



COVERSHEET

Minister	Hon Kris Faafoi	Portfolio	Immigration
Title of Cabinet paper	Fees for the new Accredited Employer Work Visa	Date to be published	9 May 2022

List of documents that have been proactively released

Date	Title	Author
9 February 2022	Fees for the new Accredited Employer Work Visa	Office of the Minister of Immigration
February 2022	DEV-22-MIN-0009	Cabinet Office
9 February 2022	Stage 2 Cost Recovery Impact Statement	MBIE

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government, Maintenance of the law, and Commercial Information.

In Confidence

Office of the Minister of Immigration
Chair, Cabinet Economic Development Committee

Fees for the new Accredited Employer Work Visa

Proposal

- 1 I seek agreement to fee levels for the Accredited Employer Work Visa being introduced on 4 July 2022.

Executive Summary

- 2 In 2019, Cabinet agreed to replace six existing employer-assisted temporary work visa categories with a new Accredited Employer Work Visa (AEWV) [DEV-19-MIN-0228] on 1 November 2021.¹ The new system shifts the focus from migrants onto employers to ensure that employers have not been found to be non-compliant with any immigration or employment regulations before recruiting a migrant.
- 3 The AEWV overall, intends to:
 - 3.1 make the system easier to navigate for employers and provide more certainty for employers,
 - 3.2 ensure that temporary workers are only recruited for genuine shortages, and
 - 3.3 reduce exploitation of temporary workers and the misuses of the immigration system and increasing expectation on employers to employ and train more New Zealanders.
- 4 The AEWV will be introduced from 4 July 2022, with employer accreditation opening from May. This provides time for the details to be communicated to employers, and for systems to be implemented to meet the 4 July 2022 opening for work visas as part of the Reconnecting New Zealand work.
- 5 For a migrant to work in New Zealand on an AEWV, there are three “gateways” that need to be passed:
 - 5.1 **The employer check** – employers must be accredited to hire a migrant
 - 5.2 **The job check** – to ensure that no New Zealander is able to fill the particular job being recruited for, subject to skill, sectoral and regional differentiation
 - 5.3 **The worker check** – to ensure the migrant is of good character and health, and is suitably qualified to do the work offered.
- 6 Fees need to be set to implement the AEWV, reflecting the three gateways. I propose the following fees for the AEWV (GST inclusive).

¹ The six categories are the (i) Essential Skills Work Visa; (ii) Essential Skills Work Visa – approved in principle; (iii) Talent (Accredited Employer) Work Visa; (iv) Long Term Skill Shortage List Work Visa; (v) Silver Fern Job Search Visa (closed 7 October 2019); and (vi) Silver Fern Practical Experience Work Visa. All these categories are now closed except for the Essential Skills Work Visa.

IN CONFIDENCE

			Proposed fee – NZ\$	Annual forecast volume
Employer check	Employers to be accredited through one of four pathways:	Standard (≤5 migrants at any one time)	740	17,722
		Upgrade fee* ²	480	480
		High-volume (≥6 migrants at any one time)	1,220	1,738
		Triangular employment (includes labour hire companies) ³	3,870	600
		Franchisees	1,980	400
		Reconsideration of declined employer accreditation application	240	240
Job check		Job check fee	610	46,701
		Reconsideration of declined job check	240	
Worker check		Issuing of AEWV to worker	540	46,701

Principles that have informed the proposed fees

- 7 The proposals in this paper were guided by the principles set out in the:
- 7.1 Treasury's *Guidelines for Setting Charges in the Public Sector*
 - 7.2 Office of the Auditor General's (OAG) *Good Practice Guide: Charging fees for public sector goods and services*
 - 7.3 Cabinet Committee on Government Expenditure and Administration paper of 24 Oct 2006 titled *2006 Immigration Fees Review: Principles for setting fees.*
- 8 Consistent with the above, the fees proposed in this paper reflect a balance of the principles set out in the table below.

Principle	Description
Equity (between migrants, employers and taxpayers)	Costs are fully recovered from fee and levy payers for the provision of services and management of risks. The public benefits are negligible so the Crown should not share the cost of the AEWV.
Authority	Section 393 of the Immigration Act 2009 provides for fee setting through Regulations. New fees will be established by amending the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010.
Transparency and consultation	Consultation on the policy included consultation on proposed fee levels (see below). Information about the underlying drivers of costs and decisions is available in the appended cost recovery impact statement.
Efficiency	Regular review of fees and levies ensures that fees reflect the costs of underlying services and support efficient resource allocation.
Simplicity	Fees and levies for applications are fixed in regulations and charged at the point of application. Information should be easily accessed by applicants.

² This is for employers who want to upgrade their accreditation from a standard to high volume part way through their accreditation. The fee is set by calculating the difference between the standard and high-volume fees.

³ Employer arranges for the employee's placement or assignment with a third party.

	An average fee is set across applicants within a particular category. This accounts for applications of differing levels of complexity within a category.
Accountability	Immigration New Zealand (INZ) fees and revenues are scrutinised as part of its public sector financial accountability arrangements.
Equity (between visa applicants)	The provision of visa services provides private benefits to individual migrants. As much as possible, the relativity between visa categories should reflect the relativity of the underlying processing efforts so that cross-subsidisation is minimised. Complexity should be avoided.
Effectiveness	Funding is set at a level that ensures the level of service is maintained against increasing volume pressures and changing risk profiles.

Overview of the proposed fees for the AEWV

- 9 Employers will pay the costs of employer checks and job checks. Visa applicants will pay for worker checks.
- 10 The proposed fee covers the direct and indirect costs of processing an application. It includes:
 - 10.1 the cost of Immigration New Zealand (INZ) staffing
 - 10.2 a proportion of INZ and Ministry of Business, Innovation and Employment (MBIE) overheads
 - 10.3 a contribution toward deficit recovery (discussed further below).
- 11 The fee calculations are based on a fully-loaded Activity Based Costing (ABC) model which allocates the expenses incurred in processing an application. The approach is in keeping with the practice for setting fees within the Immigration portfolio. It provides an equitable outcome, where applicants within different gateways and categories are charged according to the cost of assessing they meet the policy requirements, and to ensure risk is managed in accordance with the policy objectives. The averaging applied to smooth costs takes into account the many variables that are present, and reduces complexity. The model allocates costs transparently according to the best information available.
- 12 All proposed fees would be fixed, except for the differentiated fee for assessing employer accreditation. This reflects the different costs created in assessing accreditation applications from different classes of employer, particularly in relation to risk and verification activities.

There is an “upgrade” fee in the fees table

- 13 The “upgrade” fee is for employers who want to move from standard accreditation to high-volume accreditation part way through their accreditation period. These employers will be able to pay an upgrade fee to cover the additional risk assurance costs, and will not have to resubmit any information to INZ or undergo any further assessment.
- 14 All triangular and franchisee employers will automatically be allocated to high-volume.
- 15 It was originally intended that an employer in this situation would need to apply and pay for high-volume accreditation and commit to paying at least 10% above the minimum wage, or have a collective agreement in place. However, expecting employers to apply and pay for high-volume accreditation is no longer reasonable, given that they would only be re-providing the same information that had already been assessed with their initial standard accreditation application.

The proposed fees cover the cost of INZ staffing


- 16 The proposed fees include the cost of immigration officers, risk and verification staff, call centre and training staff, and other staff within INZ. Standard assumptions have been made about the staff, e.g. the ratio of managers to non-managers, and the ratio of technical advisors to other staff. MBIE considers it reasonable that the user of the services pays for the attributable costs which includes covering the cost of the INZ staff that will be running the service.

The proposed fees cover a portion of INZ and MBIE overheads

- 17 Overheads that are reflected in the costings that underpin the proposed fees include:
- 17.1 Information and Communications Technology systems (including integrations and licensing)
 - 17.2 INZ overheads (apportioned on a per transaction basis, i.e. expected AEWV transactions as a portion of all INZ transactions)
 - 17.3 MBIE overheads (including finance, human resources, legal, communications, property costs, etc, apportioned based on headcount within MBIE to account for overhead expenses which are levied to INZ from MBIE corporate)
 - 17.4 depreciation.

The proposed fees recover some of the pre-COVID immigration deficit

- 18 A \$56 million pre-COVID-19 deficit remains in the visa memorandum account (after accounting for the capital injection agreed by Cabinet to address the deficit accumulated in the period of COVID-19 border closures) [DEV-21-MIN-0011]. Under-recovery for work visa fees is a key driver of this deficit. Cabinet agreed not to write this amount off, meaning it needs to be recouped from future visa fees.

- 19 Confidential advice to Government
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- 20 Hence, I propose to include a small contribution (approximately \$22.36) to deficit recovery in the fee for each application. This will contribute an estimated \$2.547 million towards the deficit recovery per year.
- 21 It is reasonable to require a contribution to the deficit recovery from the beneficiaries of the EAWV policy, as many of the employers and migrants who take up the new policy will have been users of the immigration system in the past, and will have benefitted over time from the lower work visa fees paid. This minimises the concern about cross-subsidisation of past users of the system by future visa applicants and employers.
- 22 Having these visa applicants and their employers contribute to paying off the deficit is an equitable response, rather than allowing the burden or risk to fall on the general New Zealand tax paying public, and is explicitly allowed for under the fee-setting powers of the Immigration Act 2009.
- 23 Failing to attribute some of the deficit recovery to this cohort from the inception of the policy would impact on the ability to recover the deficit over a reasonable time period (set at three years), and mean that future migrant and employer cohorts face an inequitably high burden.

The forecast volumes are based on reasonable assumptions

- 24 The development of the AEWV occurs in a context of COVID-19 border flow disruptions and significant changes to the immigration system. The fees have been developed using the most reasonable assumptions that can be made in this context.
- 25 Expected employer accreditation application volumes (including for renewals) are derived by applying broad rules determined from historical patterns to the tendered applications data, and working backwards to gain an estimate of the number of employer accreditation applications needed to produce a commensurate number of tendered visa applications, at the relevant rate of growth.
- 26 While every visa application will relate to an approved job check, the ratio of job checks to visa applications will not be 1:1. Employers will be able to include multiple roles on the same job check application if they are all subject to the same labour market test conditions. INZ is therefore conservatively estimating that the number of job check applications may be five percent lower than the number of visa applications. However, this five percent reduction is offset by an assumption that employers will resubmit any job check that is declined, or may need to re-advertise and submit new applications where migrants are unable to be recruited before the approved job check expires.
- 27 For migrant checks, the average annual forecast volumes are based on relevant data relating to tendered visa applications from the period of May 2020 to April 2021 (i.e. one year of data since the introduction of COVID-19 related border settings) and an annual rate of growth based on a linear trend that reflects both post-COVID-19 data and historical trends from 2010. I accept this as the most appropriate approach to determining volumes in the foreseeable future, in the current context.

The Resident Visa 2021 is likely to impact the volume of uptake of the EAWV

- 28 The introduction of the Resident Visa 2021 has deferred the implementation of the AEWV, given a significant number of onshore migrant workers are likely to take up the new residence visa. This will reduce uptake of the EAWV policy in the short term.
- 29 However, it is also expected that some loosening of border restrictions during 2022 will allow entry of some new migrant workers, and therefore the overall forecast volumes have not been revisited.

I considered alternative fee structures

- 30 As noted above, all proposed fees would be fixed, except for the differentiated fee for assessing employer accreditation. A fixed fee for all employer accreditations would simplify the EAWV system and processing functions. However, it would introduce inequitable cross-subsidisations in the pricing between employers, given the different criteria to be met, and the different risks presented in the different business models.
- 31 I considered proposing a different fee for second and subsequent accreditations. However, I do not recommend this approach because the same criteria must be met for subsequent applications, requiring a similar amount of assessment activity from INZ. While some aspects of the assessment may be easier the second time, new aspects of assessment are needed, such as considering the employer's compliance during the previous period of accreditation. Ultimately, I am satisfied that setting the same fee for second and subsequent accreditations does not introduce any inequity.
- 32 A graduated job check fee was considered, given there are various different ways of meeting the job check criteria, depending on the job offer. However, each method includes common processing (e.g. reviewing the proposed employment agreement) and a similar total amount of regulatory effort. Some individual applications may require more scrutiny but this is not foreseeable. It is therefore considered

appropriate to set an average fee across the pathways. This can be reviewed based on actual data and operational experience in the future, particularly when sector agreements are implemented.

Fees for variation of conditions stay at existing levels

- 33 A variation of conditions (VOC), allows a migrant to change the employer they work for or the region they work in, without a full visa reapplication. I propose to continue the existing VOC fees as they are standardised across all temporary visa types (student, work and visitor).

Fees for visa application reconsiderations

- 34 I propose to set the fee for reconsideration of employer accreditation (regardless of work stream) and job checks at \$240 as:
- 34.1 The amount of processing on a reconsideration is unknown, and can vary between applications. The amount of reprocessing will not necessarily reflect the amount of processing required at the initial application (i.e. reconsideration of a declined franchisee accreditation application will not necessarily require more effort than reconsideration of a declined standard accreditation application).
 - 34.2 The fee should not deter employers seeking reconsideration where they do not agree with an assessment by INZ, and ensure employers have a reasonably-costed channel to have a decision reviewed.
 - 34.3 This is broadly consistent with the current fee for reconsideration for employer accreditation decisions (\$220 to \$240) under the visa categories to be replaced by the AEWV and reflects a broadly similar amount of work for INZ.

Fees waivers for employers who currently hold accreditation

- 35 The Talent (Accredited Employer) Work Visa scheme is being replaced by the AEWV. Employers accredited under the former would reasonably expect their accreditation to hold its value. To ensure a fair transition to the new scheme I propose not to require employers accredited under the Talent (Accredited Employer) Work Visa scheme to pay the fee for their initial accreditation under the AEWV, so long as their accreditation has over six months to run at 9 May 2022. Approximately 1,070 employers would benefit from this proposal, resulting in a loss of revenue of approximately \$850,000 (based on the fees proposed in this paper and assuming that not all employers take up the new accreditation). This revenue is accounted for in the overall model as an overhead cost shared across all other related fees, over a period of seven years.

The International Visitor Conservation and Tourism Levy will not apply to AEWV holders

- 36 Cabinet agreed that:
- 36.1 the purpose of International Visitor Conservation and Tourism Levy (IVL) is to fund investment in conservation and tourism
 - 36.2 the IVL be paid by all people applying for:
 - 36.2.1 an electronic travel authority (visa waiver travellers);
 - 36.2.2 visitor visas or short term entry visas (12 months or less) [DEV-18-MIN-0194].
- 37 As AEWVs are longer term work visas, this previous decision means they will be exempt from the IVL.

Impact on employers

- 38 It is important to note that the aims of establishing the AEWV included:
- 38.1 Shifting to an employer (rather than migrant) led series of immigration checks to check they are good employers and have tried to recruit New Zealanders, before allowing them to recruit a migrant
 - 38.2 Streamlining the complexity of products and the process for both employers and migrants, especially for the highly skilled
 - 38.3 Encouraging businesses to upskill and hire New Zealand workers first
 - 38.4 Reducing New Zealand's reliance on lower-paid temporary migrant workers, better addressing our productivity, skills and infrastructure challenges, and increasing the skill levels of migrants.
- 39 Consequently, the impact of the new fees will be mostly felt by employers. This is because:
- 39.1 accreditation will be a new cost to most employers as most of the costs under the status quo were met by the migrant
 - 39.2 it is more equitable to share the costs between employer and the migrant as both will benefit directly from the new system
 - 39.3 employers will need to meet the cost of the new 'job check' gateway.
- 40 The exact cost to an employer will depend on which accreditation pathway applies. The accreditation fee increases as the employer's risk profile increases. The impact on an employer will depend on their turnover and the number of migrants they seek to employ (perhaps reflecting shortages in a particular labour market). Approximately 11 percent of employers have a high reliance on migrant workers. The attached Cost Recovery Impact Statement (CRIS) includes scenarios that demonstrate the impacts on a range of employers.
- 41 Employers can minimise costs by submitting multiple jobs in the same job check. To be submitted in the same job check, all the jobs must be subject to the same labour market test conditions (i.e. same pay rate, same occupation and region, etc), and all covered by the same advertising and proposed employment agreement.
- 42 Employers' compliance costs under the new policy need to be put in the context of the business' overall personnel costs, of which they will only ever be a small fraction.

Impact on migrants

- 43 The application fee for visa applicants under the new work visa is 22.5 percent higher than the comparable Essential Skills Work Visa (\$540 up from \$440). This is due to an overall increase in the costs of operating the new framework. However, the administrative burden of making the application for the migrant worker has decreased, which may reduce the costs incurred by a migrant worker in preparing their paperwork.

Financial Implications

- 44 The costs of the AEWV will be fully recovered from applicant fees.

Legislative Implications

- 45 The proposals in this Cabinet paper require changes to the *Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010*. I expect Cabinet Legislation Committee to consider amendments to the regulations in autumn 2022. As noted, the AEWV will be introduced on 4 July 2022. Every effort will be made to amend the regulations in time to avoid needing to waive the 28-day rule.

Regulatory Impact Statement to confirm after RIARP has reconsidered

- 46 MBIE's Regulatory Impact Analysis Review Panel has reviewed the attached CRIS prepared by MBIE. The Panel considers that the information and analysis in the CRIS **meets** the criteria for Ministers to make informed decisions on the fee proposals in this paper.

Human Rights and Treaty of Waitangi implications

- 47 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990, Human Rights Act 1993, and with New Zealand's international commitments to enable movement of people. The Immigration Act 2009 recognises that immigration matters inherently involve different treatment on the basis of personal characteristics, but immigration policy development seeks to ensure that any changes are necessary and proportionate.
- 48 Officials do not consider that there are adverse Treaty of Waitangi implications from the proposals in this paper.

Consultation

Public consultation and engagement with the sector informed policy decisions

- 49 MBIE released a discussion paper, *A new approach to employer-assisted work visas and regional workforce planning*, which set out the proposals and context which led to the creation of the AEWV. The discussion paper included indicative fees for the new system:
- 49.1 a fee for migrant worker applicants of approximately \$300
- 49.2 a fee for employers of \$600 for standard accreditation to \$2,000 for premium and labour hire company accreditation.
- 50 644 submissions were received from migrants, employers, industry groups, unions, immigration advisers and local government. The New Zealand Migrant Network included the views of over 300 of their members with their submission. Most relevant to the impact analysis was the concern raised by multiple submitters that small employers will be forced to invest in accreditation at a cost and time commitment that they will struggle to afford. Officials sought to address these concerns in the policy development process, by making the standards as pragmatic as possible, particularly for employers meeting the criteria for standard or high volume categories. Pragmatic standards mean the assessment is simplified, and the resulting fee is lower.
- 51 In addition, INZ met with employers and peak industry bodies. Some employers are ambivalent about the fee levels, given their overall turnover and costs, noting that recruiting the right migrant candidates is already a business cost. Others expressed concern about the cumulative costs of accreditation and job check fees, on top of other costs, including rising wage bills.
- 52 The employers most concerned are those that hire many migrants, such as those in the health, hospitality, accommodation services, and tourism sectors.
- 53 The Franchise Association was particularly concerned about the impact of the accreditation fee on Franchisee employers. In response, further analysis identified a more targeted approach to verification and monitoring of franchisee businesses, which has led to a consequential reduction to the fee.
- 54 With respect to other consequences, employers or industry bodies noted that:
- 54.1 Some employers will aim to recruit more New Zealanders and more working holiday scheme and open work visa holders. Others commented that skills shortages will persist, so will continue to be reliant on migrant labour.

- 54.2 Some employers will consider creating more generic job titles in employment agreements, such as “Guest Services Assistant” within a hotel. This will assist them to batch job checks (and reduce costs), and give them more flexibility with how they manage staff. INZ will still need to check the positions are genuine and necessary. Some employers considered this might have a negative morale impact on the workforce.
- 54.3 Regions or sectors with an under supply of labour will continue to face issues attracting migrants. The charges add to the issues they are already facing and trying to address through training and conditions.
- 54.4 Poor employment practices and migrant exploitation may be exacerbated.

Agency consultation

- 55 The following agencies were consulted in the development of this paper: the Ministry of Business, Innovation and Employment (Tourism Policy, Small Business Policy, and Building and Construction Policy), Ministry for Primary Industries, Ministry of Health, Ministry of Education, Ministry of Social Development, Customs and Treasury. The Department of the Prime Minister and Cabinet was informed.

Publicity

- 56 The AEWV was announced in 2019. It has also been announced that applications for employer accreditation and job checks open from 9 May 2022 and the AEWV is being introduced on 4 July 2022. I plan on announcing the fee levels shortly after Cabinet agrees to the proposals to give certainty to employers and migrants.
- 57 The opening of the AEWV accreditation and job gateway is scheduled to be announced after the announcement of the Re-Balance Immigration. This is currently scheduled to be announced on 14 February 2022.

Proactive Release

- 58 I propose to release this paper proactively. Any redactions made will be consistent with the *Official Information Act 1982*.

Recommendations

- 59 I recommend that the Cabinet Economic Development Committee:

New Accredited Employer Work Visa

- 60 **Note** that in 2019 Cabinet approved the high level design of the new Accredited Employer Work Visa [DEV-19-MIN-0228].

New fees associated with the Accredited Employer Work Visa

- 61 **Note** that the:
 - 61.1 proposed fees aim to support and implement the three gateway framework for the Accredited Employer Work Visa.
 - 61.2 proposed fees accord with guidance from the Treasury and Office of the Auditor-General.
 - 61.3 process to calculate the costs and fees was robust, using the best available data.
 - 61.4 approach to cost recovery and fee setting accords with the practice for setting other fees within the Immigration portfolio.
 - 61.5 proposed fees will recover the full costs of the Accredited Employer Work Visa from employers and migrant workers.

62 **Agree** to the new fee structure and levels, as set out below:

		Proposed fee – NZ\$
Employers to be accredited through one of four pathways:	Standard (≤5 migrants at any one time)	740
	Upgrade fee	480
	High-volume (≥6 migrants at any one time)	1,220
	Triangular employment (includes labour hire companies)	3,870
	Franchisees	1,980
Reconsideration of declined employer accreditation application		240
Job check fee		610
Reconsideration of declined job check		240
Issuing of AEWV to worker		540

63 **Note** that Cabinet has agreed to a first principles review of the immigration funding model, beginning with an interim review of fees and levies in 2022, with new rates anticipated to take effect from July 2022 [DEV-21-MIN-0221 refers].

64 Confidential advice to Government

Fee waivers for employers who currently hold accreditation

65 **Agree** to an exemption to the proposed employer accreditation fee for employers who hold accreditation under the Work to Residence – Talent (Accredited Employers) scheme with more than six months duration remaining at 9 May 2022.

66 **Note** that approximately 1,070 employers held accreditation under the Work to Residence – Talent (Accredited Employers) scheme with more than six months duration remaining at 9 May 2022.

67 **Note** that agreement to recommendation 5 is expected to result in a loss of revenue of approximately \$850,000 (based on the fees proposed in this paper and assuming that not all employers take up the new accreditation).

68 **Note** that this revenue is accounted for by sharing the cost as an overhead across all other related fees, over a period of seven years.

Exemption of new Accredited Employer Work Visa from the International Visitors Conservation and Tourism Levy

69 **Note** that Cabinet agreed:

69.1 the purpose of International Visitor Conservation and Tourism Levy is to fund investment in conservation and tourism

69.2 the IVL be paid by all people applying for:

69.2.1 an electronic travel authority (visa waiver travellers);

69.2.2 visitor visas or short term entry visas (12 months or less) [DEV-18-MIN-0194].

70 **Note** that as AEWVs are longer term work visas, this previous decision means they will be exempt from the International Visitor Conservation and Tourism Levy.

Legislative implications

- 71 **Note** that the Immigration (Visa, Entry Permission and Related Matters) Regulations 2010 must be amended to give effect to the proposals in this Cabinet paper.
- 72 **Invite** the Minister of Immigration to issue drafting instructions to the Parliamentary Counsel Office to give effect to the recommendations above.
- 73 **Authorise** the Minister of Immigration to make further minor or technical changes on any issues that arise during the drafting process.

Communications

- 74 **Note** fee levels will be announced in early-2022 if Cabinet agrees to the proposals in this paper.
- 75 **Agree** that the Ministry of Business, Innovation and Employment may post this Cabinet paper to its website.

Authorised for lodgement

Hon Kris Faafoi
Minister of Immigration

**Annex One: Cost Recovery Impact Statement prepared by the
Ministry of Business, Innovation and Employment**

Stage 2 Cost Recovery Impact Statement

User fees for the Accredited Employer Work Visa Programme

Purpose of Document	
Decision sought:	Approval for introduction of fees for the new Accredited Employer Work visa system, and the rates of fees.
Advising agencies:	Ministry of Business, Innovation and Employment
Proposing Ministers:	Minister of Immigration
Date finalised:	28 January 2022
Problem Definition	
<p>Six existing employer-assisted temporary work visa categories are being replaced with a single Accredited Employer Work Visa. The new visa will be introduced alongside a new 'gateway' system where employers must become accredited and get an approved job check before inviting a migrant to apply for the visa. Fees need to be set to recover the cost of processing applications for accreditation, job checks, visas, and reconsiderations of declined applications, from the beneficiaries of the system, ie employers and migrant workers.</p>	
Executive Summary	
<p>Cabinet has agreed to a new approach to employer assisted work visas. There will be three distinct steps where checks are completed:</p> <ol style="list-style-type: none">1. The employer check – where employers are accredited to enable them to hire a migrant2. The job check – three different pathways whereby the job is checked to ensure that no New Zealander is able to fill the job being recruited for, subject to skill, sectoral and regional differentiation; and3. The worker check (the visa application) – where checks will be made that the migrant is of good character and health, and is suitably qualified to do the work offered. <p>The objectives of the Employer Assisted Work Visa (EAWV) policy reforms are to:</p> <ul style="list-style-type: none">• Encourage business and regions to train, upskill and hire New Zealand workers• Make it easier for business and regions to fill genuine skills shortage• Combat migration exploitation and misuse of the immigration system• Reduce New Zealand's reliance on lower-paid temporary workers, better address our productivity, skills and infrastructure challenges, and increase the skill levels of migrants <p>In relation to the EAWV system, this CRIS covers</p>	

- the principles and objectives underpinning the setting of fees, and the policy rationale for cost recovery from third party users of the system (pp 9– 11)
- the rationale for including an additional charge to contribute to recovery of the INZ memorandum account deficit from EAWV system users (pp12–13)
- options for a pricing model for the fees for the different types of applications in the system (pp13-14)
- the Cost recovery model and components (pp 17-20), included fixed and variable costs (pp 21-24), anticipated volumes (pp 24-27) and processing times (pp 27-28)
- proposals for carrying over fees for specific processes (p 29)
- a transitional fee waiver in certain limited circumstances (p22).

In keeping with the principles guiding the allocation of immigration costs between the Crown and users, the operating costs of the EAWV system will be met by user fees in a cost recovery model. Specifically, employers will pay fees to become accredited and have jobs assessed. Migrants will pay the visa application fee. This represents a shift of some costs from visa applicants to employers.

The fees have been determined based on the expected operating costs including system and manual processing requirements, and relevant overheads and fixed costs, in relation to each of the checks. Prices are based on a fully loaded activity based costing methodology, developed ahead of the business case in 2019, as per the Treasury Guide: [Guidelines for Setting Charges in the Public Sector](#) (“the Treasury Guidelines”).

The model, assumptions and inputs have been refined by the implementation project as the policy criteria, technical solution and business processes have evolved. This includes the introduction of a new technology platform for application receipt and processing (known internally as ADEPT),¹ enabling some efficiencies through automated processing where appropriate.

The following fees are recommended:

	Proposed fee² (GST inclusive)	Forecast volume of applications (average per annum)
Employer Accreditation		
Standard (five migrants or less)	\$740	17,722
High-volume (six migrants or more)	\$1,220	1,738
Upgrade fee (<i>where employer with “standard” accreditation wishes to employ six or more migrants part</i>)	\$480	

¹ The Advance Digital Employer-led Processing and Targeting Programme, is delivering a new visa processing system (known internally as ADEPT), on which the EAWV policy will be implemented. Other visa types will also be progressively transferred to the new Microsoft D365 platform.

² Fees are rounded up or down, in line with general practice in relation to other immigration fees.

<i>way during the accreditation period)</i>		
Triangular employment (includes Labour Hire)	\$3,870	600
Franchisee	\$1,980	400
Reconsideration of declined employer accreditation application	\$240	
Job Check	\$610	46,701
Reconsideration of declined job check	\$240	
Accredited employer work visa	\$540	46,701

It is proposed to carry through existing fees for variations of conditions for temporary entry visas (\$190), and reconsiderations of declined temporary entry visas (\$220).

While the EAWV policy project was initiated and largely designed prior to the COVID-19 pandemic, which has considerably impacted on visa volumes, the components of the fee include a high proportion of variable costs (approx. 60%). This gives some resilience to fluctuations in volumes, although this is subject to limitations within business planning, and the ability to ensure sufficient resource is available and skilled to assess applications under the new policy, using the new technology.

Approximately 21,000 employers are estimated to recruit migrant labour under the EAWV policy and will be subject to these charges. Impacts will vary depending on their size and business model, the number of job checks they carry out, and other factors such as their region, industry, and staff turnover. Annual costs may range from **\$1,350** for an employer of a single migrant, to more than **\$225,000** for some of the largest employers accessing up to 350 migrant staff annually (such as meat processing plants, rest homes or civil engineering contractors) – although it is assumed these large employers will be able to batch their job checks applications to reduce this cost. A typical high volume employer taking on 14 migrant workers on temporary work visas in a single year, could face costs of up to **\$9,760** (for example a medium sized dairy farm or restaurant).³

These employers will no longer have access to the existing Approval in Principle (AIP) process, which allows front-end checking of job checks in bulk. At a total cost of \$440, lasting up to 6 months, and covering multiple job checks in multiple occupations and locations, the AIP process was very cost-effective for employers, but was significantly under-funded from INZ's perspective.

Migrants will face a fee increase from \$440 (for an essential skills work visa) to **\$540**. Although significant aspects of the current visa application assessment will be carried out at the employer's cost in the job check gateway, and some efficiencies are introduced through automation, the fee reflects lower visa volumes, and that there has been under-

³ Prices are expressed as GST inclusive, in accordance with regulation 26 of the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010.

recovery of costs for work visa processing for some time.

In early stakeholder engagement on the policy proposals, employers expressed concern about the impact of the costs, particularly on smaller employers. They considered they would struggle to afford the costs of accreditation, and that the time and cost commitments to gain accreditation would have a negative impact. We have sought to address this by making the standards, particularly for small employers, as straightforward as possible – reducing cost to assess, and effort on the part of the employer. Further, in regions such as Queenstown, concern was raised that the need to carry out and pay for job checks, would impact medium sized employers, for example where they have a high staff turnover, or where the diversity of positions (eg in a hospitality business), would mean that they can't take advantage of the opportunity to do bulk job checks.

The Ministry of Business, Innovation and Employment (MBIE) is scheduled to carry out a funding review in 2023, including a first principles approach to how immigration services are funded, and the model for setting immigration fees and levies. The review will take into account the impacts of COVID-19 on visa numbers, and changes to INZ's operating model (including ADEPT)⁴ and structure. The review will provide an opportunity to re-asses the EAWV fees in light of revised visa volume forecasting and policy decisions about the immigration funding model.

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The accreditation standards are designed to be flexible and can be added to or reduced over time. Any substantive matters such as changes to standards or the introduction of sector agreements, which might have a material impact on fees at one or more gateways, might lead to an out of cycle fee review as part of implementation of the change.

The new Accredited Employer Work Visa and the three-check process will be compulsory from 4 July 2022. To support transition, employers can submit accreditation and job check applications from 9 May 2022.

Limitations and Constraints on Analysis

The approach to setting fees for the new EAWV system follows the standard INZ fee setting practice, based on cost recovery principles agreed with Cabinet in previous fee reviews.

There was overall uncertainty in the data used to calculate visa and employer application volumes, due to:

- The impact of the COVID-19 pandemic on the domestic labour market, and the

⁴ The Advance Digital Employer-led Processing and Targeting Programme, is delivering a new visa processing system (known internally as ADEPT), on which the EAWV Policy will be implemented. Other visa types will also be progressively transferred to the new platform.

New Zealand government's response of closing the border

- Aspects of the new policy based on data not captured by the existing system, for example, data about franchisees engaging with the immigration system is not captured, so identifying them now is difficult.

It is also unknown how employers will respond to the gateway system, including adjustments to their recruitment practices.

Other constraints adding to uncertainty overall are:

- Complexity of the policy to implement
- New technology, procedures and activities required of staff, especially during the implementation phase, which make it difficult to estimate processing time, and could impact on initial productivity.

INZ has engaged with a number of employer groups and peak industry bodies to discuss the impact of fees across a range of employers and sectors. A range of feedback was received. Some employers will be able to absorb the costs, as they make up a small proportion of overall recruitment and HR costs. For others operating on smaller margins, employer associations suggested that the costs may impact viability. For large employers, the costs will be significant, especially when considered cumulatively alongside other rising labour costs,

The process and model used to set the fees has been informed by the best information available. Given the level of uncertainty over volumes and processing timings, the fees have been set at the most accurate level possible.


Impact of the introduction of the Residence Visa 2021 and the Immigration Rebalance

Since this CRIS was initially prepared in June 2021, in October 2021 the Government announced the Residence Visa 2021 as a pathway to residence for some settled, scarce or skilled temporary work visa holders who are onshore. The introduction of the EAWV policy was consequently deferred, given a significant number of onshore migrant workers are likely to take up the new residence visa. This will reduce uptake of the EAWV policy in the short term.

Further, on 20 December 2021 Cabinet agreed to progress options for workers and partners under the Immigration Rebalance policy, including:

- A wage threshold set at the median wage

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These changes will have multiple impacts across the immigration landscape, including direct and indirect impacts on the AEWV policy settings and uptake.

Detailed analysis of the Rebalance changes has not been possible within the timeframe available, and given the stage of policy development. At a high level, based on the information known at this point, the cumulative effect of the changes should not have a material impact on the complexity of assessments and therefore the level of the fees.

Minor updates to the content of this paper, based on aspects of the Immigration Rebalance that are settled and certain, have been incorporated.

The impact on anticipated uptake of the AEWV policy is also uncertain. The main impact relates to the new policy criteria that only jobs that pay more than the median wage will be eligible, Confidential advice to Government [REDACTED] It is estimated approx. 25% of current essential skills work visas are for jobs paying less than the median wage. This change will reduce uptake across the employer, job check, and migrant gateways.

This reduction is partially offset across all gateways by the following factors:

- A withdrawal of up to 25% of small employers (those employing only 1 migrant) from the system has already been anticipated. There is likely to be some overlap between those employing migrants earning less than the median wage, and these small employers.
- Confidential advice to Government [REDACTED]
- There may be some upwards adjustment in pay rates, to meet the median wage requirement, particularly given current low unemployment rates.
- Confidential advice to Government [REDACTED]
- As the border's gradually reopen, initial volumes are likely to be high to reflect pent up demand for labour, given current labour market conditions.

Overall therefore, while there may be cumulative impacts from the RV21 changes and the Immigration Rebalance changes, the forecasts used in this CRIS have not been adjusted to account for these.

During the three-year forecast period, borders should re-open and the market stabilise to reflect policy settings. Adjusting the forecasting downwards without sufficient certainty would lead to increases in the fees at all three gateways, which may not be justified. Maintaining the proposed fees during the adjustment period will ease the transition to the new policy.

Responsible Manager(s) (completed by relevant manager)

Nick Aldous

Director, Policy Integration

Immigration Enablement

Immigration New Zealand

[Signature]

[Date signed out]

Quality Assurance (completed by QA panel)

Reviewing Agency: MBIE

Panel Assessment & Comment: *MBIE's Regulatory Impact Analysis Review Panel has reviewed the attached Cost Recovery Impact Statement prepared by MBIE. The Panel considers that the information and analysis summarised in the CRIS meets the criteria necessary for Ministers to make informed decisions on the fee proposals in this paper.*
[Dated 21/11/2021]

Status quo

There are a number of pathways for employers to access temporary migrant labour.

- An **Essentials Skills temporary work visa** currently incurs a fee of **\$440**. Assessment of the visa application covers matters relating to the employer, the job, labour market testing, and the migrant. This cost is covered by the visa application fee borne by the migrant. A visa could be issued for up to 36 months (for higher paid migrants).
- For occupations on a Long Term Skills Shortage list, a migrant can submit a **Work to Residence temporary visa** application. The visa application fee is **\$580**. Matters relating to the employer are assessed, but there is no labour market test.
- Employers can opt in to the **Employer Accreditation scheme** (issued for 24 months, although prior to announcement of these policy changes, it could be for up to 5 years). The fee is **\$2,130** for the first application (**\$600** thereafter). The accreditation assessment covers all employer related aspects, such as the employer's HR policies, training, and compliance. The requirements for accreditation are more stringent than for the other visa or employer application types, including Essential Skills. Accredited employers could sponsor temporary migrants on a **Work to Residence visa** (fee **\$580**). As part of the visa assessment, the employment agreement and conditions are checked, but there is no labour market test, as the pay rate must be over a certain amount. Visas are issued for 30 months, after which the migrant can apply for residence under the Talent Accredited Employer residence category. To meet residence requirements, they must be in employment that meets the same requirements as their initial visa (although they can transfer to another employer).
- Employers can also submit an **Approval in Principle (AIP)** application, which covers the employer and labour market test for a specific number of positions. If an Essential Skills visa application is based on an AIP, there is no labour market test

or employer check carried out as part of the visa application. Although the process is streamlined, the visa application fee is still **\$440**.

Under the status quo, there are multiple pathways with somewhat inconsistent approaches to fee setting. In some cases, the applicant bears the cost of ensuring the employer meets immigration instructions and has sufficiently tested the New Zealand labour market. In other cases, the visa application fee is higher, yet less assessment is required. Employers may choose to become accredited or submit an AIP in order to give them more certainty about being able to hire a migrant, and a streamlined process for the migrants they sponsor, or, if applicable, a pathway to residence.

The policy reforms identified the following issues with the existing temporary work visa system:

- It is overly complex with a number of visa options which are difficult to navigate for employers and migrant workers, and can cause unnecessary delays
- It has a 'one-size-fits-all' approach, which does not recognise regional and sectoral labour market differences
- It does not sufficiently incentivise businesses or industries with high ongoing labour shortages to take steps to address these shortages domestically
- There are too few real checks, balances and obligations on employers hiring migrant workers, meaning that some employers with poor track records (e.g. non-compliance with minimum employment standards) are still able to access migrant workers; and
- The full cost burden generally falls on the migrant, which is unfair when the employer is benefitting from the service.

High level policy change

In response, Cabinet agreed to a new approach to employer assisted work visas. The objectives of the new EAWV policy are to:

- Encourage business and regions to train, upskill and hire New Zealand workers
- Make it easier for business and regions to fill genuine skills shortage
- Combat migration exploitation and misuse of the immigration system
- Reduce New Zealand's reliance on lower-paid temporary workers, better address our productivity, skills and infrastructure challenges, and increase the skill levels of migrants.

Six existing visa categories will be replaced with a single Accredited Employer Work Visa to simplify the process for employers and migrants. There will be three distinct steps, or 'gateways', where checks are completed:

1. **The employer gateway** – where employers would be accredited to enable them to hire a migrant
2. **The job gateway** – different pathways whereby the job is checked to ensure that no New Zealander is able to fill the job being recruited for, subject to skill, sectoral and regional differentiation; and

3. **The worker gateway** (the visa application itself) – where checks will be made to make sure the migrant worker is of good character and health and is suitably qualified for the position offered.

Central to the new framework is that it is employer-led rather than migrant worker-led. This means that all employers need to be accredited, and each job must be assessed at the job gateway before they can recruit migrant workers. Currently assessment of the employer and job checks are done as part of the migrant worker’s visa application.

See **Appendix One** for a detailed description of the gateway system and accreditation standards.

New immigration fees to support the EAWV policy

The proposed new immigration fees, across the three gateways outlined in Appendix One, are required to implement this Cabinet approved policy, and provide third-party funding of the visa applications and decisions process. The policy will not be able to be implemented without introducing fees to cover the costs of servicing the new policy.

Funding is authorised under existing regulatory powers through section 393 of the Immigration Act 2009. New fees will be established in the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010, to take effect when the new “three gateway” policy is implemented. Following a transitional period, from 31 October 2021, five work visas have been closed, and Essential Skills visas will close immediately before the launch of the EAWV. The corresponding fees will no longer apply (subject to some specific transitional arrangement for small groups of people on specific pathways, that are reliant on holding a particular visa).⁵

Cost Recovery Principles and Objectives

The application fees in relation to this initiative are underpinned by the following cost recovery principles and objectives. These Principles are consistent with the Treasury Guidelines and section 393 of the Immigration Act 2009.

PRINCIPLE	DESCRIPTION
Equity (between migrants, employers and New Zealand taxpayers)	Costs are fully recovered from fee and levy payers for the provision of services and management of risks associated with migration. Where the activities have both public and private benefits, costs are shared between the Crown and migrants.
Authority	The Immigration Act and the Regulations provide authority to recover costs of the immigration system through fees and levies.
Transparency and	Where appropriate, there should be consultation on significant changes

⁵ Long Term Skill Shortage List, Talent (Accredited Employers) work visa, and Silver Fern Practical Experience visa policies closed to new and renewing applications on 1 November 2021. Work to residence will remain open for migrants who are awaiting the outcome of a residence application, or whose work to residence visa expired while they were stuck offshore due to the border closure..

consultation	to immigration settings and information about the underlying drivers of costs and decisions should be available.
Efficiency	Regular review of fees and levies ensures that fees reflect the costs of underlying services and support efficient resource allocation.
Simplicity	Fees and levies for applications are fixed in regulations and charged at the point of application. Information is readily available through the application process. An average fee is set across applicants within a particular category. This involves smoothing the fee to take into account applications that require more or less processing, due to differing levels of complexity.
Accountability	Fees and levies must be set by regulation approved by the Government where the usual regulatory accountability mechanisms apply. INZ fees and revenues are scrutinised as part of its public sector financial accountability arrangements.

OBJECTIVE	DESCRIPTION
Equity (between visa applicants)	The provision of visa services provides private benefits to individual migrants, which do not overlap. As much as possible, the relativity between visa categories should reflect the relativity of the underlying processing efforts so that cross-subsidisation is minimised. At the same time, complexity needs to be avoided.
Effectiveness	Funding is set at a level that ensures the level of service is maintained against increasing volume pressures and changing risk profiles.

Policy Rationale: Why a user charge? And what type is most appropriate?

The Cabinet Committee on Government Expenditure and Administration paper of 24 October 2006 entitled *2006 Immigration Fees Review: Principles for Setting fees*, reaffirmed the broad fee setting principles that were established in 2000, being “full cost recovery from individuals who generate costs or benefits from services”.

The proposals in this CRIS are consistent with this directive, as well as the *Treasury Guidelines* and the paper [Charging fees for public sector goods and services](#) provided by the Controller and Auditor General.

The immigration system is paid for, in large part, by fees and levies recovered from migrants and employers. This recognises the benefits migrants receive from decisions made on applications for visas, and that employers receive from the ability to engage migrant labour. It enables migrants and their employers to appropriately contribute to system costs which arise from migration.

- Fees are charged on a full cost-recovery basis for the costs and associated overheads of decision-making on visa, employer accreditation, and job check applications.
- Levies contribute to immigration system costs which cannot be directly attributed to a specific applicant, including border processing, compliance, and activities of the Immigration Advisers Authority.⁶

In addition, the Crown makes a contribution to the immigration system in recognition of the public benefits it provides. This includes funding to meet New Zealand’s international obligations to refugees, to pay for fraud investigation and prosecution, and to address the costs associated with the border clearance of people who do not pay fees, such as New Zealand citizens.

In keeping with the above principles and the Regulatory framework, the operating costs of running the EAWV regime (from an INZ perspective),⁷ will be fully met by employers and migrants, as the joint beneficiaries of the regime that enables employers to attract and engage migrant labour. Specifically, costs relating to becoming accredited, and having job checks approved will be met by employers, and the cost of the migrant check will be met by the visa applicant. Within the employer accreditation gateway, employers will be categorised as standard (employing 5 or less migrants in a year), high volume (employing 6 or more migrants in a year), working in a triangular employment situation (where the migrant is placed to work for a different employer, such as in a labour hire scenario) and franchisee. The expected average annual volume of employers applying for accreditation, by category is as follows.

Accreditation type	Forecast volume (average per annum)
Standard accreditation <i>5 or less migrants</i>	17,722
High volume accreditation <i>6 or more migrants</i>	1,738
Triangular employment	600
Franchisees	400

While the Crown is meeting the initial capital investment costs to build the new IT system, users will fund the future capital charge and depreciation costs (to cover future investments).

The fee calculations are based on a fully-loaded Activity Based Costing (ABC) model (the model) which allocates all identified organisational expenses incurred in processing an

⁶ Levies are charged to visa applicants only, not employers.

⁷ The Ministry of Social Development is also involved in the delivery of the policy, in relation to providing confirmation that an employer has looked for New Zealand workers. The costs of the development of MSD systems was a separate budget appropriation. There is no recovery of MSD costs in the fee set under the Immigration regulations.

application.⁸ This ensures that MBIE allocates the expenses based on specified drivers and that inequitable cross subsidisations in the pricing amongst the broad groups of employers are minimised. The allocation results in a per transaction price for the service provided. The recovery extends to all associated verification and assurance activities.

In accordance with the approach in the most recent Immigration fees and levies review (2018), risk management and regulatory aspects of the administration of the immigration system that are not attributed to specific applicants (including border processing, the cost of compliance and investigation/prosecution activities⁹, and activities of the Immigration Advisers Authority), are crown funded, and not included in this model. This reflects that these matters contribute to the public good and specific policy objectives for the overall immigration portfolio.

Additional charge to be included to recover memorandum account deficit

INZ is in a position of deficit in the memorandum account. In recent times this is largely caused by the drop in visa application volumes due to COVID-19, but over time, there has been a general under-recovery of costs in visa processing, in particular for work visas. This is in part because the expectations of the checks INZ will do on employers with each work visa has grown over time without a corresponding update to the fees. In fact, funding activities related to the employer from a fee collected from the employer was part of the rationale for the new accredited employer framework.

As at 30 June 2021 the visa memorandum account deficit was \$299 million. Cabinet agreed to write off the deficit to the pre-COVID-19 level. This was taken as the balance as at 28 February 2020, -\$56 million.

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Because the new EAWV policy will be introduced at almost the same time as the interim increase to application fees, it is proposed that the EAWV fees are set to include a corresponding portion to partially address this deficit in the memorandum account.

It is reasonable to require a contribution to the deficit recovery from the beneficiaries of the EAWV policy, as many of the employers and migrants who take up the new policy will have been users of the immigration system in the past, and will have benefitted over time from the lower work visa fees paid. This minimises the concern about cross-subsidisation of past users of the system by future visa applicants and employers.

Having these visa applicants and their employers contribute to paying off the deficit is an equitable response, rather than allowing the burden or risk to fall on the general New Zealand tax paying public, and is explicitly allowed for under the fee-setting powers of the Immigration Act 2009.

⁸ The fully loaded model is based on the full number of MBIE staff who will be involved in running the system on an ongoing basis.

⁹ While there are significant synergies, there is also a strong functional separation between INZ's Verification team (fees funded) and INZ's Compliance and Investigation teams (crown funded). The strengthening of the employer accreditation regime will strongly complement INZ's role in reducing migrant exploitation – which is a strong focus for INZ's regulatory arms.

Failing to attribute some of the deficit recovery to this cohort from the inception of the policy would impact on the ability to recover the deficit over a reasonable time period (set at three years) and mean that future migrant and employer cohorts face an inequitably high burden.

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 [Redacted]
 [Redacted]

The fees will be reviewed in 2023, including to determine whether all users are making a fair contribution to the deficit recovery, and that the deficit will be recovered within a reasonable timeframe.

The contribution attributable to this initiative is \$7.6 million. This is based on an assumption that the expectation will be to recover the pre-COVID-19 deficit of \$56 million over a three year period, in line with the normal fee and levy review cycle, ie approx. \$19 million per year. The portion of the annual \$19 million to be recovered from the EAWV policy application types has been calculated by determining the percentage of third party revenue derived from Work and Residence visa applications, in an average pre-COVID year (16%) and attributing that percentage to the \$19 million sum. This approach was also applied in introducing the Residence Visa 2021.

Within the different application types at the employer, job check and migrant gateway, a flat amount of \$22.36 has been added as part of the “internal overhead” amount. Including the job check applications has the effect that larger employers that engage more frequently with the immigration system, and have benefitted the most in the past, will contribute more.

Pricing options

The fee for assessing employer accreditation will be differentiated to reflect different processing times to check the employer meets the specified standards for the employer’s accreditation type / class. Fees for the job check and migrant check (visa application) will be fixed.

Two pricing options were considered.

	OPTION	DESCRIPTION
Option one (preferred option)	Differentiated fee for employer accreditation <ul style="list-style-type: none"> • <i>Fee for each service where there is a material difference in the time to process</i> • <i>No fee reduction at renewal</i> Fixed for job check and migrant	Employer accreditation type/class <ul style="list-style-type: none"> • Standard • High volume <i>Upgrade from standard to high volume</i> <ul style="list-style-type: none"> • Triangular employment • Franchisee <i>Reconsideration for</i>

		<i>accreditation</i> Job Check <i>Reconsideration for job check</i> EAW Visa ¹⁰
Option Two	Simplified fixed fee model <ul style="list-style-type: none"> • <i>A flat fee for each gateway.</i> 	Employer accreditation Job check EAW Visa

Differentiated fee for employer accreditation

Our recommendation is a graduated fee for employer accreditation because it provides a tailored model that reflects the specified costs of each class of employer accreditation. This ensures the policy objective of only accrediting good employers is met and reflects an appropriate high level of trust for lower risk business models. This is summarised in the following table.

	STANDARD	HIGH VOLUME	FRANCHISEE	TRIANGULAR
Standards	Required to be a genuinely operating business (or other legitimate organisation), have no recent history of regulatory non-compliance, and take steps to minimise the risk of exploitation.	Same as standard accreditation.	In addition to meeting standard requirements franchisee employers need to have been operating for at least 12 months and have a history of employing New Zealand workers.	In addition to meeting standard requirements (and high volume requirements if applicable), employers who place migrants with third parties need to: only place work visa holders with compliant businesses; have good systems in place to monitor employment and safety conditions on site; have a

¹⁰ The existing fee for reconsideration of declined onshore temporary entry class visas (\$220) will apply. Similarly the existing fee for applications for variations of conditions of work visas (\$190) will apply. This analysis does not include review of fees for variation of conditions for visa applicants. This is because the fee for this is currently standardised across all temporary entry visa types. Review of this fee should be undertaken at the next fees review, taking into account movement of more visa types onto the ADEPT technology platform.

				history of employing people for the last 12 months; and demonstrate that at least 15% of their workforce being placed with third parties are NZers in full-time employment
<i>Risk and verification activity</i>	<p>Reactive targeting where issues identified or characteristics of business are high risk (new company, known to INZ, etc)</p> <p>Proactive monitoring of low risk employers</p> <ul style="list-style-type: none"> Pre decision verification (predominantly desk based) <p>And:</p> <ul style="list-style-type: none"> Post decision assurance checks (desk based and/or site visits) 	As for standard, but higher proportion to be checked based on severity of potential harm (impacts are more severe for high volume employers)	<p>Some risk identified with this business model; verification and monitoring</p> <p>Maintenance of the law</p> <p>Pre decision verification:</p> <ul style="list-style-type: none"> desk based and/or site visits <p>Post decision assurance checks</p> <ul style="list-style-type: none"> predominantly site visits 	<p>High risk business model</p> <p>Includes:</p> <p>Pre decision verification</p> <ul style="list-style-type: none"> desk based and/or site visits for a high proportion of employers <p>Post decision assurance checks</p> <ul style="list-style-type: none"> predominantly site visits; <p>Maintenance of the law</p>

Using the activity based costing model ensures that MBIE allocates expenses based on the specific assessment processes required for decision making. This approach mitigates the potential for inequitable cross subsidisation across different classes of employers, while reflecting the overall level of risk and complexity for each employer accreditation type.

A fixed fee for all classes of employer would simplify the information and education of employers as well as the EAWV system and processing functions. However, it would introduce inequitable cross subsidisations in the pricing between employers, given the different criteria to be met, and the different risks presented in the different business models.

Accreditation renewals

A different fee for second and subsequent accreditations was considered. However this is not recommended because:

- The same criteria must be met, with a similar amount of assessment activity required
- While some aspects of the assessment may be easier the second time, other aspects of assessment will need the decision maker to look back at the employer's compliance during the previous period of accreditation, to check that employers are following through with their commitments
- There may be less verification and assurance of renewal applications in some cases. However it is also intended to spread targeted verification activities out over some years – Maintenance of the law – which might fall in their first, second or third period of accreditation.

Overall, setting the same fee for second and subsequent accreditations does not introduce any inequity, because the appropriate employer cohort is paying on a cost recovery basis. Further, it will mean that some smaller employers may choose not to accredit continuously, for example if they employ a single migrant on a three year visa, they can decide based on their circumstances whether or not to retain accreditation, or allow it to lapse, and apply again when the need arises.

“Upgrade” fee, where standard employer wishes to employ more than 5 migrants during an accreditation period (January 2022 update)

The Immigration Rebalance work introduces a median wage threshold for all employers, and removes the requirement for high volume employers to increase pay and conditions over time. This means there are no longer substantive differences in the requirements between standard and high volume employers. However, high volume employers continue to be subject to additional risk and verification checks.

Employers who want to move from standard to high-volume accreditation part way through their accreditation period will be able to do this by paying the difference between the standard and high-volume accreditation fees. The upgrade does not extend the existing accreditation period.

Fixed fee for job check and migrant check

A graduated job check fee was considered, given there are various different ways of meeting the job check criteria (see description in Appendix One), depending on the job offer. However:

- Each pathway includes significant common processing; while there may be some different aspects in different pathways such as checking advertising, the processing time is not materially different. While some additional scrutiny may be applied depending on the features of the job, this cannot be predetermined. Without data – which is not yet available – it is not possible to determine whether any particular pathway presents a higher risk profile.
- The Immigration Rebalance proposals reframe the pathways, and will streamline some aspects of the assessment. However INZ will still need to assess matters such as whether the position is genuine, whether the job offered aligns with the requirement of the occupation on a green list, that the remuneration is market rate, above the median (if applicable), and is calculated correctly, that the employment

agreement meets standards, and whether the employer has sufficient quota places (for low volume employers).

- A graduated fee would be complicated to communicate and implement, and would not lead to significantly different fees (+/- <10%).
- Under the job check gate, there will be scenarios where an employer thinks the job meets a particular pathway, but INZ assesses it doesn't. However, if further information is requested and provided, then the job may meet an alternative category. Having a flat fee simplifies this, as no further fee collection or refund needs to be considered to enable this.
- While there may be some employers who predominantly have jobs in specific pathways – and so would be disadvantaged if the approach was not equitable, they will often have some jobs across other pathways. Further, the ability to request multiple job checks in one application – where the position, conditions and location are the same – will mitigate this impact.

It is therefore appropriate to set an average fee across the pathways. This can be reviewed based on actual data and operational experience in the future, **Confidential advice to Government**

It is standard practice to set a fixed fee for all visa applications under a particular category.

Conclusion about pricing model

Overall, the approach is in keeping with the practise for setting fees within the immigration jurisdiction. It provides an equitable outcome, where applicants within different gateways and categories are charged according to the cost of assessing they meet the policy requirements, and to ensure risk is managed in accordance with the policy objectives. The averaging applied to smooth costs takes into account the many variables that are present, and reduces complexity. The model allocates costs transparently according to the best information available.

The level of the proposed fee and its cost components (cost recovery model)

Proposed fee levels

Immigration Regulations require fees to be expressed as GST inclusive.

	Proposed Fee¹¹ <i>(GST inclusive)</i>	Frequency
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¹¹ Existing comparable fees – although the comparison is of limited value, given the significant policy change, and new processing activities and platform. Currently employers also receive a different value from each product.

Essential skills visa	\$440 (+ immigration levy of \$55)
Accredited employer / long term skills shortage list – work to residence visa	\$580 (+ immigration levy of \$55)
Application for reconsideration of decision to decline further temporary visa	\$220
Request by employer for approval in principle to recruit overseas workers	\$440

Employer Accreditation		
Standard (five migrants or less)	\$740	Initial accreditation valid for 12 months, 24 months thereafter
High-Volume (six migrants or more)	\$1,220	Initial accreditation valid for 12 months, 24 months thereafter
Upgrade fee	\$480	Valid for remainder of existing accreditation period
Triangular employment (includes Labour Hire)	\$3,870	Valid for 12 months
Franchisee	\$1,980	Valid for 12 months
Reconsideration of declined employer accreditation application	\$240	
Job Check	\$610	Per job check; job check valid for 6 months; may cover multiple positions in some circumstances
Reconsideration of declined job check	\$240	
Migrant check - Employer assisted work visa	\$540	Per visa application

Design of the EAWV fees model

The EAWV fees model is an Activity Based Costing (ABC) model that was developed by INZ and reviewed by external consultants as part of developing the business case for this project. The fees model has been reviewed and updated to reflect policy decisions and implementation plans as they have evolved.

In summary, the cost recovery fees model is calculated based on the following components:

Expenses

Labour hire company accreditation – first year	\$1960
Labour hire company accreditation – subsequent year	\$550
Reconsideration - labour hire company for accreditation	\$220
Employer accreditation (talent work) – initial accreditation	\$2130
Employer accreditation (talent work) – subsequent accreditation	\$600
Reconsideration – talent employer accreditation	\$240

- The manual assessment time per application in each Gateway – to determine the direct FTE resourcing, including management
- Other supporting staff costs
- The whole of life system cost for the ICT system, including project costs and depreciation
- INZ internal overhead costs (apportioned on a per transaction basis), inclusive of apportioned amount for deficit recovery
- MBIE corporate overheads (apportioned based on the FTE allocation).

Revenue

- Based on the forecast volume of applications over a defined timeframe in each Gateway

The output of the model is summarised in the table below, with detail about the components in the following paragraphs.

Summary output from model¹²

Components of Price	Nature of Costs	Category of costs	Standard	High Vol	Triangular	Franchise	Job Check	Migrant check
Gateway system depreciation	Fixed expenses amount changes with volumes	Direct ICT Stack	44.99	44.99	44.99	44.99	37.77	35.42
Gateway system Opex			79.25	79.25	79.25	79.25	63.76	143.71
IO senior IO's	Variable expenses	Processing	106.99	255.86	1,103.39	499.49	73.8	50.92
Managers for IO senior IO's			22.99	54.99	237.14	107.35	15.86	10.94
R and V			33.81	34.66	35.1	35.15	35.15	35.15
Other Staffing			27.22	27.9	28.26	28.3	28.3	28.3
Call Centre			17.08	17.51	17.73	17.76	17.76	17.76
Project Opex /' Project Staff			9.99	9.99	9.99	9.99	9.99	9.99
Transaction Costs -Payment gateway		Transaction	0.08	0.08	0.08	0.08	0.08	0.08
Internal Overhead	OVERHEADs	103.5	221.61	859.16	401.17	78.33	60.98	
Corporate over head allocated		179.48	294.25	934.71	479.43	158.39	63.31	
Capital charge		15.74	15.74	15.74	15.74	13.22	12.4	
COST BASED Price			\$641.12	\$1,056.84	\$3,365.56	\$1,718.71	\$532.40	\$468.96
GST			96.17	158.53	504.83	257.81	79.86	70.34
Price including GST (where applicable)			\$737.29	\$1,215.36	\$3,870.39	\$1,976.51	\$612.26	\$539.30
Price rounded up to nearest \$1:			\$738.00	\$1,216.00	\$3,871.00	\$1,977.00	\$613.00	\$540.00

¹² Further rounding to the fees is applied for the purposes of the Regulations.

Indirect vs direct costing is as follows:

ACTIVITY	ALLOCATION	COST TYPE
Immigration Officers Staff	20%	Direct
Risk and Verification Staff	7%	Direct
Other Staff	6%	Direct
Call Centre and Training Staff	4%	Direct
ICT systems	20%	Direct
Internal Overhead	12%	Indirect
Corporate Overhead	22%	Indirect
Depreciation	8%	Indirect
Total Expenses	100% <i>(includes rounding)</i>	

Inclusion and allocations

The total cost of running the EAWV system over the whole of life period is \$447 million which includes both fixed and variable costs, described in more detail below.

Staffing costs

- The highest component of the fee is the per application cost for assessment – including immigration and verification officers. The assessment steps based on the specific criteria to be met under each gateway are itemised in Appendix Two, with an averaged time and proportion of applications that will incur specific checks.
- Given the levels of uncertainty about the capability (people, process and technology) required to support the regime before operations begin, the project is taking a conservative approach to manual assessment timings.
- FTE calculation is based on 42.76 weeks per year and a productivity work week of 25 hours per week.
- 10% of immigration officers will be senior Immigration officers.
- For every 12 immigration officers there will be one manager and one technical advisor.
- For staff costs, a mid-point of current staff salaries has been used along with the current internal overhead rate. The growth of salary costs has been modelled on 5%, the incremental overhead rate has been based on 2%. Salary allocation is inclusive of Kiwisaver, ACC etc.
- The FTE count is 253, made up as follows

STAFF	NUMBER
Immigration officers, R&V staff	175

Managers and technical staff	21
Comms and Training etc	32
Other Staff	19
Total	253

- Comms and training staff includes Immigration Contact Centre staff
- Other staff includes the BAU team established to manage the new IT platform, as well as staff for reporting, intelligence and risk functions

Internal overhead allocation

- Internal overheads are calculated and allocated to the overall EAWVP system based on the forecast volume of transactions as a proportion of total INZ transactions (ie visa applications).

ITEM	NUMBER
Total annual Transactions in the full INZ organisation	1,219,545
Annual current Transactions for employers	116,545
	9.6%

- Within each gateway, the internal overhead allocation is allocated proportionate to the FTE involvement and ICT requirements.

Corporate overhead allocation

- All prices include corporate overhead. This is based on \$45,319 per annum per FTE (standard INZ financial allocation model, reviewed annually); for the purpose of setting the fee a 2% growth rate has been allowed. This is to account for corporate overhead expenses which are levied to INZ from MBIE corporate.
- Corporate functions provided to INZ from MBIE include Finance, HR, legal, communications, policy; corporate overheads also includes costs relating to property and MBIE ICT and licensing costs, management of toll fee contact centre number.

Other

- Transitioning to the new regime is being carefully managed to ensure that those employers who have previously accredited under existing schemes are not disadvantaged. For employers in the Talent (Accredited Employer) scheme, it is proposed not to require any fee for their initial accreditation in certain circumstances, given the value expectation they would hold for their existing accreditation they have paid for but are no longer able to use.¹³ The volume is

¹³ The circumstances are that, for employers who have more than six months duration remaining of their existing accreditation at the time the employer gateway opens (planned for 9 May 2022); and only for the initial application made under the new policy;

expected to be approximately 1,070 employers (based on the volume who will hold accreditation with more than six months duration remaining at 9 May 2022 when the new employer accreditation (gateway) is planned to open). Not requiring these employers to pay an accreditation fee is expected to result in a loss of revenue of approximately NZ\$850,000 (based on the fees proposed in this paper). This revenue is accounted for in the overall model as an overhead cost shared across all other related fees, over a period of seven years.

Whole of life calculation for fixed costs

Cabinet approved the business case for a new IT system in 2019. The new IT system is referred to internally as ADEPT, or Advanced Digital Employer-led Processing and Targeting Programme. The IT system will include a new application processing platform. More than half of the fixed costs associated with implementing the new framework relate to the new IT system.

The attributable fixed components are:

- ICT costs for the ADEPT system including associated integrations and licensing (\$80m)
- depreciation of the ADEPT system (\$31m) and
- depreciation of previous IGMS system (\$21m).

The system implementation date for the purposes of developing the fees model has been set at 1 April 2022.

The fixed cost components of the fees model are based on an 8 year whole of life period (from 1 July 2019) and captures all the transactions and expenses incurred over that period. This means that it covers an 8 year whole of life period (year 0 and 1 (set up) + years 2 to 8 (live)) and captures all the transactions and expenses incurred over that time.

Eight years has been chosen as this captures year 0 and 1 being the years where expense and capex (work in progress, with some capex spend yet to be capitalised) is incurred prior to launch, with the following 7 years capturing the full depreciation cycle. The launch and the start of depreciation is April 2022 and part way through year 1, requiring a partial depreciation into year 8.

The assets are deemed to be useful for 7 years, given that they are the purchase of new technology and will be upgradable and can easily accept/integrate new modules.

There is no new investment cycle assumed within the 8 + 1 years of this product life cycle.

The first investment cycle is funded by the Crown, with subsequent upgrades or replacement funded through fees. Depreciation and capital charge has been included in the calculation of fees.

and only if that initial application is made within 6 months of the new employer gateway opening; and regardless of which type of accreditation the employer applies for under the new policy.

Note: initial funding for depreciation and capital charge will be funded by Crown. From financial year 2022/23 onwards these costs will be recovered as part of the fee and become third party funded.

Variable costs are based on volumes

The following table indicates forecasting as at 18 May 2021. The overall number of employers and migrants impacted are as in the following table, with the approach to forecasting described in the following sections.

NOTE: See section “Limitations and Constraints on Analysis” (p5) regarding the significant policy changes introduced since forecasts were developed, the Residence Visa 2021 policy, and the Immigration Rebalance. Given the uncertainty of the impacts of these policies on the AEWV policy uptake, forecasts from May 2021, prior to the announcements of those policies, have been used in this CRIS.

APPLICATION TYPE	FORECAST VOLUMES OF APPLICATIONS BY EMPLOYERS AND MIGRANTS <i>Average annual, including renewal cycle and growth forecast for first three years</i>
Standard accreditation: 5 or less migrants; 12 month initial accreditation period; then 24 months	17,722
High volume accreditation: 6 or more migrants; 12 month initial accreditation period; then 24 months	1,738
Triangular employment 12 month accreditation period	600
Franchisees 12 month accreditation period	400
Job checks	46,701
Migrant checks	46,701

Visa application forecast

The forecast is based on:

- data relating to tendered visa applications (for visa types that relate to specific employers) from the period of May 2020 to April 2021 (ie one year of data since the introduction of COVID-19 related border settings)
- an annual rate of growth for work visa applications based on a linear trend that reflects both post-COVID-19 data and historical trends from 2010.

This approach is accepted as the most appropriate approach to determining volumes in the foreseeable future, given the uncertainties around when the border will open and the

economic impacts on employers and the labour market. Taking the 2020-2021 data represents the most appropriate starting point for future forecasting, rather than expecting any rapid return to pre-COVID-19 levels.¹⁴

While we acknowledge the sensitivity of the forecast, forecasting of visa application volumes is averaged over a comparatively long period, of three financial years, in order to align with the approach to forecasting employer volumes (described below). Any correction to the forecasting can be taken into during the next fees review, likely to be in 2023 or 2024.

Job check application forecast

While every visa application will relate to an approved job check, the ratio of job checks to visa applications will not be 1-1. Employers will be able to include multiple roles on the same job check application if they are all subject to the same labour market test conditions (i.e. same pay rate, and same occupation and region, if relevant), and are all covered by the same advertising and proposed employment agreement. This approach more accurately reflects INZ's processing costs (which are primarily driven by the time spent reviewing advertising and proposed employment agreements).¹⁵

There are many variables that will influence an employer's ability to structure their recruitment to minimise their costs by undertaking bulk job checks. INZ is therefore conservatively estimating that the number of job check applications may be 5% lower than the number of visa applications.

However, this 5% reduction is offset by an assumption that employers will resubmit any job check that is declined, or may need to re-advertise and submit new applications where migrants are unable to be recruited before the approved job check expires.

Using the visa application forecast to derive overall employer volumes

Employer accreditation application volumes are derived by applying broad rules determined from historical patterns to the tendered applications data, and working backwards to gain an estimate of the number of employer accreditation applications needed to produce a commensurate number of tendered visa applications, at the relevant rate of growth.

The estimates are based on an assumption that those employers who historically have employed one migrant only, may not seek accreditation under the new policy. Forecasting has therefore been based on the assumption the demand for accreditation will reduce by 25% for those employers who historically employed one migrant only. This is an estimate only and recognises that the intent of the policy is for employers to seek New Zealanders and this group is most likely to do so. This group represents a high proportion of all employers, and the impact of lowering the expected volumes increases the fee for employers continuing to employ migrant workers.

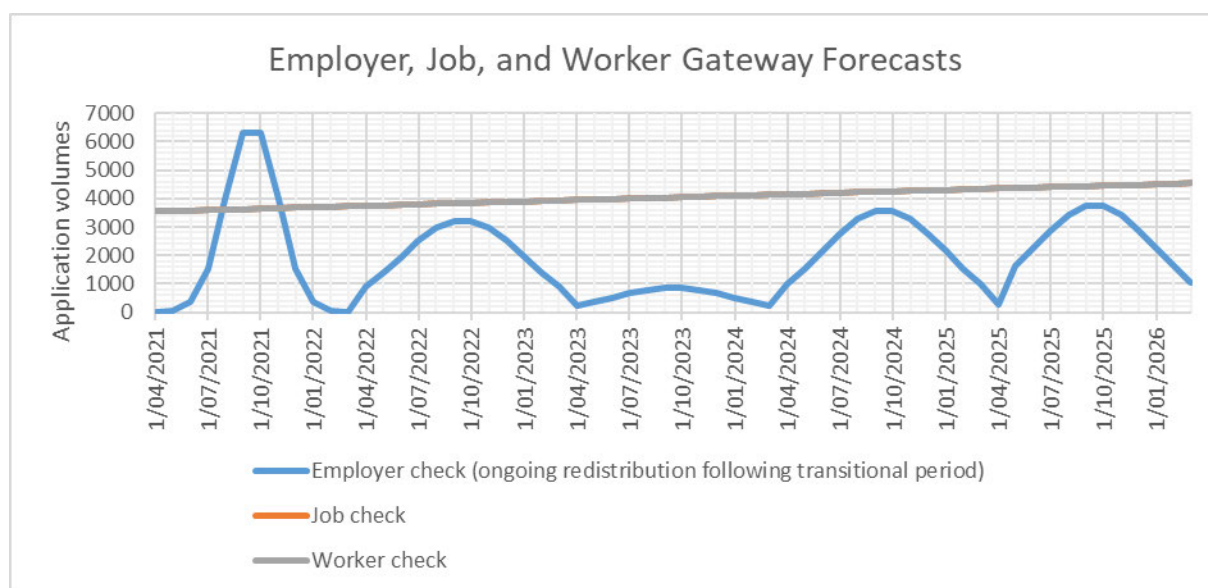
The volumes are calculated based on the following renewal assumptions:

¹⁴ Since 2014 there has been a marked growth in the number of visa applications increasing from 14,364 in 2015 to 69,506 in 2019. However visa volumes in the 2020 year dropped to 27,517 which was significantly lower than the previous year. Most relevantly, receipt and processing of offshore applications was generally suspended during this time, and during 2020, some onshore work visas were extended without application, under Epidemic Management Notice provisions.

¹⁵ This is narrower than the existing Approval in Principle system (which is the current mechanism for employers to manage bulk recruitment, and allows jobs with different occupations, regions and pay rates to be submitted on a single application).

- Period 1: 100% new applications, max 12 month renewal
- Period 2: 75% renew for 24 months, 5% assessed as high risk and only renewed for 12 months, 20% new employers enter the system
- Period 3: 75% don't renew, 5% high risk renew again for 12 months, 20% new employers enter the system
- Period 4: 75% renew the lapsed 24 month applications, 5% high risk for 12 months, 20% new

This is modelled as follows:



Note: the job check volume is identical to the worker check volume, so the line is hidden.

Annualised volumes

	Employer check <i>(ongoing redistribution following transitional period)</i>	Job check	Worker check
Jul 2021 - Jun 2022	28361	44283	44283
Jul 2022 - Jun 2023	22771	46701	46701
Jul 2023 - Jun 2024	10401	49118	49118

We consider it is equitable to take the first three years, averaged, as the appropriate volume for employer checks for the setting of the fees (**20,511 employers**). This means employers engaged in the system at any time over those three years are being charged at a rate that reflects their first accreditation and first and/or second subsequent renewals. While there is considerable uncertainty in the forecasting, taking a shorter time period, would give an artificially high annual volume (because it covers two peak years). This would present a financial risk to INZ, as the higher averages would mean a lower overall fee per employer and a risk of under-collecting.

The impact of the transition period from old policy to new policy, COVID-19 handling of onshore visa extensions, and duration of accreditation (12 or 24 months) will lead to peaks from time to time. This is assumed not to create additional cost burdens, as INZ has identified this as a business risk, and is planning on mitigations for this. The peaks should flatten out over time. The fee is therefore calculated from the annual average expected volume over the duration.

Job check and visa application volumes are also averaged and annualised using the first three years (46,701 respectively).

Deriving high volume vs standard employer volumes

The methodology for determining which employers will apply for high volume accreditation versus standard accreditation is based on the 2019 data. Over the 10 years prior to 2019 there was a linear trend, where the ratio of migrants to employer slowly increased. Because of the steadiness of the trend over the past decade, using the most recent non-COVID-19 affected data (2019) (rather than the mean over the 10 year period) is appropriate. This gives the following ratio:

YEAR	HIGH VOLUME ACCREDITATION	STANDARD ACCREDITATION	HIGH VOLUME PERCENTAGE	STANDARD PERCENTAGE
2019	2621	20326	11.4%	88.6%

Franchisee and triangular employment volumes

Data about the franchisee and triangular employment business models is not reliably available from INZ systems, however a best estimate (based on sampling existing employers within INZ’s systems), is that there will be 600 triangular employment model employers (includes labour hire), and 400 franchisees. It is understood that the majority of franchisees will be low volume, and the majority of triangular employment employers will be high volume.

These volumes have been subtracted from the standard and high volume totals.

Employers in these categories need to renew every 12 months.

Inputs to the model – Processing costs

Average time for assessment activities across the three gateways have been assessed as follows:

Workstream	Standard employer	High volume	Triangular employment	Franchisee	Job check	Migrant check
Hours	1.66	3.97	17.12	7.75	1.15	0.79

INZ has assessed the costs for all activities related to processing each application, by gateway (employer, job and migrant) and category (standard, high volume, triangular

employment and franchisee). See Appendix Two for a full description and timing of the components of the assessment.

Notes:

- The ADEPT platform enables aspects of automation in receiving, processing and assessing applications. The degree of automation will be initially low, but is expected to increase over time. Where efficiencies are introduced through automation (eg in administrative activities such as lodgement or allocation) this has been factored into the fees proposed.
- In any workstream, different applications may take a shorter or longer time to process, based on a number of factors including complexity of the application, risk identified, whether full information has been provided, or the experience of the processing officer. Some activities will not be carried out in every case. The model calculates the fee by setting an average processing time.
- Where the nature of the processing activity is a new activity for INZ without a comparable activity, allocations are based on timing estimates. A conservative approach has been applied to assessing activity timings, given the newness of the policy.
- Immigration uses a risk-based approach, with risk assessment tools that determine the different levels of scrutiny and verification to be applied to certain applications. Where the risk can be identified up front, separate categories (eg franchisee versus triangular employment) with different evidential requirements and criteria are established. However some risks are specific to an individual case, and cannot be identified in advance of receipt of the application. As with standard visa applications, we do not charge higher fees for riskier applications. Assessment is backed up by a Risk Monitoring Review Model and an assurance model to sample cases to determine the correct application of risk models and assessment criteria.
- The estimated processing times reflect a risk-based approach to the different work streams. For standard employers, the consequences of failing to identify a poor employer will impact less people than it would for high volume employers. Therefore, a greater proportion of high volume employers will be subject to certain checks, and the scrutiny applied is likely to take longer.
- The highest single component activity within the assessment process is pre- and post-decision verification, conducted by Verification Officers. The approach will ensure we meet the policy objectives of ensuring employers hiring migrants have good employment practices. Site visits take on average 15 hours to plan for and carry out, and require two officers for safety purposes (ie 30 hours). The model is based on targeted pre-decision visits, Maintenance of the law
This will be subject to review, as arranging visits in regional areas, understanding labour hire patterns (and visiting both the labour hire company as well as the employer with whom the migrants are placed), and other matters become understood. This activity also incurs significant overhead costs relating to vehicles and safety equipment. This activity is the biggest contributor to the comparatively high cost for the triangular employment and franchisee categories.

Carryover of existing fees

It is proposed to carry the following fees over from existing fee levels:

- Variation of conditions of a visa: \$190. The rationale for carrying over the fee, is that the fee is standardised across all temporary visa types (student, work and visitor). It is equitable to keep this fee at a consistent level. This will be reviewed in future fee reviews, as the impacts of the new visa processing platform, and actual processing time is understood. At that time, a decision to vary the fee for the different visa types could be considered.
- Reconsideration of a declined temporary entry visa: \$220. As with variations of conditions, this fee is standard across all temporary visa types.

Existing fees for reconsideration for employer accreditation processes in the current system are set at \$220 (reconsideration of labour hire accreditation decision) and \$240 (reconsideration of talent employer accreditation decision). While not a directly comparable assessment, this does give guidance. It is proposed to set the fee for reconsideration of employer accreditation (regardless of workstream) and job checks at \$240 as:

- The amount of processing on a reconsideration is variable, and can range from a very simple matter, to having to reassess multiple or complex matters.
- The amount of re-processing may not reflect the category under which the employer has applied – so different fees across the categories is not warranted.
- The fee should not act as a deterrent to employers seeking rectification of errors by INZ, but ensure they have a clear channel within defined parameters to have errors reviewed.

Impact analysis

Who is impacted and how?

Employers

Compared to the predicted volume of employers that will be required to take up accreditation under the new regime (20,511 overall), currently only a small volume use the existing accreditation schemes. As at May 2021 (point in time), there were 2381 accredited employers and 27 employers holding active Approval in Principle (AIPs).¹⁶ The parameters of those schemes were significantly different.

¹⁶ Essential Skills work visa applications require checks on the employer and details of the employment, as well as a labour market test to ensure that there are no suitable and available New Zealand workers who can take up the work on offer. The AIP policy enables employers to apply to INZ for these checks to happen ahead of the work visa application and for multiple roles at once. AIP is normally granted for six months, and for specific occupations and a certain number of positions. It therefore provides some certainty to employers around their ability to recruit migrants for these roles, in advance of the work visa applications being submitted. It also means that the Essential Skills work visa applications supported by employers holding AIP are subject to a simplified assessment process, as most of the employer and job related checks are completed as part of the AIP application. Employers who apply for AIP therefore often have high volume seasonal recruitment needs. Industries that are high users of the AIP policy include construction, food and beverage services (this includes wineries), agriculture and forestry, and tourism.

For other employers who have not had to become accredited to employ a migrant, this is a new charge. Up front job checks are a new process and new charge, even for employers who were previously accredited.

The impact for employers will range based on the volume of employees they intend to recruit, the category they fall into, and the number of job checks they carry out. The latter will depend on a number of variables, including their size, industry, location and reliance on migrant labour. The biggest impact will be on high-volume employers because of the number of job checks, and franchisee and triangular employment businesses because of the higher accreditation fees.

The scenarios below are designed to illustrate potential impacts on employers.

Note: these scenarios have been partially updated to reflect anticipated changes to policy settings from the Immigration Rebalance. The scenarios may no longer be applicable where the migrant employees are in lower paid roles that are no longer eligible unless Confidential advice to Government

Further, the proportion of jobs for which 3 year visas may increase, which could impact on how frequently employers need to engage with the system. When proposals to remove regional differentiations are introduced, more job checks may be able to be batched, reducing the impact of job check fees on employers.

Other impacts on employer costs include the requirement for partners of temporary workers to obtain an AEWV, rather than being able to be employed on an open work visa, and the future requirement for employers to become accredited in order to employ open work visa holders, such as working holiday makers.

Scenario one – low volume employer

An employer who currently employs one to two migrant workers on an ongoing basis will face new costs.

	YEAR ONE COSTS <i>GST inclusive</i>	YEAR TWO COSTS <i>GST inclusive</i>	YEAR THREE COSTS <i>GST inclusive</i>
Accreditation (standard)	\$740 <i>12 month duration</i>	\$740 <i>24 month duration</i>	N/A
Job check <i>Scenario: recruit for one role</i>	\$610 <i>Valid for 6 months</i>		\$610
Total	\$1,350	\$740	\$610

In this scenario there are total costs of \$1,350 for the first year. Whether or not any further fees are incurred in year two and three will depend on any lag time between accreditation and job check being approved, a suitable migrant being recruited and approved, that employee activating their visa to travel and take up employment, the duration of visa issued (up to three years), whether the employee remains for the full duration of their visa, whether the employee becomes subject to a stand-down period, whether the employer foresees a

future reliance on migrant labour, and how far in advance of the visa expiring the employer begins the subsequent immigration and recruitment processes. This will influence whether the employer renews their accreditation continuously, or waits until needing to renew the visas. The employer should take into account that after the first accreditation, the following accreditation (if issued continuously) can be issued for 24 months.

If this was a franchisee business type (with the fee for accreditation being \$1,980, and renewable every 12 months), the costs in this scenario would be \$2,590 for year one, \$1,980 for year two, and \$2,590 for year three.

The majority of employers of work visa holders (62% or almost 15,000) have only one migrant, with another 17% or approximately 4,200 employing two migrants. Employers in this range represent all sectors and industries, such as farms, retail, small scale health care providers, hospitality, trades and manufacturing.

Scenario two – high volume employer, employing median number of migrant workers, in a mixture of positions above and below the median wage

A similar modelling exercise for a high volume employer, employing the median number of workers (14) in positions in which the migrants receive 3-year visas, with a rolling turnover of 7 migrants per year over a three year period would indicate:

	YEAR ONE <i>GST inclusive</i>	YEAR TWO <i>GST inclusive</i>	YEAR THREE <i>GST inclusive</i>
Accreditation (high volume)	\$1,220 <i>12 months</i>	\$1,220 <i>24 months</i>	n/a
Job checks <i>(14 jobs in year one, 7 per year thereafter)</i>	\$8,540	\$4,270	\$4,270
Total	\$9,760	\$5,490	\$4,270

The scenario represents the most this employer would be liable for in year one, if all positions were recruited for at once. Recurrence of costs in year two and three would depend on recruitment needs, including the length of visas granted and staff turnover.

The highest annual cost would be \$9,760, but could be less if the employer reduces job check fees by batching job checks where multiple identical positions are being filled.

If this was a franchisee business type the costs in this scenario would be \$10,520 for year one, and \$6,250 for year two and three.

Examples of employers in this bracket include medium sized dairy farms and vineyards, hospitality sector, small industry, and some education providers. Of the estimated 1738 high volume employers, approximately 80% employ between 6 and 20 migrants.

Scenario three – high volume employer, employing high numbers of migrant workers, but limited number of occupations – aged care

Commercial Information
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]

	QUARTER ONE <i>GST inclusive</i>
Accreditation (high volume)	\$1,220 <i>12 months</i>
Job checks	\$17,690
Commercial Information [Redacted] = 5 job checks	
Commercial Information [Redacted] = 8 job checks	
Commercial Information [Redacted] [Redacted] = 9 job checks	
Commercial Information [Redacted] [Redacted] = 7 job checks	
29 job checks per quarter	
Total	\$18,910 (Q1)

This is based on the Commercial Information being able to efficiently batch job checks on a quarterly basis, across multiple rest homes in a city or region. Modelled over one year, this employer's immigration related costs would be around **\$75,640**.

This level of batching assumes very joined-up recruitment across the business, and INZ has no knowledge of that HR environment. Further, the analysis does not take into account whether some additional batching may be allowed, eg Rotorua and Whakatane are in the same region, but whether or not job checks can be batched would depend on the actual conditions of the specific position, as advertised. The absolute upper range if all job checks applications were submitted individually would be **\$225,700**.

Length of visas granted will also have a significant impact on immigration costs for this employer.

Examples of large employers that work in multiple regions include large contractor firms, meat processing plants, and rest homes.

Scenario 4: meat processing industry

Commercial Information [Redacted]
 [Redacted]

Commercial Information [REDACTED]
 [REDACTED]
 [REDACTED]

	QUARTER THREE <i>GST inclusive</i>
Accreditation (high volume)	\$1,220 <i>12 months</i>
Job checks (no of occupations for which job check submitted Q3 period)	\$19,520
Commercial Information [REDACTED] [REDACTED] = 10 job checks	
Commercial Information [REDACTED] = 2 job checks	
Commercial Information [REDACTED] = 7 job checks	
Commercial Information [REDACTED] [REDACTED] = 9 job checks	
Commercial Information [REDACTED] = 4 job checks	
Total = 32 checks in total	
Total	\$20,740 (Q3 only)

Commercial Information [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

Impact

Employers

For small employers (the majority of employers expected to be using the system), these charges make up a small proportion of the cost of attracting, recruiting and paying workers from offshore. The policy itself is designed to encourage good employers, and for those employers to look for New Zealanders first. However the fees themselves are not designed to deter employers from employing migrants. The fact of a fee may however reduce demand by those smaller employers who are able to rethink their recruitment needs. In a minority of cases, with a very low profit margin, this charge may be one factor that impacts the viability of the business. This outcome is not unexpected, and would be in keeping with the objectives of only placing migrants in financially sustainable employment and/or for businesses to employ New Zealanders.

The approximately 11% of employers with a high reliance on migrant workers will face higher costs. Most sectors are represented in this group, with those facing the highest impact likely to be meat and fishery processing, aged care, construction, transport, hospitality, accommodation and tourism.

There will be significant variations in the impact, depending on the nature of the industry, location, types of positions needing to be filled, and how they choose to operate within the system. There are some opportunities to rationalise these costs by batching job checks. The impact will be exacerbated in areas or industries with a high staff turnover that continue to be reliant on migrant labour. While the overall charges may be high in absolute terms, they are only a fraction of their overall personnel costs. For medium to large employers that are heavily reliant on migrants to maintain a profit margin or deliver their services (including where there is a genuine labour shortage) the costs will be unavoidable.

The gateway model will also likely increase the upfront costs of employers to set up systems to enable them to demonstrate how they meet new standards, and in some case to increase wages to meet the policy criteria (see Appendix One for a description of the specific criteria). Further, there may be new administrative costs associated with preparing applications and managing their immigration matters.

Migrants

The application fee for visa applicants under the Accredited Employer work visa at \$540 is just above the midpoint between the current fees for relevant visas.¹⁷ The administrative burden of making the application for the migrant should decrease, as the applicant is no longer responsible for providing all employer related information. This may mean that actual costs for an applicant in arranging their paperwork are reduced.

Immigration New Zealand – service delivery risks

While INZ is currently facing a funding shortfall, this fee setting process is specific to establishing a fee for delivering the new EAWV policy requirements. Within the memorandum account, EAWV policy funding will be managed appropriately to ensure no risk to delivery of the EAWV service.

The ADEPT programme has a comprehensive communications and stakeholder engagement plan to mitigate against any service delivery risk. This will ensure employers have access to relevant, up to date information, and can seek support including through relationship managers (sector based) and the Immigration Contact Centre. The costs of these activities are funded through fees, and factored into fee setting.

Service delivery risk is also minimised by moving applications and processing online to the ADEPT system on the Microsoft D365 platform. The system makes processing applications more efficient, and reduces risks related to peaks and unexpected events. Through the technical solution, ADEPT has broken linkage between volumes and staff volumes. This means that peaks can be addressed through effective use of risk tolerances and automation of key stages against business rules. As the system is bedded in, the fee review cycle will become increasingly relevant to ensure we are not over-collecting as processing efficiencies

¹⁷ A work visa fee under the Essential Skills category is currently charged at \$440 (plus an immigration levy of \$55). A work visa fee under the accredited employer work to residence category is currently charged at \$580 (plus an immigration levy of \$55).

are optimised. Segmenting the groups of employers into the four categories will enable more refined tracking and appropriate adjustments in future.

Any resourcing matters such as the ability to recruit or train staff are out of scope for this fees setting exercise (given it is averaged and annualised). Service delivery risk in relation to the expected surge in resources required at the start of the new policy is being mitigated by business planning currently under way to build capacity for resourcing to support go-live. On an ongoing basis, peak management will include shifting staff from other work based on priorities. In both accreditation and migrant gateways, an interim accreditation/visa is available to bridge where the application is received prior to the expiry of the existing accreditation/visa, but a decision is not reached prior to the expiry of the accreditation/visa.

Reasonableness

Fees have been set on a cost recovery model, which ensures all costs have been appropriately accounted for to fund the EAWV workstream on an ongoing basis. Fixed costs have been distributed, and variable costs assigned based on the required effort to process each category of application. The more time and expense it takes to process an application the higher the pricing has been proposed.

Some employers will be highly impacted by the fee setting model, but this is proportionate to their reliance on migrant labour. This is equitable given the benefits they incur from the ability to engage migrant labour.

Comparison with existing fee settings is only of limited use, given the significant change to the policy. Further all fees are subject to regular review (last reviewed in 2018), and at each review any aspects of over-recovery or under-recovery would have been addressed. Reasons for over-recovery or under-recovery include volatility in visa volumes, changes in processing efforts, wage increases, and INZ's changing operating environment. These matters would next be considered in the 2023 fees review.

Consultation

Consultation on policy proposals during 2019 touched on costs

MBIE undertook a public consultation on proposed changes to the employer-assisted temporary work visa system and regional workforce planning from December 2018 to March 2019. A consultation discussion paper, *A new approach to employer-assisted work visas and regional workforce planning*, set out the purpose of each proposal and the context – including an assessment of how well the current temporary work visa system is performing and the Government's objectives for it.¹⁸ The proposals in the discussion paper focussed on achieving two strategic outcomes:

¹⁸ Submissions were received through an online survey and in writing. Officials also met with industry organisations and individual businesses from key sectors (including aged care, construction, dairy, fisheries, horticulture and viticulture, road freight, tourism and hospitality and training) as well unions, regional bodies, economic development agencies, migrant organisations, local government and immigration advisers. 644 submissions were received from a wide range of respondents including migrants, employers, industry groups, unions and immigration advisers and members of the legal profession

1. Employers place more New Zealanders into jobs, which help their businesses to grow and thrive, and result in better jobs for New Zealanders, and
2. Temporary migrant workers, when they are employed, are not exploited and have wages and conditions that are consistent with New Zealand values.

The consultation included an indicative range of fees for the new system – that the fee for migrant applicants could decrease from \$440-\$580 to approximately \$300. Employers would offset this decrease plus additional cost attributed to the new gateway framework (eg employer accreditation). An indicative range for employers was \$600 for standard accreditation to \$2000 for premium and labour hire company accreditation. More than 640 submissions were received from migrants, employers, industry groups, unions, immigration advisers and local government. Most relevant to the content of the CRIS was the concern that small employers will be forced to invest in accreditation at a cost and time commitment that they will struggle to afford and generally adverse effects on smaller businesses if accreditation is costly and/or time consuming.

We have sought to address these concerns in the policy development process, by making the standards as binary/low touch as possible, particularly for employers meeting the criteria for standard or high volume categories. The lower standard means the assessment is simplified, and the resulting fee is lower. This will cover the majority of employers. In addition, while not specifically consulted on in the document, the ability to batch some job checks, will assist businesses meeting a certain profile.

In addition, MBIE presented a road show to key employers around New Zealand. The fees were raised during the Q&A process, with some employers expressing concern – particularly about the job check fee. For example, hospitality employers in Queenstown considered that the ability to batch job checks would be of limited use because of the multiple positions (eg managers, bar staff, chefs, etc), and that there was a high turnover of staff. To cater for this high turnover, they recommended approved job checks should be valid for 12 months. This proposal has not been accepted however, because the labour market conditions need to be assessed more frequently to achieve the policy objectives.

Consultation on fees proposals in this CRIS

INZ's Relationship Managers in the Sector and Skills unit of the Strategy, Engagement and Education Group have been leading conversations with employers and peak industry bodies on the fees proposals during early June. The topic has been canvassed as part of scheduled engagements, and in direct phone calls. This summary focuses on the impacts of the fee, rather than other matters raised about the impacts of the policy settings with respect to skills shortages.

Some employers indicated ambivalence about the fee levels (that the fees were tolerable), given their overall turnover and costs, and that recruiting the right migrant candidates is already a business cost.

However, others expressed concern about the cumulative costs of accreditation and job check fees, on top of rising wage bills (to meet the policy requirements and other recent changes to minimum wage etc), as well as recruitment costs and administrative costs related to managing their immigration matters. They also submitted that the costs are out of line with other administrative or licensing costs.

The employers most concerned are the ones that employ a high number of migrants, and in a variety of jobs such as the health sector, aged care, hospitality, accommodation services and some tourism operators. Some of these sectors also face challenges as a result of the COVID-19 border closures (both in terms of staffing and in decreased demand for services).

The Franchise Association strongly opposed the Franchisee accreditation fee, including on the basis that it does not accept the underlying policy rationale for treating the franchise business model as being inherently high risk and that this is discriminatory. In response, further analysis identified a more targeted approach to verification and monitoring of franchisee businesses, which has led to a consequential reduction to the fee.

Across the sectors canvassed, it was indicated that impacts will be felt differently across the spectrum of employers, with many variable factors:

- For small employers with a lower turnover (<\$100,000 per annum) the charges will be a significant cost, especially if they are needing to fill multiple roles; in some cases this could affect viability, being a tipping point leading to closure (loss of jobs for New Zealanders) or scaling back (loss of productivity)
- Small to medium sized employers with higher turnover are more able to absorb the additional charges
- For large employers, the cumulative total of having to recruit for multiple roles will be a significant cost, which will be exacerbated if they are working in multiple regions and have a diverse workforce.

Passing costs on to consumers makes the fees more tolerable in some industries (engineering contracting services), than in other sectors where the market is very price sensitive (hospitality and retail). For sectors with funding allocations (such as education, health and aged care), increased fees must be absorbed into their budget allocation. The Aged Care sector indicated that impacts are exacerbated where the ability to attract New Zealanders is impacted by disparities in funding models (eg between nursing in aged care sector vs DHBs).

With respect to other consequences, employers or industry bodies noted that:

- Some employers will look to recruit more New Zealanders, as well as looking to employ working holiday scheme and open work visa holders; others commented that skills shortages will persist, so will continue to be reliant on migrant labour
- Maintenance of the law [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] INZ will still need to check the positions are genuine and necessary. Some employers considered this might have a negative morale impact on the workforce
- Regions or sectors with an under supply of labour will continue to face issues attracting migrants – the charges add to the issues they are already facing and trying to address through training and conditions
- In their view, poor employment practices may be exacerbated, leading to more exploitation

There was some scepticism about the fee being used to deter migration (a hidden agenda), and to recover losses from visitor visa volumes. Some industries noted the costs are out of line with other standard licensing costs (liquor licensing etc).

One industry body commented that if the fees proposed are introduced, then there will be an expectation of improved services at the operational level, eg processing and turnaround times, as well as an IT system that works well when introduced.

With respect to being able to batch job checks to reduce costs, this was seen as an option in the Transport industry, but not in others with a variety of roles (hospitality, secondary school sector) or where recruitment will only happen once a specific need arises (aged care, health and education).

Some employers questioned why there would be a job check fee when a job was on a skill shortage list. However, while being on a skills shortage list will streamline some aspects of the assessment at the job check gateway, INZ will still need to assess matters such as whether the position is genuine, whether the job offered aligns with the requirement of the occupation on the list, that the remuneration is market rate calculated correctly in relation to the median wage, that the employment agreement meets standards, and whether the employer has sufficient quota places (for low volume employers). This is in addition to generic checks, such as ensuring the employer continues to meet accreditation requirements, the location and ANZSCO codes are correctly recorded, and handling of all administrative and assurance matters.

Conclusions and recommendations

A differentiated fee for the Employer Accreditation gateway, with a fixed fee for the Job Check and Migrant Gateways is recommended to ensure that MBIE allocates the expenses based on specified drivers and to minimise cross subsidisations in the pricing. These fee levels cover the expected operating costs of the EAWV policy, taking a conservative position on the cost range given the uncertainty associated with a new process. Fee adjustments will be made later in accordance with the standard regular reviews of immigration charges, and will take into account operational experience.

Implementation plan

A project team has been established in INZ to carry out the technical build, process design and change management, for the new three-stage employer assisted work visa policy regime.

The key dates are

9 May 2022	Employer Accreditation and Job Check goes live
4 July 2022	Accredited employer work visa application goes live

The expenditure and revenue associated with the EAWV policy will be tracked in the memorandum account. This will support future reviews of fee levels and ensure that the costs and revenues are closely aligned over time.

The technical system design will enable more granular capture of data to report on the cost of processing activities over time, to support the maintenance of the costing model and volumes forecasting over time.

The communications component of the project will cover fees, ensuring that employers and migrants are well informed, especially in the transitional phase, where they may choose to accredit and recruit under the previous systems.

There is a two tier governance arrangement for the Programme:

- An EAWV Cross-agency Governance Board with MBIE and MSD to provide executive leadership to the EAWV policy change initiative across key areas including communications and sector engagement planning and consequential policy decisions.
- The ADEPT Steering Group includes representatives from across Immigration New Zealand and acts as an advisory group to the Project Executive and as Project Champions.

In accordance with MBIE project methodology risks and issues are reviewed regularly within the Project and reported monthly to the Governance Group for review, acceptance, mitigation or escalation as required. Specific risks relating to matters in this CRIS will be added to the Risk Register, including in relation to the potential for adverse employer feedback; and the risk of over-collection or under-collection.

Four Independent Quality Assessments (IQA) are undertaken to provide assurance that the implementation planning, Programme plan, milestones, and supporting critical path and dependencies are of sufficient rigour to support successful implementation of the Programme. The third IQA was undertaken in May 2021.

Monitoring and evaluation

Immigration Policy is working with the Evidence and Insights branch (and MSD) to develop a monitoring framework to identify the impacts of the policy changes, and will consider the case for a full evaluation at a later date.

INZ will monitor all aspects of the EAWV regime implementation including:

- Overall application volumes including the proportions in each accreditation stream, the trends with respect to job checks, and overall visa application numbers.
- Cost to support the regime, including overheads with the ICC to service queries, BAU operations teams, and ICT and licensing costs
- Processing times, including opportunities to further automate and streamline the process, and provided targeted risk management and assurance activities. At this early stage of implementation, no commitments to average processing times can be determined. A key aspect of monitoring will be to baseline average end-to-end processing times for each gateway. Detailed forecasting will support resourcing allocation to manage timeliness and productivity.

The ADEPT Programme is currently developing KPIs including customer experience, turnaround times (application processing times) and assurance activities. These KPIs will be built into the ADEPT system and will be available through reporting dashboards for staff, managers and other interested parties. The ADEPT system will enable granular information and insights which will enable service improvements. While this information will inform service delivery improvements in the immediate future, some aspects may lead to reduced cost to serve by INZ.

The reporting capability within the ADEPT system will give more granular ability to monitor impacts and track processing activities, so that the fees model can be refined over time (in line with the standard immigration fees review cycle).

Review

MBIE is scheduled to carry out a funding review in 2023, including re-setting of the model for setting immigration fees and levies. The review will take into account the impacts of COVID-19 on visa numbers, and changes to INZ's operating model (including ADEPT) and structure. The review will provide an opportunity to re-asses the EAWV policy fees in light of revised visa volume forecasting and policy decisions about the immigration funding model. Immigration fees and levies are reviewed on a three year cycle.

Version control

Other version	Date	Link
V0.1	19 May 2021	https://mako.wd.govt.nz/otcs/lisapi.dll/link/112123598
V0.2	3 June 2021	https://mako.wd.govt.nz/otcs/lisapi.dll/link/113339133
V0.3	21 June 2021	https://mako.wd.govt.nz/otcs/lisapi.dll/link/113788417
V0.4	4 November 2021	https://mako.wd.govt.nz/otcs/lisapi.dll/link/118005395
V0.5	27 January 2021	https://mako.wd.govt.nz/otcs/lisapi.dll/link/120632233

Appendix One - How the gateway system will work

The system will introduce three checks before an employer can hire a migrant worker.

The employer check

The requirements that employers will need to meet for accreditation will vary depending on the number of migrants they employ and the nature of their business. The initial accredited employer application will be valid for 12 months.

At renewal, franchisees and employers that want to place migrants on work visas with third parties (including labour hire companies) will be granted accreditation for a further 12 months, and all other employers will be granted accreditation for 24 months.

Standard accreditation requirements

All employers will need to pass the standard employer accreditation requirements. These requirements are intended to ensure all employers hiring migrants meet minimum requirements to support and settle migrants and comply with employment and immigration laws.

ACCREDITATION	
Must be a genuinely operating business	The employer must be registered as an employer with IRD and hold a New Zealand Business Number (NZBN). Some employers may need to provide evidence showing they are in a 'sound financial position'.
Must not have a recent history of regulatory non-compliance	INZ will check the employer and key office holders are not on the Labour Inspectorate stand down list. There will also be checks to ensure the employer is compliant with immigration law and requirements, and their key office holders are not prohibited from acting as a director.
Must take steps to minimise the risk of exploitation	This includes providing migrant workers with settlement information and time to complete online employment rights modules. Employers must also complete online employment modules and pay all recruitment costs in NZ and outside NZ.

To minimise compliance costs for employers INZ will primarily assess applications based on employer declarations and automated checks against publicly available information or information held by MBIE. In some cases, INZ may ask an employer to provide additional evidence or declarations as part of the application process.

Additional risk and verification activities for high-volume employers

High-volume employers will be subjected to additional pre-and post-decision risk and verification activities, including site visits, to manage the labour market risk that can be associated with employing a large number of migrants.

Additional accreditation requirements – franchisee accreditation

In addition to meeting standard accreditation requirements, franchisee employers need to:

- have been operating for at least 12 months; and
- have a history of hiring New Zealand workers.

These additional requirements are to manage the higher risk of migrant exploitation that can sometimes be associated with these business models. The accreditation period for these employers will be 12 months.

Franchisee employers will be subject to increased compliance checks. INZ will be targeting higher-risk employers.

Additional accreditation requirements – triangular employment

Additional requirements apply for employers who employ work visa holders with third parties in a triangular employment arrangement, including:

- labour hire companies
- employers who send migrant employees on secondment to a third party
- parent or umbrella companies who place their migrant employees with a third party such as a subsidiary company or branch that is a separate legal entity.

In addition to meeting standard accreditation requirements, employers who place migrants with third parties need to:

- only place work visa holders with compliant businesses
- have good systems in place to monitor employment and safety conditions on site
- have a history of employing people for the past 12 months
- demonstrate that at least 15% of their workforce being placed with third parties are New Zealanders in full-time employment (i.e. at least 30 hours a week).

The employer's systems to monitor employment and safety conditions on site must cover proactive and reactive actions, which could include, but are not limited to the following:

- upfront checking of work conditions before the migrant is placed with a third party
- ensuring the migrant worker and third party have a clear understanding of visa conditions and employment and safety obligations
- monitoring the work conditions of workers, which could include: ensuring there are channels for employees to report issues, conducting appropriate onsite visits, depending on the duration of the placements and any perceived risks
- investigate and address employment and safety issues identified through monitoring or via external reports (this may include removing migrants from the third party or working with the third party to ensure issues are resolved).

These additional requirements are to manage the higher risk of migrant exploitation that can sometimes be associated with these business models.

To ensure good systems are in place, employers will be subject to more up front verification and compliance checks. The accreditation period for these employers will be 12 months.

The job check gateway – pathways

Confidential advice to Government

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Note: removing the previously agreed policy setting of “regional differentiation in labour market testing” has been agreed, but decisions are still being made about the timing of introducing this change (from July 2022, or deferring until 2023).

The migrant gateway

Migrants who have been offered a position for an approved job, can submit their work visa application. Processing will be focussed on health and character checks, and whether the migrant is qualified for the position offered (including occupational registration requirements).

Reconsiderations and variations of conditions

Final policy proposals are being worked on, with respect to when reconsideration for a declined accreditation application and job check application can be requested. It is assumed the existing parameters for a declined temporary visa application (under section 185 of the Immigration Act 2009) will apply. Similarly, the circumstances under which an approved migrant can vary the conditions of their employment (including their employer, their occupation or their location) are still being confirmed.

Appendix Two – assessment timings, by gateway

OF TOTAL VOLUME:	88%		8%		3%		2%	
Employer Check (Accreditation)	Standard		High Vol		Triangular		Franchise	
	Frequency	Time in mins	Frequency	Time in mins	Frequency	Time in mins	Frequency	Time in mins
	Maintenance of the law		Maintenance of the law		Maintenance of the law		Maintenance of the law	
Lodgement		0		0		0		0
Pre-check		0		0		0		0
Allocation		5		5		5		5
IO verification activities (part of normal assessment)		45		45		60		60
Consultation activity - by VO, raised by IO		11		11		11		11
Specialist verification activities - by VO, raised by IO		50		50		50		50
Pre-decision risk assurance (site visits)		1,380		2,520		2,520		2,520
Assess whether genuine business (including financial information etc)		20		20		20		20
Check 12 month history and employment of NZers (franchisees: operating for 12 months / triangular: history of employing New Zealanders for last 12 months / all: 15% kiwi work force)						20		20
Check directors (history of compliance, banned director's list etc.)		10		10		10		10
Check company (history of compliance, stand-down list etc.)		60		60		60		60
Check standard commitments made		0		0		0		0
[All Triangular] Check extra requirements (only placing migrants with compliant third parties, and having good systems in place)						190		
Check demonstration of employer commitments that were made at previous accreditation		30		40		40		30
Send PPI, receive and assess PPI response		30		30		30		30
Information request		20		20		20		20
Random QC (all <i>manual</i> tasks in application)		25		25		25		25
Training QC (only the activity completed by the trainee)		10		10		10		10
Finalise decision, write and issue decline letter		20		30		30		30
Finalise decision, issue approval letter		0		0		0		0
Post-decision risk assurance		546		1,036		1,036		1,036
Post decision system assurance		30		30		30		30
Complaints		45		45		45		45
Weighted average time to process - Hours		1.66		3.97		17.12		7.75
Weighted average time to process - Minutes		99.49		238.44		1,027.01		464.83

JOB CHECK (JOB CHECK)	FREQUENCY	TIME IN MINS
	Maintenance of the law	
Lodgement		0
Allocation		5
Renewals check employer continues to meet accreditation requirements		10
Check job description and (proposed) employment agreement; includes resolving any issues with quota (standard (low volume) accreditation); check all positions are the same (multiple positions)		15
Check pay rate (check remuneration has been calculated correctly, and is above median wage, and market rate or defined rate)		12
Check ANZSCO		2
Check location of job		2
Check that employment meets sector agreement requirements		0
Confidential advice to Government		10
Check advertising including that it shows salary		15
Check response from MSD [no longer applicable, negligible impact to fee]		5
Information request		20
Send PPI, receive and assess PPI response		30
Verification activities (quick/intermediate only i.e. by IO)		10
QC process with potential rework		30
Finalise decision, write and issue decline letter		40
Finalise decision, write and issue approval letter		2
Appeals/Complaints		45
Post decision assurance - system (QA)		30
Post decision assurance - risk		5
Weighted average time to process - Hours		1.15
Weighted average time to process - Minutes		68.70

MIGRANT CHECK (VISA APPLICATION)	FREQUENCY	TIME IN MINS
Lodgement	Maintenance of the law	0
Allocation		5
Identity		2
General verification activities - by IO		10
Consultation activity - by VO, raised by IO		30
Specialist verification activities - by VO, raised by IO		30
Health		5
Character		1
Employment details match those at job gateway		2
Suitably qualified		10
Send PPI, receive and assess PPI response		30
Information request		50
Any waiver assessment		30
Random QC (all <i>manual</i> tasks in application)		25
Training QC (only the activity completed by the trainee)		10
Finalise decision, write and issue decline letter		20
Finalise decision, issue visa, write and issue approval letter		2
Appeals/Complaints		45
Post decision assurance - system		30
Post decision assurance - risk		23
Weighted average time to process - Hours		0.79
Weighted average time to process - Minutes		47.49

