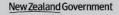


Suite of proposed changes to the Essential Skills visa

Discussion document



The consultation process

Making a submission

You are invited to make a written submission on the issues raised in this discussion document, which presents a suite of proposed changes to the Essential Skills visa policy. Submissions should be received at the Ministry of Business, Innovation and Employment (MBIE) by **5pm on Sunday 21 May 2017**.

Your submission may respond to any or all of the issues outlined, depending on your interest. In addition, you are welcome to provide other information that you think might be relevant to this consultation. If possible any views in your submission should be supported by evidence, such as salary and remuneration information for your workplace, sector or group, or examples of how the proposals would impact you.

This document contains information on the proposals, as well as consultation questions. You can use the submission document to make your submission, or another digital format that best suits you.

Please include your contact details in the e-mail accompanying your submission.

You can make your submission by sending it as a Microsoft Word or PDF document to: ESConsultation@mbie.govt.nz

Please direct any questions that you have in relation to the submissions process to: ESConsultation@mbie.govt.nz

MBIE will provide advice to Ministers on the results of this consultation process with final decisions expected in July 2017.

Use of information

MBIE will use the information provided in submissions to inform our analysis and the advice to Ministers. We may contact submitters directly if we require clarification of any matters in the submission.

We intend to publish written submissions received on this discussion document on MBIE's website at www.mbie.govt.nz. Therefore, please read the advice below regarding confidential or private information. MBIE reserves the right to remove any material from submissions that may be defamatory.

Confidential Information

MBIE is particularly interested in salary or income information from affected sectors. This will complement our current analysis that uses anonymised tax data on the incomes of Essential Skills migrants.

Where available and relevant, provide supporting evidence with details of the wage or salary information or remuneration structures of your business or sector/industry. Please identify any commercially sensitive information clearly.

If your submission contains any confidential information, please indicate this on the front of the submission. In addition, the confidential information should be clearly marked within the text, for example, by including the confidential information in square brackets or as a separate appendix. Please clearly indicate in your submission any confidential information that you do not want published on MBIE's website or included in any summary of submissions that MBIE may publish.

The material identified as confidential will not be published, however if MBIE receives a request under the Official Information Act 1982 for a copy of submissions, MBIE will need to make its own assessment of whether the information should be released, including whether it is in the public interest to release the information received. In this event, MBIE will endeavour to consult with submitters that have provided confidential information prior to making its decision on the request.

Personal Information

The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MBIE.

Please clearly indicate in your submission if you do not wish your name or contact details to be posted on MBIE's website or included in any summary of submissions that MBIE may publish.

Introduction

In October 2016 the Ministry of Business, Innovation and Employment (MBIE) consulted on changes to the Skilled Migrant Category (SMC). The SMC was reviewed to improve how we identify and prioritise skilled migrants. MBIE has also reviewed the Essential Skills visa policy and in this discussion document presents a suite of proposed changes to the Essential Skills visa policy, which complement the changes to the SMC.

The proposed changes focus on improving the long-term labour market contribution of temporary labour migration. The changes aim to ensure that settlement expectations are clear for temporary labour migrants and that the settings enable access to migrant labour where there is genuine need, while ensuring that New Zealanders are first in line for employment opportunities. This will complement our work with the education system aimed at enabling New Zealanders to develop the skills that firms need.

Scope of consultation

The suite of proposed changes to the Essential Skills visa which Cabinet has agreed, in principle, to implement, include:

- Using wage or salary information to help determine the skill level and visa conditions of Essential Skills migrants.
- Reinforcing the temporary nature of the visa and ensuring settlement expectations are clear for Essential Skills migrants.
- Reinforcing that Essential Skills visas should only be granted for the period for which the employment is offered.

As Cabinet has agreed in principle to these proposals, this consultation process aims to:

- inform our understanding of the impacts of the proposals, especially on sectors and regions
- identify unforeseen impacts at a sector or regional level
- seek input from submitters who employ seasonal staff, or represent sectors that have seasonal staff, about how the length of seasons should be defined, and
- inform the advice that will be provided to Ministers before Cabinet makes final decisions on implementing these proposals.

MBIE will provide advice to Ministers on the results of this consultation process with final decisions expected in July about which of the proposals (or combinations of proposals) to implement. Implementation of these proposals is expected in August 2017.

Objectives of the proposed changes

The objectives of the proposed changes are to:

- continue to enable employers to use lower-skilled migrants where there is a genuine need
- maintain the integrity of temporary migration by ensuring settlement expectations are clear for Essential Skills migrants
- make it easier for firms to recruit higher-skilled and higher-paid migrant workers and for those migrants to stay here

- increase the attractiveness for employers of employing and training domestic workers before recruiting migrant labour, and
- contribute to better alignment between immigration, welfare and education settings.

Problem definition

The objective of migrant labour is to fill shortages where there is genuine need, while ensuring that New Zealanders are first in line for employment opportunities. An adjustment to settings now will ensure the Government's long term labour market strategy continues to function well, by:

- increasing the attractiveness to employers of New Zealanders, including beneficiaries and school leavers
- incentivising employers to invest more in training and/or offering better wages and/or terms and conditions, and
- increasing incentives to shift to potentially more productive business models, and avoid the embedding of business models reliant on lower-skilled temporary workers.

Recent trends in temporary migration

New Zealand has one of the highest per capita inflows of migrants in the OECD. In general, our current immigration system supports these flows well. However, in recent years there have been some trends that raise concerns about the labour migration aspects of the immigration system.

In previous years, the number of people granted visas that allow work have increased. While still remaining considerably lower than the rate of approvals ten years ago, between 2014/15 and 2015/16 there was an increase of 11 per cent in Essential Skills visa approvals.

There is evidence that the numbers of temporary migrants are increasing in industries with lower-skilled jobs, lower-wages and lower productivity. In light of this trend, it is important to make adjustments now to maintain the Government's long-term labour market objectives.

Background

In November 2016 the Building Skilled and Safe Workplaces chapter of the Business Growth Agenda set out the Government's intention to review temporary work visa settings. This review is part of a wider work programme focussed on using immigration settings to attract the best people to fill skill shortages across different sectors and regions.

On 19 April 2017 the Government announced the details of a new time-limited policy to provide a one-off pathway to residence for long-term temporary migrants living in the South Island. This group of people had no pathway to residence and may have been required to leave the country at short notice due to the temporary nature of their visa. The current situation is undesirable because, over time, migrants who are well-settled in New Zealand lose ties with their home country and without a pathway to residence they cannot become eligible for the same rights and amenities as New Zealand residents.

The suite of changes presented in this discussion document will prevent the situation reoccurring.

The Essential Skills visa policy

The Essential Skills work visa was designed to help employers bring in workers on a temporary basis when local labour is not available. The requirements of the visa ensures that local workers are considered first and visas are only granted when New Zealand citizens or residents are not available for the work offered. Tools such as the labour market test and the Essential Skills in Demand lists are intended to ensure that migrant labour is only used when there are no local workers available.

The labour market test must be met by any employer wanting to hire a migrant worker on an Essential Skills visa. The labour market test asks the employer to provide evidence that they have tried to recruit or train any suitable New Zealanders who are available to do the work before they took steps to recruit a migrant. Where the vacancy is lower-skilled¹, the employer is required to lodge the vacancy with Work and Income to determine whether there are any beneficiaries that can fill the vacancy, before the employer tries to engage a migrant worker. Work and Income produces a Skills Match Report on whether any beneficiaries with the relevant skills were available and what beneficiaries were referred to the employer.

Occupations are added to the Essential Skills in Demand lists if they are in shortage in part, or all of the country. There are requirements specified for each occupation that the applicant must meet. Workers in occupations on the lists will find it easier to apply for temporary work visas because meeting the requirements of the Essential Skills in Demand lists also satisfies the labour market test, as it has already been established that there is a lack of New Zealanders with the required skills. MBIE compiles three skill shortage lists, based partly on suggestions from employers and unions. The lists are the:

- Long Term Skill Shortage List
- Immediate Skill Shortage List
- Canterbury Skill Shortage List.

Essential Skills visa holders are an important short-term source of labour and skills where those skills are not available in the local labour market. A total of 31,766 people were approved to work in New Zealand under the Essential Skills policy in 2015/16, an increase of 11 per cent from 2014/15². While still remaining considerably lower than the rate of approvals ten years ago, an adjustment to settings now will ensure the Government's long term labour market strategy continues to function well.

While the proportion of total visas granted under the Essential Skills category is relatively small, they can have a significant impact on the labour market. This is because it is designed to fill specific labour market shortages, and makes up a relatively large proportion of migrant labour in terms of hours worked. Essential Skills visa holders are required to work full-time, and can be granted a longer-term visa than other visa categories with work rights.

The recent trends show that Essential Skills visas seem to be facilitating an on-going supply of low-cost labour in industries already characterised by lower-wage and productivity growth.

For more information on the current Essential Skills policy, click <u>here</u>.

¹ Under the Essential Skills visa policy, "lower-skilled" is defined as occupations classified as skill level 4 and 5 according to the Australian and New Zealand Standard Classification of Occupations (occupations that require either a low-level qualification, or no formal qualification or on-the-job training).

² Source: Migration trends and outlook 2015/16: Ministry of Business, Innovation and Employment.

Using wage or salary information to help determine skill level and access to Essential Skills migrants

Status quo

Currently the skill level of an Essential Skills visa holder is determined by the Australian and New Zealand Standard Classification of Occupations (ANZSCO). ANZSCO categorises occupations into five skill levels, with level one being the highest-skilled (commensurate with a bachelor degree or higher qualification) and level five being the lowest-skilled (requiring no or on-the-job training).

You can search the ANZSCO register here.

The ANZSCO level of the migrant's job offer determines:

- how the labour market test is met (whether a Skills Match Report from Work and Income is required)³
- the length of the Essential Skills visa.

More information on the Skills Match Report can be found here.

Current Essential Skills skill levels and associated visa conditions							
Skill level	Current determination	Labour market test	Duration of visa ⁴				
Higher-skilled	ANZSCO skill level 1 and earns NZ\$55,000 or more p/a AND Migrant has not received a five year Essential Skills Work Visa before	Labour market test does not require a Skills Match Report	Up to five years				
Mid-Skilled	ANZSCO skill level 1 but earns less than NZ\$55,000 p/a OR ANZSCO skill level 1 and earns NZ\$55,000 or more p/a, but has received a five year Essential Skills Work Visa before ANZSCO skill level 2 or 3	Labour market test does not require a Skills Match Report	Up to three years				
Lower-Skilled	ANZSCO skill level 4 or 5	Labour market test requires a Skills Match Report	Up to one year				

³ The labour market test requires the employer to satisfy an Immigration Officer that they have made genuine attempts to recruit or train domestic workers, and when filling a lower-skilled role they are required to advertise with Work and Income and be issued a Skills Match Report before the employer can approach INZ to recruit a migrant worker.

⁴ Visa durations are also differentiated by whether the migrant works in Canterbury or for Labour Hire firms.

Issue

ANZSCO provides an objective and consistent classification of occupations. However, it is not an accurate description of the actual level of skill required for a particular job or the skills of a person employed in a particular job. It cannot be easily used to differentiate between senior and junior roles (particularly in managerial positions).

The growth in Essential Skills visa holders who work in jobs that are classified by ANZSCO as skilled, but who receive low incomes, indicates that some jobs that meet the ANZSCO definition of 'skilled work' may not in fact be highly skilled. On the other hand, there have been examples of migrant workers in highly paid jobs that get shorter visa lengths (and have to apply for subsequent Essential Skills visas regularly, even though they are filling a genuine shortage) because their job description matches a 'low-skilled' occupation under ANZSCO.

In addition, ANZSCO skill level alone does not provide an accurate indication of whether the visa holder is likely to have a pathway to residence. Changes to the Skilled Migrant Category (SMC) residence policy to be introduced this year include the use of remuneration thresholds to help determine how 'skilled' employment is defined for the purpose of claiming points under SMC. If ANZSCO remains the only determination of the skill level of Essential Skills visa holders there would be a mismatch between the Essential Skills workers who are determined as 'skilled' and those who are eligible to apply for residence under SMC.

Proposal 1: Introduction of remuneration thresholds to determine skill levels and associated visa conditions for Essential Skills visas

Cabinet has agreed, in principle, to introduce remuneration levels to categorise job offers into the three skill levels: lower, mid and higher.

The remuneration levels would replace ANZSCO as the main determinant of the skill level of an Essential Skills visa holder and associated visa conditions. Associated visa conditions include the length of the Essential Skills visa.

Note – these revised skill levels would also determine if an Essential Skills visa holder is eligible to support the visa applications of their partners and children (see section *Proposals to align the ability of Essential Skills visa holders to bring their children and partners with them, with the new skill levels* below from page 12).

This proposal aligns with the recently announced remuneration thresholds for the SMC⁵. It would clarify the pathway to residence for applicants and ensure settlement expectations are clear for temporary migrants who do not have a pathway to residence.

ANZSCO would still be used to check whether the wage or salary offered is appropriate. If there was a mismatch between the job description and expected wage or salary, additional information would be required.

We are consulting on the introduction of remuneration thresholds for the Essential Skills visa:

- below which a Essential Skills visa holder is considered lower-skilled, aligned with the SMC threshold for skilled employment, and
- **above** which a Essential Skills visa holder is considered **higher-skilled**, aligned with the SMC threshold for highly-skilled employment.

⁵ Consultation on the SMC remuneration thresholds was carried out in October 2016. You can find the consultation document <u>here</u>. The Minister of Immigration has announced the remuneration thresholds for SMC. You can read more about the announcement <u>here</u>.

These remuneration thresholds would be indexed and updated annually, as set out in the table below.

Proposal to align Essential Skills with the SMC remuneration thresholds									
Proposed thresholds that align with SMC	Hourly rate of pay	Annual rate of pay (30-hour work week)	Annual rate of pay (40-hour work week)	Indexed to					
Remuneration threshold below which an Essential Skills visa holder would be lower-skilled	\$23.49	\$36,644	\$48,859	1x median earnings					
Remuneration threshold above which an Essential Skills visa holder would be higher-skilled	\$35.24	\$54,974	\$73,299	1.5x median earnings					

For the purposes of claiming points for having skilled employment under SMC, migrants in ANZSCO level four and five occupations are required to earn above the threshold for highly skilled employment. We propose to replicate this in Essential Skills visa policy, and require that migrants in ANZSCO level four and five occupations earn above the remuneration threshold for highly-skilled employment, otherwise they would continue to be defined as lower-skilled. This is to ensure that there is consistency between the Essential Skills visa and SMC policies, to provide a clear pathway to residence.

Additionally, where the expected remuneration falls into the higher-skilled remuneration band but ANZSCO would define it as a level four or five occupation then the applicant must justify this higher salary by providing evidence of relevant qualifications and work experience, or other reasons for offering remuneration that means the job is assessed as higher-skilled. This would reduce the risk of the salary or income information in the employment agreement being falsified in order to receive more generous visa conditions.

The table below sets out how this would create three skill levels for the Essential Skills visa policy (lower-, mid- and higher-skilled).

Proposed Essential Skills skill levels and associated visa conditions							
Skill level	Remuneration thresholds		ANZSCO	Visa length	Children & partners		
Higher-skilled	\$35.24+ per hour	And	1/2/3/4/5 ⁶	Up to 5 years	Yes		
Mid-skilled	\$23.49 - \$35.24 per hour	And	1/2/3	Up to 3 years	Yes		
Lower-skilled	\$15.75 ⁷ - \$23.49 per hour	And	1/2/3	Up to 1 year	No		
	\$15.75 - \$35.24 per hour	And	4 & 5	op to 1 year			

⁶ ANZSCO 4 and 5 Essential Skills applicants will be required to provide additional information about relevant work experience and qualifications.

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⁷ Indexed to the minimum wage.

Consultation questions: Proposal 1

- What impacts or implications do you foresee from defining lower-, mid- and higher-skilled Essential Skills migrants in this way? And why?
- Where possible provide information about the impact on specific occupations or sectors.

Reinforcing the temporary nature of the Essential Skills visa and ensuring settlement expectations are clear for temporary migrants

Proposal to set a maximum duration for how long lower-skilled Essential Skills visa holders can remain in New Zealand on an Essential Skills visa

Status quo

There is currently no limit on the number of times a migrant can be granted an Essential Skills visa, as long as they continue to meet the labour market test. Most lower-skilled workers are required to reapply for their visas every year (refer to the table on page 7 that provides details on visa lengths).

Issue

The current settings of the Essential Skills visa policy mean that there are some long-term temporary migrants who are meeting genuine regional labour market needs but have no pathway to residence as their jobs are lower-skilled and/or low-paid.

The Government has announced the details of a one-off pathway to residence that will be provided for some of these migrant workers in the South Island (the pathway policy). You can find more information about this announcement here. The pathway policy addresses the existing groups of well-settled temporary migrants in the South Island, but does not solve the issue of future temporary migrants becoming well-settled when they do not have a pathway to residence.

Proposal 2a: Introduction of a maximum duration for lower-skilled Essential Skills migrants

Cabinet has agreed, in principle, to introduce a maximum duration of three years that a lower-skilled migrant can spend in New Zealand.

Once a lower-skilled worker has reached the maximum duration of time allowed on a lower-skilled Essential Skills visa, there would be a stand-down period before they are able to apply for another lower-skilled Essential Skills visa.

A maximum duration would reinforce the temporary nature of the visa and ensure that settlement expectations are clear for lower-skilled Essential Skills migrants. It would encourage lower-skilled Essential Skills migrants to upskill or pursue professional development in order to qualify for a higher skill level and thus a further Essential Skills visa that is not subject to the maximum duration. This change may also encourage employers to look to other ways to fill lower-skilled vacancies, for example training local workers, developing their existing employees, or investing in ways to improve productivity and become less reliant on labour-intensive business models.

The maximum duration would need to be set at a length that provides visa holders with the opportunity to transition to a mid- or higher-skilled work visa, while also ensuring that migrants with no pathway to residence do not become well-settled in New Zealand. A maximum duration of three years provides this balance and also provides employers with sufficient time to recruit new staff or upskill existing staff to fill the role.

The maximum duration is not intended to prevent employers from using lower-skilled migrant labour. Where employers can prove a genuine labour or skills shortage they would continue to be able to access migrant labour.

Consultation questions: Proposal 2a

- What impacts or implications do you foresee from the proposed maximum duration of three years for lower-skilled Essential Skills visa holders? And why?
- Where possible provide information about the impact on specific occupations or sectors.

Proposal 2b: Introduction of stand down period for lower-skilled Essential Skills migrants

Cabinet has agreed, in principle, that once a lower-skilled worker has reached the maximum duration of time allowed on an Essential Skills visa, there would be a stand-down period where they must spend **one year outside of New Zealand** before they are eligible for another Essential Skills visa in a lower-skilled occupation.

This is to ensure that migrants do not simply transition to another visa category before being granted another lower-skilled Essential Skills visa. The stand down requirements would not, however, apply where an Essential Skills visa holder is eligible for a mid-skilled or higher-skilled Essential Skills visa.

Consultation questions: Proposal 2b

- What impacts or implications do you foresee from the proposal to introduce a stand down period for lower-skilled Essential Skills migrants? And why?
- Where possible provide information about the impact on specific occupations or sectors.

Proposals to align the ability of Essential Skills visa holders to bring their children and partners with them, with the new skill levels

Status quo

Currently, partners of Essential Skills visa holders may be eligible for either a Partner of a Worker Work Visa or a Partner of a Worker Visitor Visa. Both visas allow the partner to stay in New Zealand for the same duration as their partner's Essential Skills Work Visa allows. There is no salary threshold required for this. The Partner of a Worker Work Visa gives open work rights to the partner.

If an Essential Skills visa holder earns \$36,850.44 per annum or above, they are also able to bring their children with them for the length of their Essential Skills visa. The children of Essential Skills visas holders have access to compulsory education as domestic students.

Issue

Family members without a pathway to residence can become well-settled in New Zealand and lose ties with their home country, without the rights of New Zealand residents. Lower-skilled Essential Skills visa holders and their families can be required to leave at short notice.

Research from 2013 showed that family category migrant employment is associated with statistically significant negative impacts on hiring of youth and beneficiaries⁸. If the principal Essential Skills applicant is lower-skilled, then their partner is likely to be similarly lower-skilled, but will have open work rights (not labour market tested) with the Partner of a Worker Work Visa. This can displace local lower-skilled workers.

Proposal 3: Require the partners of lower-skilled Essential Skills visa holders to meet the requirements for a visa in their own right

Cabinet has agreed, in principle, that partners of lower-skilled Essential Skills visa holders would no longer be eligible for a either a Partner of a Worker Work Visa or a Partner of a Worker Visitor Visa. Partners of lower-skilled Essential Skills visa holders would still be able to come to New Zealand if they meet the requirements for a visa in their own right.

For example, the partner would be able to work in New Zealand if they successfully apply for an Essential Skills visa, and satisfy the labour market test. Alternatively, they could visit New Zealand on a short-term visitor visa for up to nine months (without work rights).

Consultation question: Proposal 3

 What impacts or implications do you foresee from the proposal to remove the ability for lower-skilled Essential Skills visa holders to bring their partners to New Zealand for the length of their Essential Skills visa? And why?

Proposal 4: Require the children of lower-skilled Essential Skills visa holders to meet the requirements for a visa in their own right

Cabinet has agreed, in principle, that children of lower-skilled Essential Skills visa holders would no longer be eligible for a student visa with conditions containing 'Domestic Student', based on their parents Essential Skills visa. Children of lower-skilled Essential Skills visa holders would still be able to come to New Zealand if they meet the requirements of a visa in their own right.

For example, dependent children would be able to study in New Zealand if they successfully applied for a Student visa, but would be charged international student fees. Alternatively, they could visit New Zealand on a short-term visitor visa for up to nine months (without domestic study or work rights).

Consultation question: Proposal 4

 What impacts or implications do you foresee from the proposal to remove the ability for lower-skilled Essential Skills visa holders to bring their children to New Zealand for the length of their Essential Skills visa? And why?

⁸ Keith McLeod and David Mare (2013) *The rise of temporary migration in New Zealand and its impact on the labour market.* MBIE:Wellington.

Reinforce that Essential Skills visas should only be granted for the period for which the employment is offered

Status quo

Essential Skills visas are granted for the period for which the employment is offered (as set out in the employment agreement), up to a maximum of five years for higher-skilled workers (or one year for lower-skilled workers). Visas are often granted for less time than the maximum duration due to the length of the offer of employment.

For seasonal workers on Essential Skills visas, the length of the offer of employment should be for the season that they are working to cover (or some period within that season).

Issue

The requirement that the period of employment for Essential Skills workers in seasonal occupations is expected to be the season they are working is not clearly communicated in Immigration Instructions. Some employers in seasonal industries have been offering periods of employment for a full year in order to avoid the need for workers to leave New Zealand or obtain a different visa in the off-season. This can mean that local workers work the high season only, and migrant workers are offered full-year work to avoid having to apply for visas more frequently.

Proposal 5: Make it explicit how the 'period of employment' condition applies to seasonal work

Cabinet has agreed, in principle, that Immigration Instructions would be explicit that for Essential Skills workers in seasonal occupations, the offer of employment (and as a result the duration of the visa) must not be longer than the length of the season. Workers would need to leave New Zealand in the off-season but could return the following year provided that they continue to meet the labour market test.

This proposal would **not** apply to seasonal work which has its own visa category or policy, i.e Recognised Seasonal Employer or Supplementary Seasonal Employment.

Flexibility would need to be built in to Immigration Instructions to allow Immigration Officers to use discretion for roles that genuinely do not match the length of the typical season.

The list of seasonal occupations being considered include:

- Rural contractors
- Dairy farm workers
- Meat workers
- Adventure tourism workers
- Shearers and shed hands
- Ski season workers
- Winery and viticulture workers
- Horticulture workers
- Forestry workers
- Seafood workers.

The change will continue to enable employers to use seasonal migrant labour where there is a genuine need.

We are seeking input from submitters who employ seasonal staff, or represent sectors that have seasonal staff, about how the seasons should be defined. The way that seasons are defined in Immigration Instructions would be drafted with consideration given to providing guidance, without unreasonably restricting employers.

Consultation questions: Proposal 5

- What impacts or implications do you foresee from the proposal to reinforce that Essential Skills visas for seasonal work are only granted for the length of the season and that the offer of employment must match the length of the season? And why?
- Are there any seasonal occupations that should be added or removed from this list?
 Why?
- If you employ seasonal staff, or represent a sector with seasonal staff:
 - What are the occupations of the seasonal staff that you are commenting on?
 - For each of the occupations that you have identified, what is the typical period that you require seasonal staff to cover (e.g the peak of the season)?