher-skilled if a median wage threshold was adopted, and therefore no longer subject to the stand down period. There is the potential this this group becomes well settled, with no pathway to residence. These figures are highlighted in **Table 2** below.

42. Negotiations

43.

Table 2: Definition of skill level under proposed changes to definitions for temporary work vs residence definitions

Proposed settings: temporary work	Wages	ANZSCO 1-3	Residence settings	ANZSCO 4-5	Residence settings
Highly paid Up to 5 years with indefinite renewals. Eligible for work to residence. Open work visas for partners.	> 200% median wage	Highly paid	Eligible for work to residence and points under SMC.	Highly paid	Eligible for work to residence and points under SMC.
Above median wage Up to 5 years with indefinite renewals. Open work visas for partners.	150-200% median wage	Skilled	Eligible for points under SMC	Skilled	Eligible for points under SMC
	100-150% median wage	Skilled	Eligible for points under SMC	Not skilled (2,927 jobs)	Not eligible for points under SMC
Below median wage 1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. Up to 3 years upfront in low-supply regions. LM tested visas for partners.	< Median wage	Not skilled	Not eligible for points under SMC	Not skilled	Not eligible for points under SMC

² These occupations are set out in **Annex Four**.

Defining cities for the regional labour market test

You agreed to a differentiated labour market test for cities versus non-urban regions

44. As part of our previous advice [briefing 3518 18-19 refers], officials recommended the regional LMT approach be differentiated for cities versus non-urban regions, to reflect the different needs and capacities of regions with much higher overall labour demand and supply volumes. **Annex Three** sets out the detail of the regional differentiation model.
45. Based on visa data, population estimates, and regional employment growth forecasts, officials anticipated that Auckland, Christchurch, Wellington and Hamilton would be likely to have high enough volumes of demand to justify the use of skill shortage lists for higher-skilled occupations, and would have large enough working-age populations for a labour market test aimed at better matching New Zealand workers into lower-skilled jobs. Visa data indicates that Dunedin would also potentially be suitable for a skill shortage list.
46. Officials noted we would explore whether any further definition of main centres is needed beyond territorial authority level, to ensure the classification of cities is targeted at areas of high population density, noting the importance of ensuring boundary definitions are clear and do not create anomalies.

Officials recommend using territorial authority boundaries to define cities for operational feasibility

47. Officials note that in the case of Auckland, the territorial authority includes a number of wards whose populations are well below the threshold officials considered sufficient to be considered a city for the purposes of the LMT. These wards are shaded in blue in **Table 3** below.
48. However, officials' view is that the increased ability to target policy to specific areas is outweighed by the additional complexity this would bring, both in terms of understanding and implementing the regional approach to employer-assisted temporary work visas, and in terms of the fit with wider government policy.
49. For example, Cabinet recently agreed to use territorial authorities as the common boundary for agencies to use, with variations by exception, as part of its consideration of more joined up approaches to regional government services [CAB 19-MIN 0290 refers]. Officials consider that given the increased role anticipated for MSD, the Ministry of Education, Tertiary Education Commission, and other agencies as part of the domestic response to immigration policy, there is not sufficient rationale to differentiate labour market characterisation or treatment below territorial authority level.
50. In addition, there is more limited data available for sub-territorial authority analysis to inform the placement of wards in the regional differentiation framework.

Table 3: Population of cities for the regional LMT

Region	Territorial authority	Ward	Population (est June 2018)
Auckland	<ul style="list-style-type: none"> Auckland 	TOTAL	1,695,900
		Waitakere ward	179,400
		Albert-Eden-Roskill ward	175,600
		Albany ward	175,300
		Manukau ward	171,100
		North Shore ward	159,700
		Howick ward	153,400
		Manurewa-Papakura ward	152,900
		Waitemata and Gulf ward	124,700
		Orakei ward	93,000
		Whau ward	86,300
		Maungakiekie-Tamaki ward	81,300
		Franklin ward	76,400
Rodney ward	66,700		
Wellington	<ul style="list-style-type: none"> Wellington City Lower Hutt Upper Hutt Porirua 	n/a	422,700
Canterbury	<ul style="list-style-type: none"> Christchurch 	n/a	388,400
Waikato	<ul style="list-style-type: none"> Hamilton 	n/a	169,300
Otago	<ul style="list-style-type: none"> Dunedin 	n/a	130,700

Next steps

- Officials are available to discuss your preference on defining skill levels and cities at the meeting with officials on Monday 1 July 2019.
- We will reflect your advice in the next iteration of the draft Cabinet paper being provided to your office.

Annexes

Annex One: Options for defining skill level

Annex Two: Assessment of options for defining skill level

Annex Three: Regionalisation approach

Annex Four: Essential skills visas by wage band (2018)

Annex One: Options for defining skill level

Option A (Recommended): Median wage threshold

Must meet market rate, plus:		Applicable LMT:	Visa conditions:
>200% median wage	Highly paid	No LMT	Up to 5 years with indefinite renewals. Eligible for work to residence. Open work visas for partners.
100-200% median wage	Above median wage	Requires advertising unless on a skill shortage list (cities) or in regional New Zealand	Up to 5 years with indefinite renewals. Open work visas for partners
< Median wage	Below median wage	Requires advertising and engagement with MSD	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.

Option B: Improved status quo

Defining skill level for LMT

Must meet market rate, plus:		Applicable LMT:
>200% median wage	Highly paid	No LMT
ANZSCO 1-3* *If specified pay rates are met, for occupations with identified risks to the labour market and immigration systems	Higher-skilled	Requires advertising unless on a skill shortage list (cities) or in regional New Zealand
ANZSCO 4-5	Lower-skilled	Requires advertising and engagement with MSD or a regional Hub, depending on regional labour supply and demand

Defining skill level for visa conditions

Must meet market rate, plus:	ANZSCO 1-3	Visa conditions:	ANZSCO 4-5	Visa conditions
>200% median wage	Highly paid	Up to 5 years with indefinite renewals. Eligible for work to residence. Open work visas for partners.	Highly paid	Up to 5 years with indefinite renewals. Eligible for work to residence. Open work visas for partners.
> 150% median wage	Higher-skilled	Up to 5 years with indefinite renewals. Open work visas for partners	Higher-skilled	Up to 5 years with indefinite renewals. Open work visas for partners
100-150% median wage	Mid skilled	Up to 3 years with indefinite renewals. Open work visas for partners.	Lower-skilled	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.
< Median wage	Lower-skilled	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.	Lower-skilled	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.

Option C: Change LMT definition only

Defining skill level for LMT

Must meet market rate, plus:		Applicable LMT:
>200% median wage	Highly paid	No LMT
100-200% median wage	Above median wage	Requires advertising unless on a skill shortage list (cities) or in regional New Zealand
< Median wage	Below median wage	Requires advertising and engagement with MSD or a regional Hub, depending on regional labour supply and demand

Defining skill level for visa conditions

Must meet market rate, plus:	ANZSCO 1-3	Visa conditions:	ANZSCO 4-5	Visa conditions
>200% median wage	Highly paid	Up to 5 years with indefinite renewals. Eligible for work to residence. Open work visas for partners.	Highly paid	Up to 5 years with indefinite renewals. Eligible for work to residence. Open work visas for partners.
> 150% median wage	Higher-skilled	Up to 5 years with indefinite renewals. Open work visas for partners	Higher-skilled	Up to 5 years with indefinite renewals. Open work visas for partners
100-150% median wage	Mid skilled	Up to 3 years with indefinite renewals. Open work visas for partners.	Lower-skilled	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.
< Median wage	Lower-skilled	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.	Lower-skilled	1 year visa, renewable up to a maximum of 3 years followed by 12 month stand down. 3 years upfront visa in low-supply regions. LM tested visas for partners.

Annex Two: Assessment of options for defining skill level

Criteria	Option A: Median wage threshold	Option B: Improved status quo	Option C. Change LMT definition only ³
Overall assessment	Recommended Biggest change for users, but biggest potential benefits	Not recommended Smallest change for users, but more limited potential for benefits	Not recommended Moderate change for users, with limited potential benefits
1. Incentivises employers to improve wages	✓ Delivers Clear link between job conditions offered and treatment (for both LMT and visa conditions) introduces a clear signal and incentive for employers to improve pay, especially for ANZSCO 1-3 jobs below median wage.	~ Partially delivers Link between wages, LMT and visa conditions is not clear for users.	~ Partially delivers Employers clearly incentivised to raise wages for purpose of LMT, but not for purpose of visa conditions
2. Supports better matching of New Zealand workers to jobs	~ Partially delivers Differentiating the LMT based on pay rather than ANZSCO means employers may be required to go to MSD for jobs with genuinely high qualifications or experience requirements, for which MSD is unlikely to have suitable clients available.	✓ Delivers LMT is differentiated based on qualifications, education/training, and experience required for the job (as set out in ANZSCO for each occupation).	~ Partially delivers Differentiating the LMT based on pay rather than ANZSCO means employers may be required to go to MSD for jobs with genuinely high qualifications or experience requirements, for which MSD is unlikely to have suitable clients available.
3. Manages risks	✓ Delivers Management of low-paid ANZSCO 1-3 is built into the system, not an add-on. Better provides for a wider range of jobs, which do not fit well into the current system. Increased potential for on-paper high pay which does not follow through to migrant check means more jobs may need to be checked - but easier to check than currently (doesn't rely on substantive match with ANZSCO occupation description).	~ Partially delivers Linking ANZSCO to LMT and visa conditions means employers are still incentivised to inflate occupation description. Additional settings (specified pay rates) are needed to ensure jobs with identified risks are managed. This will reduce risks from nearly 40% of lower-paid ANZSCO 1-3 jobs. However other occupations may need specified pay rates in future which haven't been identified yet.	~ Partially delivers Linking ANZSCO to visa conditions means employers are still incentivised to inflate occupation description. Additional settings (specified pay rates) are needed to ensure jobs with identified risks are managed. This will reduce risks from nearly 40% of lower-paid ANZSCO 1-3 jobs. However other occupations may need specified pay rates in future which haven't been identified yet.
4. Simple to understand and implement	✓ Delivers Simple, intuitive to understand and apply for employers, migrants and INZ officers. De-linking ANZSCO from skill level is expected reduce processing time for the temporary work visa system as a whole.	X Does not deliver Two definitions of skill level for two different purposes, plus additional requirements for certain jobs, means the system is not intuitive for employers, migrants or INZ officers. Introducing specified pay rates for specific occupations would contribute to reduced processing time	X Does not deliver Two definitions of skill level for two different purposes means system is not intuitive for employers, migrants or INZ. Introducing specified pay rates for specific occupations would contribute to reduced processing time

³ Officials also considered using the combination of salary and ANZSCO used for visa conditions for the purposes of the LMT; however this is not recommended as the complexity of using the combination means any benefits from consistency of approach would be unlikely to result in simplification for employers, migrants or INZ.

Annex Three: Regionalisation approach

As provided in briefing 3053 18-19: Regionalising the labour market test

Table 1: LMT for higher-skilled roles in cities and regions

Region	Labour market test requirements
In cities Auckland, Christchurch, Wellington and Hamilton metropolitan areas	<p><i>No requirement to advertise for specific occupations on revised skill shortage lists</i></p> <p>Revised lists are expected to include a small number of occupations where the existing lists are currently well utilised; the occupations added to the regional skill shortage lists in 2019 (i.e. teaching occupations); and occupations that are currently on the CISSL.</p> <p><i>Requirement to advertise for remaining occupations not on revised skill shortages lists</i></p> <p>Employers must advertise the job including pay rates and consider New Zealand applicants.</p>
In all other regions	There would be no skills shortage lists and all occupations would be exempt from the requirement to advertise (ie no labour market test).

Table 2: LMT for lower-skilled roles

	High demand	Low demand
High supply	<ul style="list-style-type: none"> Strengthened LMT, supported by hubs Ministry of Education (MOE) / Tertiary Education Commission (TEC) and Ministry of Social Development (MSD) to respond with higher investment to stimulate the domestic response. <p><i>Regions: Northland and Manawatu-Wanganui</i></p>	<ul style="list-style-type: none"> Strengthened LMT Trigger moderate investment in domestic response <p><i>No regions currently</i></p>
Mid/ variable supply OR Low supply (cities)	<ul style="list-style-type: none"> Strengthened LMT, <i>possibly</i> supported by hubs MOE / TEC and MSD will respond with moderate investment to stimulate the domestic response. <p><i>Regions: Bay of Plenty, Gisborne / Hawke's Bay, Taranaki, Tasman / Nelson / Marlborough / West Coast, and regional Wellington.</i></p> <p><i>Cities: Auckland, Hamilton, Christchurch, Wellington</i></p>	<ul style="list-style-type: none"> Strengthened LMT Trigger moderate investment in domestic response <p><i>No regions currently</i></p>
Low supply (regions)	<ul style="list-style-type: none"> Strengthened LMT, <i>but</i> eligible for three-year visas MOE / TEC and MSD to respond with moderate investment to stimulate the domestic response <p><i>Regions: regional Auckland, Waikato and Canterbury, plus all of Otago and Southland</i></p>	<ul style="list-style-type: none"> Strengthened LMT Trigger low investment in domestic response <p><i>No regions currently</i></p>

Annex Four: Essential skills visas by wage band (2018)

Key:

Occupations with identified regulatory risks

Occupations which may be covered by a sector agreement

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Essential Skills Visas Approved in the year to May 2019

	ANZSCO 1-3	Top occupations	Visas	ANZSCO 4-5	Top occupations	Visas
Over 150% of median	2,435	Resident Medical Officer General Practitioner Construction Project Manager Software Engineer Developer Programmer Secondary School Teacher ICT Business Analyst Dairy Cattle Farmer etc.	371 141 74 66 64 58 44 40	145	Truck Driver (General) Dairy Cattle Farm Worker Body Artist Mountain or Glacier Guide Retail Supervisor Driller Concreter Scaffolder etc.	25 20 9 9 7 5 4 4
Between 100-150% of median	9,668	Registered Nurse (Aged Care) Carpenter Dairy Cattle Farmer Retail Manager (General) Chef Cafe or Restaurant Manager Diesel Motor Mechanic Motor Mechanic (General) Metal Fabricator Secondary School Teacher Accountant (General) Primary School Teacher Plumber (General) Wall and Floor Tiler Electrician (General) Sales and Marketing Manager Marketing Specialist Office Manager Carpenter and Joiner Airconditioning and Refrigeration Mechanic Painting Trades Worker Program or Project Administrator Telecommunications Technician Registered Nurse (Medical) Welder (First Class) (Aus) / Welder (NZ) Apiarist Customer Service Manager Early Childhood (Pre-primary School) Teacher Fitter (General) Technicians and Trades Workers nec ICT Customer Support Officer etc.	780 765 469 294 274 268 213 171 167 128 119 110 110 109 106 105 105 101 97 96 94 91 88 87 86 83 79 75 74 73 73	2,927	Dairy Cattle Farm Worker Aged or Disabled Carer Personal Care Assistant Retail Supervisor Truck Driver (General) Scaffolder Nursing Support Worker Concreter Builder's Labourer Agricultural and Horticultural Mobile Plant Operator Earthmoving Plant Operator (General) Excavator Operator Meat Process Worker Machine Operators nec Driller Livestock Farm Workers nec Outdoor Adventure Guides nec Meat Boner and Slicer Accounts Clerk Steel Fixer Concrete Pump Operator Whitewater Rafting Guide Crane, Hoist or Lift Operator Drainage, Sewerage and Stormwater Labourer Farm, Forestry and Garden Workers nec Despatching and Receiving Clerk etc.	1217 271 187 172 139 99 83 50 42 39 31 29 21 21 18 18 15 15 13 13 13 12 11 11 11 10
Between 85- 100% of median	10,355	Chef Carpenter Retail Manager (General) Cafe or Restaurant Manager Cook Metal Fabricator Telecommunications Technician Fibrous Plasterer Massage Therapist Painting Trades Worker Hairdresser Baker Hotel Service Manager Motor Mechanic (General) Welder (First Class) (Aus) / Welder (NZ) Fitter-Welder Panelbeater Sheetmetal Trades Worker Office Manager Customer Service Manager Dairy Cattle Farmer Snowsport Instructor ICT Customer Support Officer Technicians and Trades Workers nec Solid Plasterer Primary School Teacher Vehicle Painter Wood Machinist Carpenter and Joiner Metal Machinist (First Class) ICT Support Technicians nec Diesel Motor Mechanic Apiarist etc.	1264 1023 659 614 527 311 241 184 182 164 156 149 144 137 134 125 110 103 100 98 96 88 85 85 84 80 78 73 73 73 70 69	5,634	Dairy Cattle Farm Worker Retail Supervisor Aged or Disabled Carer Personal Care Assistant Truck Driver (General) Steel Fixer Scaffolder Earthmoving Plant Operator (General) Nursing Support Worker Builder's Labourer Concreter Agricultural and Horticultural Mobile Plant Operator Forestry Worker Excavator Operator Farm, Forestry and Garden Workers nec Beauty Therapist Machine Operators nec Bus Driver Waiter Livestock Farm Workers nec Storeperson Fruit or Nut Farm Worker Hotel or Motel Receptionist Concrete Pump Operator Bar Attendant Winery Cellar Hand Sales Representatives nec Call or Contact Centre Operator Sales Assistant (General) Reinforced Plastic and Composite Production Worker Industrial Spraypainter Meat Process Worker Labourers nec etc.	1134 847 529 321 267 184 174 153 125 109 105 82 72 68 63 45 41 39 34 33 29 27 27 25 24 24 23 22 22 21 21 21
Less than 85%	2,171	Chef Cook Snowsport Instructor Cafe or Restaurant Manager Massage Therapist Hotel Service Manager Carpenter Retail Manager (General) Baker Jockey Hairdresser Metal Fabricator Telecommunications Technician Painting Trades Worker Technicians and Trades Workers nec Welder (First Class) (Aus) / Welder (NZ) Accommodation and Hospitality Managers nec Shearer Sheetmetal Trades Worker Metal Machinist (First Class) ICT Customer Support Officer Roof Tiler Hospitality, Retail and Service Managers nec Dairy Cattle Farmer etc.	390 266 137 127 108 67 63 52 52 38 34 31 29 26 24 17 17 17 17 16 15 15 14	8,514	Retail Supervisor Dairy Cattle Farm Worker Commercial Housekeeper Sales Assistant (General) Waiter Commercial Cleaner Builder's Labourer Kitchenhand Hotel or Motel Receptionist Steel Fixer Aged or Disabled Carer Scaffolder Seafood Process Worker Meat Process Worker Forestry Worker Barista Earthmoving Plant Operator (General) Personal Care Assistant Storeperson Fast Food Cook Bar Attendant Concreter etc.	822 690 559 523 455 299 265 253 212 181 180 159 150 138 131 130 127 123 116 115 105 105

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