

Submission by



GROWING PROSPERITY AND POTENTIAL

to the

Ministry of Business, Innovation and Employment

on the

**Consultation paper: a new approach to employer-assisted
work visas and regional workforce planning**

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Immigration settings in New Zealand

New Zealand promotes itself as a welcoming multicultural country with a thriving economy but many industries underpinning its strong economic performance rely on being able to secure a skilled workforce. With current unemployment at 4.3%, increasing global competitiveness for labour and skills and growing global tensions relating to immigration, BusinessNZ supports well-balanced immigration policies that maintain economic growth and New Zealand's reputation as a welcoming, globally connected country.

This paper sets out two objectives. It proposes a 'first principles approach' to immigration settings and services aligned to the Government's broader stated objectives of transparency, openness and fairness and also responds to proposals in the current consultation paper, '*A new approach to employer-assisted work visas and regional workforce planning*'.

First principles approach to immigration

The following principles to immigration policy have been widely consulted across companies, worker representative groups and Government agencies.

Clear, well-signalled, transparent policy markers

Immigration policy should be in line with the successive Government's broader stated objectives of transparency, fairness and openness. While there will always be sensitivities regarding the immigration system, those who need to interact with it should be able to clearly access and understand the policy settings in order to better be able to navigate the system directly. Businesses will adapt to policy settings as required, however weak policy signals on direction, motivation for policy settings, and policy settings that seek to address system failures in other areas like housing, education or infrastructure will not address the challenges of ensuring there is a viable workforce available to support economic growth.

Strengthened compliance visibility and actions

BusinessNZ strongly supports Immigration NZ increasing its investigation activities and visibility to address issues of labour exploitation in the workforce. Most of the people interacting with the immigration system are doing so from a place of genuine need for skilled workers which they can not access from the domestic labour force. Policy which is created to be overly punitive to businesses or workers as a way of addressing a small minority of poor performing actors in the system is regressive. Strengthened visibility and compliance activities will ensure that compliance activities are targeted appropriately to those businesses or individuals who are gaming the system, and not creating additional compliance cost on those businesses with genuine need to access a skilled workforce from overseas.

Immigration should be considered within the broader economic and social context for New Zealand – the NZ Inc view and connected inter-agency co-operation

Maintaining a strong economy and supporting business growth provides more jobs for New Zealanders, and also increases pressure for skills and people from off-shore where the domestic labour market supply cannot meet the demand. The current language used in the consultation paper, such as the statements "immigration policy is about getting New Zealanders in to jobs" and "employers are the main beneficiary of migration" does not acknowledge the broader benefits of economic growth to New Zealand, or the current context of record low unemployment, strong business growth over recent years, declining net migration and declining international education. These factors are compounding labour market shortages.

It does not seem to be clearly recognised that not only are many skills in short supply but that many individuals not currently in work are, for a variety of reasons, unwilling to take on available jobs. This is a problem encountered by all developed countries.

The statement that employers are the main beneficiaries of migration overlooks the fact that if employers are to stay in business and continue to employ their local workers, they can do so only if essential positions can be filled. Immigration should not just be about getting New Zealanders into jobs but about making sure New Zealanders who have jobs can keep them. This statement also ignores the broader benefits to New Zealand that migrants bring in terms of contributions to their local communities, global connectedness and the strengths of having a diverse society.

Further, high demand for migration to New Zealand highlights the broad range of attraction factors marketed heavily across tourism, trade and education – that we are a welcoming people, that we have high standards of living, and low levels of corruption. A broader NZ Inc approach to immigration and acknowledging there is benefit for both the worker and the employer in an agreed and legal employment relationship would be welcomed.

INZ service levels are high and people can interact with the system directly

As noted above, BusinessNZ is supportive of immigration settings being clear, transparent and the supporting online systems enabling people to engage directly with the system as much as possible. If Immigration NZ is to enjoy a high degree of confidence, this will depend on the service levels offered. A system that is easy to navigate directly will also reduce reliance on third party intermediaries, subsequently reducing the risks of exploitation of vulnerable migrants by third party agents.

Avoiding unintended consequences – more pressure on the existing workforce

There is a risk that immigration policies and reducing the flow, particularly of lower-skilled workers, will have the unintended consequence of creating extra strain on small business owners and workers. With a shortage of available labour, there will be additional pressure for longer working hours and risks of impacts on wellbeing, and the flow-through risks to health and safety.

Coherence with international agreement on migration

The New Zealand Government agreed to the United Nations Global Compact on Migration in December 2018. While the Global Compact is non-binding, the intent of the agreement is clear: *We commit to adapt options and pathways for regular migration in a manner that **facilitates labour mobility and decent work reflecting demographic and labour market realities**, optimizes education opportunities, upholds the right to family life, and responds to the needs of migrants in a situation of vulnerability, with a view to expanding and diversifying availability of pathways for safe, orderly and regular migration.*

Clear supply and demand information, insights and integration.

Immigration and education systems are the two key elements of labour supply to an economy. An effective economy optimises these elements by clearly signalling labour needs then designing and delivering education systems and immigration policy settings to meet those needs. This will require MBIE to more actively consider how to utilise foresight, and fit-for-purpose tools to keep up with the changing demands of skills, industry and the labour market, and create an immigration system that is adaptive to labour market needs. Tools such as ANZSCO and Jobs Online are not fit-for-purpose tools for the future.

There currently exists no mechanisms between immigration and education systems to influence the education supply pipeline at the speed or scale required to meet labour market demand, or in a way that does not impede on the institutional autonomy of tertiary education institutions. Education has a broader social good aspect than just labour market supply, and the reality of the current environment in New Zealand is that strong labour market signals, such as in trades training and the primary industries, does not necessarily incentivise young New Zealanders to study courses, particularly at lower levels to meet this labour market demand. New Zealand is one of the highest educated countries in the world with over half of the population holding a qualification at level 4 or above by age 35, which is exacerbating skill shortages in 'low skilled' jobs that New Zealanders don't want to do.

Partnership approach between industry, government and workers

Business and industry groups welcome a partnership approach to immigration. With the demand for better labour market information high, a partnership approach can play an important part in ensuring there is a strong feedback loop between parties to quickly address any red flag issues, ensure that parties are connected and clear on implementation and delivery of new initiatives, and that policy and operational aspects stay well connected and continue to adapt to the changing global and business environment.

Section Two – Feedback on 'A new approach to employer-assisted work visas and regional workforce planning'

Introduction

Business NZ welcomes balanced immigration policy that provides for a skilled workforce to ensure sustainable economic growth for the betterment of all New Zealanders.

Striking the balance between facilitation and protection will require immigration policy settings that are fit-for-purpose for the changing global environment and the New Zealand economic and social context.

BusinessNZ welcomes the review of temporary work visas and considers it timely given some long-standing inconsistencies in the different visa settings and application of existing immigration policy settings.

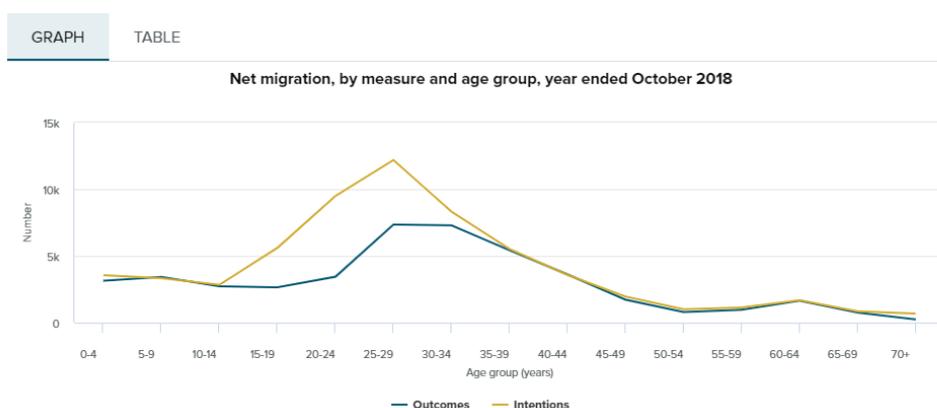
Strategic outcomes of the proposed changes

The purpose of the changes to immigration settings states that the policy design intends to achieve:

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

The strategic objectives to place New Zealanders into work leans heavily on the concept that migrant workers displace New Zealand workers, which BusinessNZ strongly refutes. MBIE's supporting evidence paper is flawed – the report explicitly notes that from the overall results, there were no effects on employment or new hires, and a positive effect on earnings. Further, between the time of the report's release and the current consultation period, Statistics NZ has updated the data sources used to clarify that net migration has been approximately 20,000 lower per annum over recent years when counting actual arrivals and departures rather than intentions-based statistics. The impact of lower than anticipated net migration is particularly relevant for those in the working age population, as shown by the below figure. MBIE and Statistics NZ have provided no further advice on the labour market impact of lower net migration, although there would appear to be a correlation between the growing skill shortage gap and record low unemployment rates in Quarter 4 2018 and Quarter 1 2019 with lower than anticipated net migration within the working age population.

Net migration as of year ended October 2018 (source Statistics NZ)



The New Zealand Initiative 2017 report 'The New New Zealanders', while still utilising the outdated intentions-based data, takes a broader view of immigration outcomes taking into account social cohesion, economic impact and longer term impacts on the native-born population. A key finding of the New Zealand initiative report notes that '*fears of negative labour market impacts are*

overblown. A wealth of empirical research disputes the notion that migrants 'steal jobs' from native-born workers. Likewise, the net effect of immigration on wages is generally negligible'.

Temporary workers should have wages and conditions consistent with New Zealand values. There is little evidence that labour exploitation is a wide spread problem in New Zealand and existing employment laws articulate the working conditions for all workers, whether migrant or native-born. Perversely, one option in the policy paper, higher remuneration rates for migrants, could result in migrant workers being paid more than New Zealand-born workers. A tight labour market and further restrictions on the workforce also risks increasing labour exploitation of all workers as businesses are faced with the very real option of closing down due to not being able to access skilled labour.

Recommendation – the purpose of immigration policy is to provide access to a skilled workforce for jobs where the New Zealand labour supply cannot meet demand.

All developed countries use immigration to meet the challenges of sustained economic growth where workforce supply cannot meet demand. The alternative is supplying the workforce from the education sector and via domestic mobility. Findings from other developed countries show skill shortages emerging at the lower end of the workforce as developed countries tend towards higher educational achievement. This is also true of New Zealand. Ministry of Education and OECD data of tertiary educational achievement indicate the rate of bachelor level or above educational attainment over the last ten years increasing from 17% to 26%, with qualifications at certificate or diploma level decreasing from 33% to 26%. Over just the last five years, level 1 – 3 certificate qualifications, despite a significant demand for lower-skilled jobs, have decreased from 3.8% to 2.6%. This skills mismatch highlights the current struggle to meet labour market demand. Immigration policy should focus on filling jobs New Zealanders aren't able, willing or skilled to do. Education policies should address the education sector/labour market skills mismatch as immigration will not change people's desire to achieve qualifications with a long-term high rate of return on investment rather than lower skilled qualifications and roles because there is strong labour market demand.

We have already seen evidence of higher wages not being enough of an incentive to attract people to certain industries and jobs. Despite strong labour market demand and increasing wages in vocational and trade areas, school leavers still greatly prefer bachelor level education to the many trades training and Apprenticeship options available.

Scope of visas included - comment

BusinessNZ supports the objective of streamlining visas and simplifying the system and acknowledges the limitations of the review. It is important to note however that there are a number of special visa classifications that would fit in to the scope of lower-skilled temporary migrant workers (such as religious workers, Thailand Chefs visa etc) that are not within scope as they would be subject to renegotiation of Free Trade Agreements. BusinessNZ supports export companies and free trade agreements that support New Zealand's export growth. A fair and comprehensive immigration policy should target those jobs and skills most in demand which due to the historical precedents of our existing system cannot be addressed within the scope of this review. It is difficult to that some of the special visa classifications are more vital to New Zealand's economic growth and social cohesion than a migrant worker employed in a role in a company critical to export markets or infrastructure.

Proposal 1 – the employer-assisted temporary work visa system will be changed so that the process starts with the employer instead of the migrant applicant

The consultation paper states that the proposed employer and accreditation system will influence behaviour towards achieving the strategic outcomes. The underlying premise that employers are the main beneficiary of migration is flawed, given that migration offers people opportunities to develop work and English language skills that will prepare them further for life in New Zealand, or for work opportunities in other countries around the world.

New Zealand is marketed as a welcoming country, and immigration to date has met an enduring workforce supply shortage. The New New Zealanders' report found migrants integrate well (87% felt a sense of belonging in New Zealand). The immigration consultation paper dismisses the social and economic benefits to migrants of working in New Zealand, and their broader contribution to New Zealand. In 2013, migrants' net fiscal contribution to the Crown was \$2,653 per capita, compared to \$172 for native born New Zealanders.

The assertion migrants, and more broadly New Zealand, do not share the benefits of migration is poorly evidenced and doesn't take into account the benefits generated more broadly for all parties.

Feedback – the employer gate

BusinessNZ supports the extension of employer accreditation from the existing 12 months to a longer period of time, and that once accredited, employers will not have to be subject to repetitive checks by Immigration NZ for every worker on an employer assisted visa. This will enable Immigration to focus on those people coming in to the country and operate under a high trust, low touch relationship with those businesses that have a need to access workers from abroad.

The following issues are of concern with the proposed employer gate:

- **Access for small businesses** – the process is likely to be difficult for small businesses to access without external support, particularly where a worker may have been hired on an open work visa (e.g. a holiday visa) and needs to transition to an employer-assisted visa. The immigration process should be accessible to all businesses that need to use migrant workers where there are no New Zealanders available to do a job.
- **Utilising immigration as a lever to address broader business conditions** – the policy intends to 'put upward pressure on wages and conditions'. Immigration is primarily to address labour supply. It should not be used as an artificial means to put pressure on things such as wage rates. New Zealand's employment law and regulations ensures businesses are meeting their obligations, and with increases to minimum wages already announced, there is already upwards pressure on wages and conditions which will need to be accompanied by increases to revenue or productivity. In the case of export markets, New Zealand companies are price takers rather than price makers. For industries such as aged care, many of the price points are set by the Government's funding through the Ministry of Health. There are so many variables to business and industry profitability that it is suggested these issues are addressed via broader employment regulations or industry negotiations, and there are positive opportunities from the sector agreement option to contextualise the workforce needs of industries. Any issues of employers not meeting their obligations to all workers should be addressed through MBIE's enforcement activities.
- **Few checks and balances on employers** – the paper notes that some employers with poor track records are still able to access migrants, increasing the risk of migrant exploitation. This statement disregards the high levels of regulatory compliance across many sectors, including some of those that are high users of the immigration system. The aged care sector for example has a high level of compliance with audits undertaken by the Ministry of Health.

BusinessNZ proposes a suite of improvements to the proposed accreditation criteria, as follows:

- **Premium accreditation period is for an initial period of three years with renewal period of five years.**

For those businesses that must use migrant labour and meet the standards of premium accreditation, a longer extension period will better enable them to undertake workforce planning and reduce compliance costs over the longer term. It is suggested that immigration introduce a relationship management model with companies that are in the premium accreditation suite to ensure strong feedback and links from business to immigration.

- **Businesses that have undertaken due diligence with a Government agency are fast-tracked through the accreditation process.**

The following clusters of businesses are relevant to New Zealand's ongoing economic prosperity and could be fast-tracked through the employer accreditation as needed:

- Existing RSE Employers – already vetted by Immigration New Zealand and MBIE;
- Labour hire companies – already signatory to and vetted by the Staff Sure trans-Tasman compliance programme;
- Focus 700 Companies – already vetted by NZTE and identified as growth companies;
- New Zealand Universities – already vetted by TEC and subject to Ministry of Education conditions.

- **Remuneration rates for migrants should remain relative to the average income for that occupation, in a region.**

Despite being set in 2008, the existing remuneration threshold of \$55,000 per annum is still higher than the average New Zealand average income of \$50,000. The proposal to increase the remuneration rate to \$78,000 (150% of the average income) will have a significant impact on employers. This would represent a 41% salary increase for migrant workers over and above the other environmental factors that are adding cost pressures to business. It could result in the unintended consequence of migrant workers being paid more than New Zealand born workers, and also result in fewer jobs overall being available due to the high labour costs associated with migrant workers, reducing the likelihood of achieving the stated objective of creating more job opportunities for New Zealanders.

It is proposed that remuneration rates are pegged to the market rate for an occupation, in a region. This approach incorporates the regional approach to immigration and ensures that employers still have the ability to set remuneration rates that reflects an individual's skills and experience.

- **Low skilled workers should be provided with a three-year visa, access to partner and child visas, and have an option to progress to residency after five years of employment in industries with ongoing skill shortages.**

The paper proposes that low skilled workers may work for one year and renew for up to three years before leaving the country for the required stand down period. As noted above regarding education outputs to labour market demand, it is unlikely the challenge of New Zealanders aspiring to lower income and lower skilled jobs, or industries that have experienced severe skill shortages for the last ten years, will be resolved in the short to medium term, particularly given the preference by school leavers to study at higher levels and the pool of lower skilled domestic workers continuing to decrease.

It is arbitrary to say that a migrant's contribution to a company and the wider community is only determined by remuneration and an outdated skill classification framework.

Companies train their workers both formally and informally. For those companies that have a persistent and ongoing demand for lower-skilled workers, meet accreditation requirements, and have a genuine and ongoing demand for low-skilled workers, requiring a churn of low

skilled workers will increase compliance costs, reduce productivity, and be out of line with New Zealand values of fairness.

Temporary work visas are available through the RSE visa classification, working holiday classification and unique visa classifications – in these instances, the temporary nature of the visa is clearly articulated and there is a reasonable expectation that these workers will be in New Zealand for a short period of time.

Lower-skilled workers with evidence of long-term skill shortages, little education pipeline to provide for labour market supply and a guarantee of ongoing work constantly labour market tested for the duration of a migrant's stay, should have their contribution to New Zealand recognised through a pathway to residence under the employer-assisted visa.

Enabling workers to bring their families will provide for easier integration and social cohesion and contribute to NZ AID and foreign affairs' objectives of raising education levels, given many lower-skilled workers come from the Pacific and ASEAN regions.

Large companies can undertake a single application for accreditation, and workers that shift between locations or branches of the same company are not required to reapply for accreditation or visas.

Given many large companies have consistent training and occupational standards across locations and branches of the business, it is suggested that those workers on employer-assisted visas are able to more freely move between different areas of the business. The tests on the employers and migrants have already been undertaken and there is unlikely to be significant changes to working conditions. This approach will acknowledge the realities of the current labour market mobility and reduce unnecessary workload for INZ.

Fees for small businesses are minimised

Given the additional costs required for employing a migrant, including increased pastoral care arrangements, potentially legal fees or immigration advisory fees, costs of unsuccessful recruitment for New Zealand workers, it is suggested that the fees for small businesses from INZ are minimal. A fee of \$200 is suggested as a more reasonable cost for those companies seeking standard accreditation.

Appendix A contains detailed feedback on the employer accreditation proposed.

Feedback – the job gate

Labour market tests have been embedded within the immigration system for a number of years. There are some notable gaps in the tools and assumptions used for the labour market test, most notably that the current method of assessing the number of people on benefit or in education will progress to the low-skilled jobs available. Businesses are seeking workers with a positive attitude to work, teamwork and communication skills, a willingness to learn and the relevant technical skills to do the job. There is a myriad of reasons outside of an employer's control for why New Zealanders are not applying for, or staying in, the lower skilled jobs available. While working conditions are often good, with opportunities for training and career development and salaries well above minimum wage, a complex mix of job and industry perceptions, geographical location and transport access, confidence and resilience, family and community commitments, work hours, the physical and emotional requirements of the job and individual circumstances all impact on the labour market supply aspect. While a comprehensive analysis of education to employment pathways is not available, evidenced reports such as a quarter of new Apprenticeship sign-ups already holding Bachelor degrees, and the largest cohort of new tertiary students still choosing University study despite strong labour market signals and marketing investment about industry skill shortages, demonstrate

there needs to be a much better understanding of New Zealand labour market dynamics than currently available.

The following issues are of concern with the proposed job gate:

- **Some targeted recruitment of New Zealanders does not meet the labour market test.** The labour market tests have not kept pace with the different ways that employers are directly targeting New Zealanders for work. For many employers seeking staff, utilising social media platforms to advertise with the view of reaching the local workforce will not meet the labour market test of appearing in Jobs Online data. When advertising on Seek or TradeMe, companies are inundated with offshore applications and there are a number of ways employers intentionally target local New Zealanders for job opportunities that are not captured in the labour market testing regime. Similarly, for those employers contacting training and education providers with a view to employing recent graduates, there is little response from training providers that are disincentivised to release people to the workforce before course completion. It is suggested that the labour market test review all of the ways that businesses try and source workers from the local labour market, particularly in industries with existing skill shortages and open recruitment processes.
- **The welfare system needs to do more to remove barriers to employment.** All employers seeking access to a migrant work pool have worked with the Ministry of Social Development. A person on a benefit does not necessarily equate to somebody willing, able and with the necessary work-ready skills and support to confidently re-enter the workforce. The welfare system has not removed fundamental barriers to work (e.g. substance abuse issues, transportation issues, domestic violence issues, childcare and family commitments, lack of digital, literacy and numeracy skills). The high level of churn demonstrates that further work is needed for MSD clients to map a successful workforce re-entry. This could include options such as recognising further training and education as a successful outcome (rather than just short-term employment outcomes) and ensuring a stronger focus on matching skills to job and training opportunities to improve the rate of successful, sustainable employment. Further changes to the welfare system are needed to ensure the best possible employment outcomes.

BusinessNZ proposes a suite of improvements to the proposed job gate as follows:

- **Regional skills shortage lists.** BusinessNZ is supportive of a more nuanced approach to regional skill shortages that is informed by industry and businesses. However, the paper proposes that Immigration NZ would have the ability to make immigration harder or easier to source at a regional level with little information on how this would be achieved, or the necessary changes to the education and welfare mechanisms that would improve the pool of New Zealand workers to meet the labour market demand. Building greater discretion into immigration systems and restricting immigration rates in direct correlation to welfare numbers will also mean regional economic development does not benefit from the broader positive impacts of immigration. Regional skill shortages information should be provided more generally to inform options for domestic mobility to assist in meeting workforce demand and providing employment opportunities for New Zealanders. BusinessNZ also strongly supports foresight in regional workforce planning. All labour market indicators, and the existing skill shortage lists are designed using hindsight data which is unresponsive to the changing labour market dynamics. Closer industry links and sector agreements building in workforce planning considerations are needed if immigration is to influence the

education and welfare systems to respond, and there is a well-informed and pragmatic view taken of appropriate levels of migration per region.

- **Sector agreements should be voluntary.** BusinessNZ supports sector agreements with particular industries that will ensure business has confidence in accessing a labour market supply and looks forward to industry and business groups working in a high trust and co-operative relationship with ImmigrationNZ. BusinessNZ supports sector agreements being voluntary for companies so that Government agencies have time to better develop the workforce modelling tools required and sector agreements have room to flex and be informed by as much real-time labour market demand and supply information as possible.
- **Regional characterisation indicators should not add unnecessary complexity and should take in to account industry and community need and provisions.** The proposed regional characterisation indicators introduce additional complexity while still using hindsight and stagnant labour market measures. There is a risk regional characterisation indicators will become overly prescriptive and utilise HLFS and Statistics' data currently used for monitoring national labour market trends to gain an overview, but not well-informed insights, on small, regional pockets of New Zealand. These tools are not fit for purpose to gain the insights needed for comprehensive labour market matching. For example, of the 21 regional characterisation trends listed, none of the labour market indicators will test the skill levels required in the jobs available or forecast to grow. For supply measures, none of the indicators will reflect any trends in domestic mobility (particularly relevant where most regions don't have training opportunities available across a number of occupations but can attract people once qualified and ready to work), nor fundamentally test the availability of training opportunities to support pathways into areas with the highest labour market demand. Other indicators, such as pressure on housing and road and rail logically lead to Auckland's exclusion under the 'tightening' of immigration settings by region, ignoring Auckland's attraction factors such as being New Zealand's international city, or family and community links due to 40% of the current population being born outside New Zealand. As noted in the introduction, there is no strong evidence of labour displacement of New Zealanders currently. It is suggested MBIE and Immigration NZ consider testing, and providing feedback to industry, on the longer-term adoption of tools such as:
 - Aria – Statistics NZ prototype classification tool that could allow for better skill descriptors, enable new jobs and skills to be added as they emerge in the future of work, and provide more specific occupation descriptions (as a long term replacement for ANZSCO, the outdated occupational classification list still being utilised from 2006);
 - Qlikview – TEC tool to understand school leaver movements in to tertiary education to inform part of the picture of domestic mobility;
 - IDI – focussed education to employment measures that can be tested across a range of Government measures and data points to inform part of the picture of education and labour market skills matching;
 - Comparable mapping of educational outcomes to registration and professional standard outcomes in areas of skill shortages – testing educational outcomes against those progressing to registration or professional accreditation standards (e.g. how many who complete a teacher education degree progress to full accreditation?).

Government must utilise more sophisticated tools and technology to inform real-time labour market demand and supply information. Industry is keen to work with officials to gain an understanding of both current and future jobs as the nature of work changes.

The labour market system

Immigration's ability to trigger other labour market mechanisms to meet demand is limited, and unlikely to improve in the short term. As noted in the feedback on the job gateway above, navigating to sustainable employment can be complex for a range of reasons. BusinessNZ strongly supports greater feedback loops between all parts of the labour market system. Immigration's signalling skills development is required does not flow through to the delivery of appropriate training or ensure people will turn up for the course and the job. Government policy has successfully raised New Zealanders' aspirations and it is difficult to see how further policy changes could inspire them to undertake lower-skilled jobs.

With large scale changes proposed to the vocational education sector, there is a high level of uncertainty regarding how all vocational education will be delivered in the future. Other than the expected disruption to the existing sector, working through a sector restructure affecting 250,000 people currently in training and a network of 27 separate organisations will likely take years. And there will still be existing challenges in the vocational education sector, such as training in small, niche skill areas with low economies of scale, accessibility to education options, particularly in the regions, influencing the TEC's purchasing decisions and addressing quality assurance issues in education. If anything, a lack of confidence in investing in vocational education until the changes are worked through is likely to increase demand for skilled workers with vocational education enrolments dropping rather than strengthening an education sector response.

Similarly, welfare system responses need to take into account the barriers to employment described above, and strengthen the feedback loops to address the underlying aspects impacting on labour market supply.

Labour market strategies, plans and skills bodies

Regional skill hubs have been proposed through a range of different Government initiatives (Ministry of Education Hubs as part of the Tomorrow's Schools Reviews, Skills Hubs as part of the Vocational Education Reforms, Job and Skill Hubs as part of the Provincial Growth Unit, Regional Skill Hubs as part of this immigration review). While the reasoning for the hubs is sound, the existing skill hubs piloted have had mixed success to date.

Business and industry must play an active role in any skill hub approach, and BusinessNZ is keen to test strawman concepts on how they could work when driven by community and business needs with a 'single door' approach for employers, learners and workers.

Feedback – the migrant gate

Although minimal changes are proposed to migrant application checks, it is important to note that greater transferability, currency and recognition of migrant skills will be needed in the future as there is increased global competition for skills, and to more easily facilitate the transfer of knowledge and skills in the workforce.

The following issues are of concern with the proposed migrant gate:

- **Remuneration thresholds should be retained in the band of 85% - 100% of the median income.** BusinessNZ does not support the increase of the remuneration threshold as it will add additional cost for businesses already facing upward pressure from increases to the minimum wage and does not provide opportunities for employers to operate within a band across all workers, reflecting the skills, competencies and experience that they bring to the business. BusinessNZ proposes retaining a band pegged to wage inflation that will ensure that migrant workers keep pace as wages increase, while not putting additional pressures on the wages or job growth for New Zealanders.

BusinessNZ proposes a suite of improvements to the proposed migrant gate as follows:

- **The stand-down period for lower-skill migrants is removed.** The stand-down period for lower-skilled migrants should be removed where there is an ongoing industry and business labour market need. The stand-down directly affects existing and satisfactory employment relationships in areas with ongoing and growing labour shortages; it does not take into account the additional cost on business of sourcing and training new staff where there is a genuine and ongoing need for lower-skilled workers. In addition to removing businesses' autonomy to utilise trusted and trained employees, a stand-down negatively affects productivity, causes disruption and does not contribute to achieving better job outcomes for New Zealanders. Since the stand-down period was introduced, there has been no evidence of it doing anything other than causing significant harm to businesses and individuals.

Appendix One – detailed feedback on the employer criteria for accreditation

This appendix provides detailed feedback on the proposed employer accreditation outlined on pages 39 – 43 of the consultation document.

Standard accreditation requirements

Key evidence area 1 – reasons for exclusion

BusinessNZ supports exclusion of businesses from immigration access that have breached immigration or labour laws for all types of employer accreditation.

Key evidence area 2 – employer assessment requirements

Minimises the risk of exploitation

Employers support utilising the MBIE resources available to provide settlement packs and information, and encourages MBIE to promote that these resources are available to employers.

Trains and upskills New Zealanders

BusinessNZ supports the testing of training within a business, however suggests that this is considered in the context of how a business undertakes both formal and informal training, and that the financial test of spend on training is removed. Companies provide a range of training opportunities, and effective training being delivered on-the-job such as mentoring of migrant workers by more experienced staff will not be reflected in a training budget test.

BusinessNZ recommends that a 90 day retention test of new entrants or jobseekers is removed given the wide range of variables that can result in people choosing to leave employment within 90 days that employers have little control over. Taking a more holistic approach to considering how employers are seeking to engage New Zealanders in work, such as social media campaigns, supporting industry experience visits, working with their industry associations to promote careers in their industries will take a more balanced approach to ensuring businesses are engaging with new entrants and jobseekers. None of these indicators are currently picked up in existing labour market testing.

Lifts wages and conditions

Increases to the minimum wage are anticipated to create upwards pressure on wage inflation across the board as companies shift workers up in a scaled approach. Creating additional wage increase requirements on migrants over and above these settings, particularly depending on policy outcomes regarding remuneration rates, risks skewing wages for migrants to be higher than for New Zealand workers.

BusinessNZ supports ensuring that health and safety needs of all workers are met.

Maintains the integrity of the immigration system

There is no evidence that companies are making workers redundant in favour of filling those positions with migrant workers. Using immigration to meet workforce needs is expensive, slow and a last resort option for most employers. The redundancies test should be removed given the lack of evidence that migrants displace New Zealanders.

BusinessNZ does not agree that greater discretion should be built in to the role of an immigration officer, given the variable levels of service and inability of immigration to be able to monitor the consistency of discretionary decisions of its officers. As per the principles outlined, clear and transparent policy markers and trusted relationships between business and immigration will build greater trust and integrity in to the immigration system than ambiguous decision-making.

Premium and labour hire company accreditations – additional criteria

Minimises the risk of exploitation

Many companies are already providing high levels of pastoral care to migrant workers, such as providing accommodation and family support for settlement. BusinessNZ does not support making pastoral care arrangements overly prescriptive given that the inherent nature of pastoral care is to provide tailored care and support based on an individual's needs.

Trains and upskills New Zealanders

As noted above, consideration of formal and informal training arrangements should be considered by INZ rather than prescribing particular training arrangements. Requiring apprenticeship programmes when apprenticeships are not available across many industries could create difficulties in implementing this policy, and many large companies have high quality and extensive in-house training that is delivering skill development in industries that do not have qualification or registration requirements.

The retention of jobseekers for 90 days should be removed. This criteria does not take in to account that many jobseekers choose to leave a job within 90 days. It is the Ministry of Social Development's role to work with jobseekers to remove barriers to employment, and further information is required on how MSD plans to maximise the chances jobseekers succeeding in the workforce.

Lifts wages and conditions

A union objection test should be removed from the criteria. Currently 12% of the workforce are members of a union, and the inclusion of union objection as a test for companies with no unionised workers creates additional complexity when it is not relevant to a large number of companies who may seek accreditation. The existing test with the Labour Inspectorate should capture any concerns about companies applying for accreditation. It is suggested that any concerns raised by unions are picked up as part of the tripartite arrangements with the CTU, ensuring that there is still union involvement as necessary and relevant.