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Submission on proposed changes to the Essential Skills visa, May 2017

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Via e-mail: ESConsultation@mbie.govt.nz

Southland Chamber of Commerce is pleased to provide a submission to the Ministry on proposed changes to temporary migration settings aimed at managing the number and settlement expectations of new migrants coming to New Zealand, and particularly Southland.

We take a proactive role in the business community with an aim to protect the interests and give our members a larger voice in issues directly concerning their business. Our members are Southland wide including businesses from the primary sector.

We have strong economic growth in our region but we are aware of our economic viability and vulnerability mainly due to population decline. In this context long term and temporary immigration presents as a positive opportunity to help meet some of our challenges. We see this as vital to the long term success of our region.

In this submission the Southland Chamber of Commerce wishes to ensure the consequences of the policy changes are fully understood by the Ministry with regards to our region and our members' businesses.

Proposal 1. Proposal to use salary information to help determine the skill levels.

A national remuneration level does not reflect regional circumstances and would cause negative consequences for Southland, and likely other regional centres in New Zealand.

The proposed remuneration threshold for a lower skilled visa is an annual salary of \$48,859 (based on a 40 hour week). This may be an appropriate threshold for larger cities, but is too high for Southland and does not reflect our region's salary expectations nor our lower living costs.

Southland has one of the lowest unemployment rates in the country. The Government have in place Skills Match Report to ensure Kiwis gain employment first. The objective

- *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.*

Our members have suggested the Government offer a subsidy for regional employers to pay a higher salary to attract staff to the regions. Bringing staff to Southland and other regions across New Zealand will help with the Auckland congestion and housing shortage.

The priority for Southland, at present, is the need to be recognised as having unique set of problems which include a labour shortage that can and is currently filled by migrant workers.

The Government has shown a willingness to recognise differing cost of living threshold across the country through its Kiwisaver home-start grant and first home differential threshold and we suggest it would be appropriate in this forum to also look at a pro-rated salary threshold. This could also have the added advantage of encouraging migrants to the regions thus easing some of the bigger centres woes.

Tourism is one of the leading industries in the Southland economy. Tourism is labour intensive and reaches across our region from Te Anau through to the Catlins. The industry creates a high level of low to medium skilled and relatively lower paid jobs. An example, where we are already experiencing a shortage is in hospitality. A trained chef in Southland can live quite comfortably on an annual salary around \$40 000 but this would not make the salary threshold and the business would lose a valued employee.

Labour within the primary sector is notoriously short, with the forecast from the Southland Region Labour Market Assessment 2014 – 2031 being 12,766 employees. A farm labourer can live in Southland on a salary of around \$40 000 (not including bonus's such as free accommodation and wet weather gear) but again, this would not meet the current threshold. 34% of our workforce are employed in primary production and processing, this change would absolutely have a profound negative effect on our region, not-withstanding the flow on effect to the rest of the country. The Market Skills Test ensures that Kiwis are always first offered positions but it is clear there are more positions than kiwi workers, meaning the shortfall is filled by migrant workers.

Seasonal business' within the primary sector, such as orchardists, shearing contractors and farms requiring extra labouring staff for lambing and calving seasons will be adversely affected.

Businesses and companies in start up mode require labour at low cost and for new businesses to work successfully in the long run and having migrant staff to fill the job vacancies is at time crucial for the business to succeed.

Not for Profit organisations are required to higher highly skilled staff, for example, Human Resource Managers yet, as a Not For Profit they probably are unable to meet the salary of around \$70 000 that will be the salary threshold.

Should the government wish to pursue a remuneration based system, Southland Chamber suggests that the remuneration levels be regionally adjusted to reflect local salary and living cost conditions.

We believe that the current ANZSCO system is reviewed and re-defined is better suited to measure skill levels for temporary migrant workers and is more flexible to account for regional circumstances than a national based remuneration system. As such, Southland Chamber believes the current ANZSCO system should be retained.

Proposal 2a and 2b. Proposal to set a maximum duration of three years and a stand down period of one year.

It is proposed that there be a maximum duration of three years for lower-skilled Essential Skills visa holders, after which there will be a minimum stand down period of 12 months before they can apply for another lower-skilled Essential Skills visa.

Southland Chamber considers that this proposed stand down period to be nonsensical considering the objectives of the proposed changes include

- *Continue to enable employers to use lower-skilled migrants where there is a genuine need*

Asking people to work and live here then leave for 12 months leads to an unstable workforce and an unnecessary revolving pool of labour whereby every three years employers would be forced to let go of valuable employees regardless of the market conditions at that time. Not to mention the effect this would have on family and community. School enrolments would fluctuate greatly if children have been here for three years then leave as would the child's education. This would impact the school's funding and staffing levels as well.

This is considered a poor business model for a valued staff member having to leave the organisation after three years simply because it is Government policy and is simply not feasible for any functioning business.

Southland Chamber recommends strongly that the 'maximum duration of three years and minimum stand down period of one year' is not to be implemented.

Our recommendation would be that local labour market conditions be the key determinant for the length of visa durations and renewals.

Proposal 3 and 4. Proposals to align the ability of Essential Skills visa holders to bring their children and p partners with them, with the new skill levels.

The proposal is that partners and children of lower-skilled Essential Skills visa holders be required to meet the requirement for a visa in their own right based on research quoted in this discussion document "...showed that family category migrant employment is associated with statistically significant negative impacts on the hiring of youth and beneficiaries". (*Keith McLeod and David Mare (2013) the rise of temporary migration in New Zealand and its impact on the labour market. MBIE, Wellington.*) Southland's youth unemployment is 689 as at September 2016, Department of Social Development so we challenge that this research is relevant to Southland.

Bringing family and children to our region means they have the opportunity to keep their family unit together. In terms of emotional well-being this would be the best outcome for all concerned. The worker is happier as his family is here, the family are happy to be together, the community thrives with new families arriving bringing new cultures and experiences. The early childhood sector and school rolls rise.

Manufacturing has been identified as an up and coming boom industry in Southland and all employers quite categorically have stated the necessity for migrant workers as they simply cannot find staff in New Zealand, let alone Southland. This included all levels of workers, high, middle and low. This industry flows in and out of the primary sector and tourism (for example making the seats for the Kawarau jet boats).

In Southland it is very common for one party of the relationship to financially support the family because they can and the family can make that choice to do so without policy dictating.

Proposal 5. Proposals to reinforce Essential Skills visas should only be granted for the period for which the employment is offered.

To maintain consistency from season to season it would be beneficial for employees and employers to know they can be consistent with their labour force. Sectors can work together to provide jobs from season to season and in its capacity the Chamber is able to assist members providing contacts from business to business looking for seasonal staff. Not having this reinforcement would allow the region to move migrants depending on seasons, sectors and individual businesses. For example, the local blueberry season runs from February-March, these migrant workers then move on the stone fruit in Central Otago through April, then oyster or ski season that requires many lower skilled workers. From August-October brings a variety of agricultural contracting ie. Calving, lambing, tailing, after which is hay making, silage. The cherry picking season starts November-December. This doesn't include the seasonal workers required in the viticulture industry.

Closing comments.

One of the weak links in every sector our members are facing is labour shortage. We believe the proposed changes, as discussed in this submission, will be detrimental for our businesses, our region and ultimately, our country.

The Southland Chamber of Commerce is grateful for the opportunity to provide a submission on the proposed changes to the Essential Skills visa policy settings.

It is hoped that this submission points to the broader issues around the need for regional specific immigration policies. The challenges faced by Auckland and other urban centres are quite different to the challenges faced in Southland.

When developing policies such as this it is crucial that regional specific issues are taken into account and provided for.

Southland Chamber of Commerce would welcome the opportunity to work with MBIE and other government departments to explore regionalised policies that would provide greater benefits to NZ and the regions within it.

We would also like to strongly advocate for a Southland based migrant settlement co-ordinator, as the current Dunedin based co-ordinator Fi McKay only accessing Southland for three days a month. Given the workload and issues facing our region around immigration this is not feasible.

Yours faithfully

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Chief Executive Officer