



BRIEFING

Defining Regions for Regional Skills Shortage Lists

Date:	25 March 2019	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2854 18-19

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway Minister Immigration	Agree to define regions for the regional skills shortage lists based on the 15 region standard geographic regions. Forward this briefing to the Minister of Education and the Minister for Social Development	1 April 2019
Hon Kris Faafoi Associate Minister of Immigration	Note the contents of this briefing.	1 April 2019

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Shane Kinley	Director, Labour and Immigration Policy	04 901 8619	Privacy of natural persons	✓
Ged Hiscoke	Senior Policy Advisor	04 474 2998	Privacy of natural persons	

The following departments/agencies have been consulted
Ministry of Social Development, Ministry of Education

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

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Purpose

You have previously agreed that the current skills shortage lists would be published on a regional basis in April 2019. This briefing seeks your agreement to a definition of regional boundaries in order to publish Regional Skills Shortage Lists (RSSLs) for 2019.

Recommended action

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

- a **Agree** to define regions for the publication of Regional Skills Shortage Lists based on the 15 standard geographic regions;

Agree / Disagree

- b **Agree** to forward this briefing to the Minister of Education and the Minister for Social Development;

Agree / Disagree

- c **Agree** that version 1 of the Regional Skills Shortage List will replace the Immediate Skills Shortage List;

Agree / Disagree

- d **Agree** that version 1 of the Regional Skills Shortage Lists will not include occupations on the Long Term Skills Shortage lists;

Agree / Disagree

- e Confidential advice to Government

Noted

- f **Note** that Immigration New Zealand will separately seek decisions from you regarding the annual review and update of occupations on the skills shortage lists;

Noted

- g **Note** that a decision is needed by early April on what regional boundaries are to be used for version 1 of the Regional Skill Shortage Lists in order to publish the lists in late April/ early May 2019;

Noted

- h Confidential advice to Government

Noted

- i Confidential advice to Government

Noted

- j Confidential advice to Government

Noted



Shane Kinley
Director, Labour and Immigration Policy
Labour, Science and Enterprise, MBIE

25/03/19

Hon Iain Lees-Galloway
Minister of Immigration

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Background

You have agreed to publish regional skills shortage lists in 2019

1. In December 2018, you took a paper to Cabinet seeking agreement to consult on a *new approach to employer supported temporary work visas and regional workforce planning* [CAB-18-MIN-0608.01 refers]. This Cabinet paper also indicated that you would publish regional skills shortage lists in April 2019, to coincide with the annual review of the Essential Skills in Demand (ESID) lists.

The 2018 review of the ESID lists is currently underway

2. The 2018 review of the ESID lists is nearing completion, and you will separately be briefed by Immigration New Zealand (INZ) on the findings of the review. This is focussed on occupations to be added, removed, or moved between existing skills shortage lists.
3. Once you have agreed to the occupational changes proposed from the review, INZ will draft changes to Immigration Instructions for you to certify, and that will enable the publication of the updated ESID lists, as well as version 1 of the regional skills shortage lists.

The Current Essential Skills in Demand (ESID) lists

4. The Ministry of Business, Innovation and Employment (the Ministry) administers three skill shortage lists, called ESID lists;
 - a. The Long Term Skills Shortage List (LTSSL): Intended to fill long term persistent occupational gaps – usually nationwide;
 - b. The Immediate Skills Shortage List (ISSL): Intended to meet immediate skills gaps with some regionalisation (some occupations are broken into 6 'regions').
 - c. The Construction and Infrastructure Skills Shortage List (CISSL) (Formerly the Canterbury Skills Shortage List): Similar to the ISSL in function, but focussed on the construction sector.
5. Under current settings, skills shortage lists carry out three main functions:
 - a. occupations on an ESID list are deemed to have already tested the labour market by having an occupation on the list, and so the employer does not have to demonstrate that they have attempted to recruit or hire a New Zealander when a migrant applies for an employer supported work visa;
 - b. lists provides signalling effect to prospective migrants about the skills that are in shortage in New Zealand; and
 - c. the LTSSL provides pathways to residence through:
 - i. A work-to-residence visa granted to migrants that are paid above \$45,000 annually. After 2 years on this visa they are eligible to apply for residence.
 - ii. Bonus points for residence under the Skilled Migrant Category (this varies from 10 to 60 points depending on if they have a job offer for an occupation on the LTSSL).
6. Importantly from a labour market perspective, skill shortage lists are limited to occupations classified as mid- to higher- skilled (level 1-3 on the Australia New Zealand Standard Classification of Occupations (ANZSCO) classification system). Skills shortage lists do not include lower skilled ANZSCO 4 and 5 level occupations, which require employers to engage

more heavily with Work and Income New Zealand (WINZ). See Annex one for a breakdown of how ANZSCO skill levels are defined.

Consultation has closed on proposals to move to regional skills shortage lists

7. Public consultation on the proposals set out in "A new approach to employer-assisted work visas and regional workforce planning" closed on 18 March. Submitters were broadly supportive, with views expressed in consultation including:
 - a. The importance of a regionally differentiated approach in targeting recruitment, prioritising local skills needs and supporting regional voices; and
 - b. Some submitters indicated that their regions needed their own skills shortage lists, or recognition of a separate labour market (South Canterbury, Mackenzie district, Queenstown, South Waikato).
8. Of those submitters that were not supportive:
 - a. Some submitters raised that RSSLs would reinforce and support existing industry and skills needs, and so would limit the ability of new industries to grow in those regions; and
 - b. Some submitters objected to differentiated regional labour market responses either because they saw the role of government as providing an equal, not differentiated platform to regions, or because they saw regional skills lists as too much additional government intervention.

Officials recommend moving to a 15 region model for version 1

There are a range of factors relevant to what regional model is used

9. In considering how to define regions, officials considered a range of factors, including the policy intent and the practical considerations of implementing the lists:

Policy Intent

- a. To better reflect regional labour market needs; and
- b. Use the lists to support the use of government and regional institutions, tools and work programmes to improve local labour market supply.

Practical considerations

- c. The regional structure of existing infrastructure and institutions, such as Economic Development Agencies, Industry Associations, Chambers of Commerce, and Work and Income Regional Commissioners;
- d. The availability of data - both administrative data held by agencies, as well as reliable official labour market statistics disaggregated by region;
- e. The likely cost to administer larger numbers of lists through increased consultation, data modelling and regional analysis;
- f. The marginal benefits gained from increasingly smaller regions and the meaningful level of variation between labour markets at the ANZSCO 1-3 level.

- g. The capability and resourcing of a region to engage with the process of regularly renewing a regional skills shortage list, and the increased pressure this would place on regions the smaller the regional definition gets.

10. The assessment is primarily one of the practicalities of implementation.

Officials recommend a 15 region model

11. Officials considered a range of options, including:

- a. Using the 67 territorial authorities, or a combination of these to develop custom regions;
- b. Developing customised regions based on analysis of labour market areas;
- c. Using the 15 standard geographic regions;
- d. Using the 11 WINZ regions, each of which has a regional commissioner;
- e. Splitting the main geographic regions into 'sub regions' (for example Hamilton and South Waikato, Christchurch and South Canterbury, Queenstown lakes and Dunedin) on an exceptions basis;

12. The two most practical options for version 1 of the RSSL are c) and d), as they best balance the availability of data, the desire of regions to have a voice in development of their own lists, the administrative burden of renewing lists, and the institutions and organisations that exist in the regions to support their administration.

13. Officials recommend that proceeding with a 15 region model, rather than the 11 region WINZ model as:

- a. the regional commissioners work has a significant focus on lower-skilled (ANZSCO 4-5) occupations, however the regional skills shortage lists only include mid- to – higher skilled occupations (ANZSCO 1-3), meaning that in practice they are targeting slightly different labour markets.
- b. although MSD administrative data is available based on their 11 region model, other more widely used datasets are not (there is some variation in how various datasets combine some regions);
- c. the combination of some regions (Nelson/Tasman/Westcoast/Wellington for example) and the separation of others (Auckland is currently proposed to be split into 3 regions, each with a regional commissioner) for administrative efficiency within WINZ's operations would not easily align with the purpose of a skills shortage lists as defining a reasonably differentiated labour market.

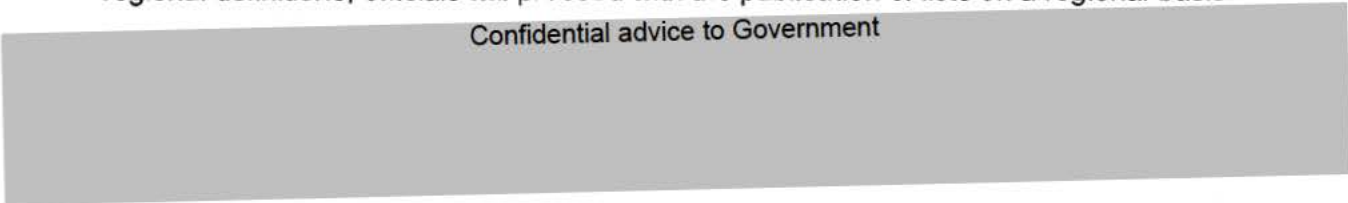
14. The 15 regions proposed to be used are:

- | | | |
|-----------------|----------------------|-----------------|
| • Northland | • Hawkes Bay | • Nelson-Tasman |
| • Auckland | • Taranaki | • West Coast |
| • Waikato | • Whanganui-Manawatu | • Canterbury |
| • Bay of Plenty | • Wellington | • Otago |
| • Gisborne | • Marlborough | • Southland |

Next steps

29. INZ will brief you separately on the occupations proposed to be added and removed from the skills shortage lists. Once you have agreed to both the occupational changes and the regional definitions, officials will proceed with the publication of lists on a regional basis.

Confidential advice to Government



Confidential advice to Government



Annexes

Annex One: ANZSCO skill level definitions

PROACTIVELY RELEASED

Annex One: ANZSCO skill level definitions

ANZSCO assigns occupations to one of five skill levels. In determining the skill level of each occupation in ANZSCO, advice was sought from employers, industry training bodies, professional organisations and others to ensure that the information is as accurate and meaningful as possible. The determination of boundaries between skill levels is based on the following definitions.

SKILL LEVEL 1

Occupations at Skill Level 1 have a level of skill commensurate with a bachelor degree or higher qualification:

- At least five years of relevant experience may substitute for the formal qualification.
- In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

SKILL LEVEL 2

Occupations at Skill Level 2 have a level of skill commensurate with one of the following:

- NZ Register Diploma or
- At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

SKILL LEVEL 3

Occupations at Skill Level 3 have a level of skill commensurate with one of the following:

- NZ Register Level 4 qualification
- At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

SKILL LEVEL 4

Occupations at Skill Level 4 have a level of skill commensurate with one of the following:

- NZ Register Level 2 or 3 qualification; or
- At least one year of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience may be required in addition to the formal qualification.

SKILL LEVEL 5

Occupations at Skill Level 5 have a level of skill commensurate with one of the following:

- NZ Register Level 1 qualification
- compulsory secondary education.
- For some occupations a short period of on-the-job training may be required in addition to or instead of the formal qualification. In some instances, no formal qualification or on-the-job training may be required.