



COVERSHEET

Minister	Hon Kris Faafoi	Portfolio	Immigration
Title of Cabinet paper	Increasing the cap of the Recognised Seasonal Employer scheme	Date to be published	12 April 2022

List of documents that have been proactively released

Date	Title	Author
February 2022	Increasing the cap of the Recognised Seasonal Employer scheme	Office of the Minister of Immigration
16 February 2022	Increasing the cap of the Recognised Seasonal Employer scheme DEV-22-MIN-0012 Minute	Cabinet Office

Information redacted

YES

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Some information has been redacted for the reason of Confidential advice to Government.

In Confidence

Office of the Minister of Immigration

Cabinet Economic Development Committee

Increasing the cap for the Recognised Seasonal Employer scheme

Proposal

- 1 This paper seeks Cabinet agreement to increase the cap on temporary visas that can be granted under the Recognised Seasonal Employer (RSE) scheme by 1,600 to 16,000 for the remainder of the current 2021/2022 season.

Relation to government priorities

- 2 The RSE cap decision sits within the context of the Reconnecting New Zealanders strategy and phased re-opening of borders to the Pacific [CAB-22-MIN-008 refers]. More generally, this paper relates to the Government's refreshed approach to the Pacific region (the Pacific Reset) and the Pacific immigration policy review mandated by Cabinet in 2018.

Background

- 3 The RSE scheme is a standalone employer-assisted visa category that enables employers in the horticulture and viticulture sector to recruit an annually capped number of seasonal workers (mainly from the Pacific Islands) to plant, maintain, harvest, or pack crops, where not enough New Zealanders are not available. The RSE cap has more than doubled from its original 5,000 places in 2007 to 14,400 in 2021/22 due to growing employer demand for labour. This demand has been driven by persistently strong export prices and profitability across the horticultural sector, which is incentivising further investment and expansion.
- 4 In 2019, Cabinet agreed in principle to increase the cap to 16,000 for the 2020/2021 season if the sector provided evidence of improving accommodation practices and improving opportunities for New Zealanders [CAB-19-MIN-0494 refers]. Due to labour market and border conditions during COVID-19, the Minister of Social Development and I did not grant this conditional increase for 2020/2021. The cap remains at 14,400 currently.
- 5 In December 2021, the Cabinet Social Wellbeing Committee invited me to report back on whether the sector is meeting the commitments specified in Cabinet's 2019 decision, to enable an increase of 1600 places for the remainder of this season [SWC-21-MIN-0227 refers].
- 6 In addition to reporting back on the progress against these conditions, I am also seeking delegated authority from Cabinet to set the RSE cap for the coming 2022/2023 season.

Analysis

Labour market conditions and border settings mean that there is a good prima facie case to increase the cap

- 7 In the early stages of the COVID-19 pandemic, it was anticipated that unemployment levels would continue to rise, which has not eventuated. The unemployment rate was 3.4% in the September 2021 quarter and firms are reporting to the Ministry of Social Development (MSD) that it is getting harder to find both skilled and unskilled labour.
- 8 Horticulture and viticulture (hort/vit) sector growth has remained strong. The harvest for the 2021/2022 season is predicted to be larger than the previous two seasons and pipfruit in particular is expecting a record crop. Although the border has been largely closed, approximately 5,559 RSE workers have entered the country since March 2020, representing the largest class border exceptions to date. In addition, many RSE workers in New Zealand before the border closure have remained employed in New Zealand.
- 9 Working Holiday Scheme (WHS) visa holders have traditionally been an important part of the seasonal workforce. There would normally be approximately 40,000 WHS visa holders in the country in January and there are currently approximately 4000 onshore (as well as approximately 2000 former WHS visa holders currently on Supplementary Seasonal Employment visas). This means that the sector's labour shortfall is larger than usual.
- 10 The above factors mean that an increase of 1600 additional places for the rest of the season (until June 2022) would be justified in terms of labour demand and is unlikely to displace opportunities for New Zealanders.

The sector has shown satisfactory progress on improving conditions for New Zealanders and accommodation

- 11 Cabinet's conditions for the increase of 1600 to the RSE cap were:
 - 11.1 reduce the use of residential housing in key priority regions;
 - 11.2 increase the number of purpose-built beds that add to housing stock;
 - 11.3 make jobs more attractive to New Zealanders by improving conditions (such as increasing wages beyond minimum wage increases);
 - 11.4 remove barriers for New Zealanders to participate (such as providing transport, accommodation and training for New Zealanders).
- 12 Sector representative bodies have provided the Minister for Primary Industries and I with high-level figures on their achievements in these areas (these figures are not independently verified). A summary of this information is at Annex One.
- 13 Based on this information, my view is that the sector has shown sufficient progress overall to merit this increase. It is pleasing to see that average

seasonal wages are now \$24.89 per hour i.e. 24% above the minimum wage (for all workers including RSE workers). This compares well with 2019 when average wages were 15% above the minimum wage. This can be partly attributed to border closures forcing domestic wages and conditions to improve to secure labour.

- 14 The accommodation data shows a 67% increase in the number of purpose-built beds built between 2018-2020. Much of this growth is driven by the Bay of Plenty, a key region of concern, which has seen a 98% increase in purpose-built beds. Limited data was provided for the Hawkes Bay, which is another region with significant housing pressures. However, between 2018-2020 the Hastings District Council granted consents for purpose-built RSE accommodation for 2,734 beds which shows positive progress.
- 15 Overall, there is a positive trend away from residential housing and towards purpose-built accommodation. However, the commitment to building accommodation is not shared equally across all regions and all employers. Price increases and supply chain disruptions in the construction sector may also make it difficult to further increase the supply of purpose-built accommodation in response to demand growth. Housing outcomes have been deteriorating since 2019 when regional accommodation restrictions were introduced into the RSE scheme; this means that regional settings need to be reviewed to ensure that the RSE scheme is not contributing significantly to pressure on a particular region's housing supply. I propose to review this issue in 2023 as part of the RSE policy review, with the aim of tightening accommodation restrictions and lifting quality.
- 16 Sector-level action to place New Zealanders into jobs and training has been good. There appears to be a high level of collaboration which has led to 2,209 New Zealanders being placed in permanent roles or training in the sector. This work has been strongly supported by the Ministry for Primary Industries. On an individual employer level, more could be done to provide New Zealanders with guaranteed hours and longer-term roles and thereby make the sector a more attractive choice.

I propose to confirm the conditional increase of 1,600 for the remainder of 2021/2022

- 17 The cap decision is important for ensuring that employers can access RSE workers where there is genuinely insufficient domestic labour supply, while maintaining pressure and incentives on industry to do more where progress is lagging. It also impacts Pacific nations and our special relationship with the Pacific needs to be taken into account.
- 18 Based on satisfactory progress against conditions Cabinet requested improvement in, and low unemployment levels, I propose to increase the cap for the remainder of the season.
- 19 Due to pressures on Pacific nations that currently participate in the RSE scheme, it is possible that sector would not access the full cap increase if granted. This will also be impacted by the presence of COVID-19 in the

Pacific and potential changes to travel pathways as part of the Reconnecting New Zealanders strategy.

I also propose that the 2022/23 cap decision be delegated to me in consultation with the Minister for Social Development and Minister for Primary Industries

20 An early cap decision means that the sector can engage in workforce planning. The cap decision has previously been made jointly by the Minister of Immigration and the Minister for Social Development, 3-6 months ahead of the peak season.

21 Confidential advice to Government
I propose to do this in consultation with the Minister for Social Development and the Minister for Primary Industries. This will ensure that the cap decision is informed by relevant agency insights.

22 Confidential advice to Government

Legislative and Financial Implications

23 There are no legislative or financial implications associated with this paper.

24 Managing the operational implications for agencies of a potential increase in RSE worker numbers will be managed through existing allocations.

Regulatory Impact Statement

25 This paper does not require a Regulatory Impact Assessment as it does not result in legislative or regulatory amendments.

Climate, Population and Human Rights Implications

26 A Climate Implications of Policy Assessment was not necessary.

27 It is not expected that population impacts from these proposals will be significant. Increased access to RSE and increased wage rates are likely to have an overall positive impact on communities of Pacific nations participating in RSE. Pasifika communities in New Zealand will also be impacted to a lesser extent.

28 This paper does not have implications for human rights.

Consultation

29 This paper was prepared by the Ministry of Business, Innovation and Employment. The following agencies were consulted in the development of the proposals in this paper: the Ministry of Social Development; the Ministry of Foreign Affairs and Trade, the Ministry of Housing and Urban Development, and the Ministry for Primary Industries.

Communications

- 30 The Minister of Immigration will issue a press release conveying key messages. Sector representatives and employers will be proactively informed through existing operational channels.

Proactive Release

- 31 I propose to release this paper proactively subject to any relevant redactions as appropriate, consistent with the Official Information Act 1982.

Recommendations

The Minister of Immigration recommends that the Committee:

- 1 **note** that in 2019, Cabinet agreed in principle to increase the RSE cap for the 2020/21 season to 16,000 conditional on evidence of the horticultural and viticultural sector meeting additional commitments to improve worker conditions and accommodation practices [CAB-19-MIN-0494];
- 2 **note** that in December 2021, the Cabinet Social Wellbeing Committee invited the Minister of Immigration to report back on whether the sector had met the commitments specified in the above decision [SWC-21-MIN-0227];
- 3 **note** that the Minister of Immigration considers that there has been satisfactory progress against conditions as requested by Cabinet and that low unemployment means increasing the RSE cap is unlikely to displace opportunities for New Zealanders;
- 4 **agree** to increase the RSE cap for the current 2021/22 season by 1,600 places to a total of 16,000;
- 5 **note** that RSE workers are currently required to be paid \$22.10 per hour;
- 6 **agree** that the Minister of Immigration will set the RSE cap for the coming 2022/23 season, in consultation with the Minister for Social Development and Minister for Primary Industries.

Authorised for lodgement

Hon Kris Faafoi

Minister of Immigration

Annex One: Assessment of Cabinet conditions

Cabinet condition	Employer-aggregated indicators	Sector-level action	Assessment
Reduce the use of residential housing in key priority regions	<ul style="list-style-type: none"> • 294 less residential houses used for RSE workers between 2018-2021 • 18% decrease for Hawkes Bay (key region) • 36% decrease for Bay of Plenty (key region) 		Accommodation data shows positive trends overall, although limited data provided for 2020 and 2021 builds. Sector may be providing more data in the coming weeks.
Increase the number of purpose-built beds that add to housing stock	<ul style="list-style-type: none"> • 67% increase in the number of purpose-built beds from 2018-2020 		
Make jobs more attractive to New Zealanders by improving conditions (such as increasing wages beyond minimum wage increases)	<ul style="list-style-type: none"> • Average hourly rate of \$24.89 • (24% above the minimum wage) • The average wage relative to the minimum wage has increased since 2019 	2,209 New Zealanders placed in permanent roles or training by GoHort	Good progress on wages. Some of this will have been driven by the border closure and recent increase to RSE wages. Some progress has been made on barriers, but more could be done. Sector-level action is good, with significant support from MSD and MPI.
Remove barriers for New Zealanders to participate (such as providing transport, accommodation and training for New Zealanders)	<ul style="list-style-type: none"> • 50.4% of employers provide accommodation to non-RSE workers • 37.7% of employers provide transport • 18.1% of employers provide flexible work hours/ rosters 		