

Submission by



to the

Ministry of Business, Innovation and Employment

on the

Future of the Skilled Migrant Category

FUTURE OF THE SKILLED MIGRANT CATEGORY – SUBMISSION BY BUSINESSNZ¹

EXECUTIVE SUMMARY OF RECOMMENDATIONS

- The Skilled Migrant (SMC) category simplification of points from one to six is supported.
- The points system should be amended to include allocations for regional location; level 4 to 10 qualifications; and time served in stable employment where there are long term and systemic labour shortages.
- New Zealand needs open, simple and permissive immigration settings to meet the challenge of severe skill shortages and reduce economic and social harm. Current settings are too restrictive and exclude workers for half of the labour market.
- Immigration should provide a level playing field for firms to source the skills unavailable in New Zealand. There needs to be a high trust relationship between industry and Government, underpinned by utilisation of existing enforcement mechanisms through the labour inspectorate to address issues of concern.
- To simplify the system, BusinessNZ suggests a 6 month limited purpose visa is put in place to capture seasonal demands and peaks, with clear temporary stay intent. For the SMC, pathways to residency should be available at all skill levels where there is not a New Zealand workforce available.
- BusinessNZ supports high skilled migration, however this should not come at the expense of recognising the value of, and high demand for, vocational skills in the labour market.
- The SMC has the potential to be the main channel for skills, and under open and permissive settings, will negate the need for the Green List or occupation specific carve-outs or additional compliance.
- Better labour market data is necessary to understand shifts in the labour market and ensure better co-ordination between labour market supply channels of immigration, education and social development. ANZSCO should be phased out as it is not fit for purpose for describing occupations in a modern and dynamic labour market.
- Immigration settings should be able to flex to demand and labour market factors and work should be undertaken to put in place open immigration settings that are reviewed by labour market and economic triggers – e.g informed by the Reserve Bank's output gap measure, unemployment levels and/or inbound net migration levels. The ongoing policy work programme should be transparent with clear objectives, timelines and consultation.
- Additional policy and operational action is necessary to ensure a coherent immigration system that will have a material impact on SMC volumes, including (but not limited to) removing partnership work testing scheduled to be introduced; reinstating industry training eligibility for people on work visas; undertaking a global campaign to attract the necessary skills to New Zealand; stronger partnership between Immigration NZ and industry to identify and connect those with relevant skills to New Zealand businesses; improved qualification and skill recognition to ensure effective utilisation of international skills; rapid process redevelopment to improve processing times and accountability mechanisms on the Department for servicing levels and winding down Government work schemes that are drawing people away from firms that need their skills.

1. INTRODUCTION AND RECOMMENDATIONS

- 1.1 BusinessNZ welcomes the opportunity to make a submission to the Ministry of Business, Innovation and Employment (MBIE) on the Future of the Skilled Migrant Category (SMC).
- 1.2 BusinessNZ welcomes the Government intent to restart New Zealand's immigration settings, however the rolling changes under the 'Immigration Rebalance' are causing ongoing frustration and uncertainty for the business community, increasing costs and impacting business confidence.
- 1.3 The consultation paper lacks any analysis of the contribution of the SMC in pre-Covid times to New Zealand's economy and society, clear problem articulation of what changes to the points system will solve, or analysis and forecast of outcomes to be achieved through the proposed policy changes.

¹¹ Background information on BusinessNZ is attached as Appendix One.

It is recommended that the SMC ensures the following principles underpin the policy:

- Open, simple and permissive immigration settings for New Zealand;
- The need for skills at all levels of the labour market, particularly in the current environment of severe skill shortages negatively impacting the wellbeing of the workforce;
- Coherence and cohesion with other immigration settings and consider part of the broader system;
- Globally competitive immigration settings;
- Supportive of New Zealand's domestic and foreign affairs objectives, and obligations under the UN Global Compact on Migration;
- Effective implementation supported by effective and efficient immigration processing and services.

Immigration policies are now causing significant harm to New Zealand's economy and society in failing to alleviate severe skill shortages – the workforce is burnt out and there are escalating risks of injury, harm and death on the job. Lack of immigration is fuelling inflation pressure with increasing risk of a wage spiral.

On the four key issues highlighted in the consultation document, BusinessNZ recommends:

- **Simplified points system:** BusinessNZ supports a simplified points system, however, considers there need to be additional point incentives to ensure that regions are able to attract the international skills and talent necessary and that the points system reflects 'settled, skilled or scarce' criteria.
- **Process all applications that meet the eligibility criteria:** BusinessNZ agrees that removal of the planning range cap and processing all those that meet the eligibility criteria rather than creating backlogs in immigration queues are preferable. However, BusinessNZ does not consider the paper's assumption is correct - that this will result in more migrants gaining residency - as multiple immigration channels, such as international students who may transition to work visas and residency pathways, have been significantly reduced.
- **Special requirements for people in specified occupations.** BusinessNZ does not agree that retail and hospitality roles require additional special requirements, and that immigration policy should ensure jobs in the labour market can be filled. Further commentary on the balance of filling these roles is contained in section 6.
- **Apply the stand-down period requirement.** BusinessNZ strongly disagrees that the stand-down period requirement should be brought into effect and recommends a pathway to residency is provided, along with the ability of employers to provide progression pathways to minimise immigration and labour market risks. There is no evidence that displacing settled and skilled migrants improves labour market outcomes for New Zealanders. Rather, there is evidence that the pipeline of skills within New Zealand will continue to diminish with high outbound flows of New Zealanders, poor results and disengagement from compulsory education and a looming demographic change that will see a quarter of New Zealand's population aged over 65 in the next thirty years.

2. BACKGROUND

- 2.1. Immigration is important to New Zealand's economy and society. Immigration is a positive net contributor to the wages and employment of New Zealanders and improves long-term productivity and firm innovation (refer to the Productivity Commission Report Inquiry into Immigration 2022).
- 2.2. The Skilled Migrant Category review is part of the Immigration Rebalance, a suite of changes to immigration policies that was started in 2018, focussed primarily on working age, skilled migration. In 2018, New Zealand had comparatively high migration rates, and ranked consistently in the top 10 countries for ease of migration. Net migration kept pace with job creation and balanced the also comparatively high outflow of New Zealanders. Following the two year border closure and significant global events, New Zealand is now in negative net migration, with accelerating rates of outbound New Zealanders. The country is struggling to attract the skills and talent desperately needed in the labour market. Lack of immigration is worsening inflation affects and negatively impacting the wellbeing of the New Zealand workforce.
- 2.3. The SMC policy must be coherent and complementary to other visa settings to ensure there is sufficient immigration at all skill levels to meet labour market demand. The SMC is particularly important given that it provides a pathway to residency, a key attraction factor for international skills and talent.
- 2.4. The border exemptions process in place while the border was closed, and the subsequent immigration settings put in place since the border has opened, have focussed on favourable settings for preferred companies and occupations – for example, open work rights for visitors associated with the FIFA World Cup; or the Green List put in place with minimal consultation with industry that is comprised of skill

shortage occupations. BusinessNZ encourages the Government to take a high trust relationship with business and provide a level playing field that allows firms to access the international skills and talents they need.

- 2.5 BusinessNZ supports an open, permissive and simple immigration system that supports the whole labour market eco-system. The current immigration settings effectively cut the availability of skills and talent below the median wage, despite the median wage applying to half the jobs in the workforce and the severity of the skill shortages being felt across all industries and regions. It is important to note that migrants do not displace New Zealanders from work, an initial assumption put forward by the Government that has been disproven in both New Zealand and international labour market research.

3. SKILLED MIGRANT CATEGORY

- 3.1 The closed border, decisions taken over the last two years, and the current labour market context need to be taken into account for the design of the SMC criteria. The Department's ability to implement any new policy also needs to be taken into account.

- 3.2 Co-dependencies and key issues for consideration in developing a pragmatic view of the SMC policy settings to support the New Zealand labour market include (but are not limited to):

- 3.2.1 *Overall flow of people with work rights* – in the absence of working holiday makers and other arrivals with open work rights, more demand will be pushed into the SMC category as the only option for recruiting necessary skills.
- 3.2.2 *Cumulative cuts to migrant flows* – New Zealand's attractiveness as a country and the cumulative reduction in work rights being proposed by the Government will reduce migrant flows at a time when we need them to increase. For example, post-study work rights for international students have been significantly reduced, despite only 30% of this cohort remaining in New Zealand after five years. The Government intends to introduce work testing of people on partnership visas, which in addition to creating a potential situation where there are people in New Zealand willing and able to work but restricted by superfluous immigration settings, this policy also risks creating economically and socially isolated migrants that will drive poor community integration and settlement outcomes.
- 3.2.3 *Lack of coherent planning, forecasting and discussion about the need for immigration against the domestic skills pipeline* – immigration policy fails to take into account the deficiencies in the skills pipeline in New Zealand. Long term skill shortages are evident in a number of industries, and yet the lack of a coherent and systemic view of how these will be addressed inevitably creates additional reliance on immigration in the absence of a sufficient skills pipeline. This challenge is anticipated to amplify in the coming years due to disruption to the education pipeline, and declining educational outcomes.
- 3.2.4. *Fails to take into account ways of working and improving utilisation of international skills* – New Zealand needs a well-skilled workforce to grow productivity and prosperity for all. The proposed immigration settings are overly focussed on a few industries and occupations with little evidence that there are significant problems. As per the Productivity Commission's report, *Immigration by the numbers*, even under the settings where New Zealand had comparatively high immigration and concerns were raised over the proportion of 'low skilled' migrants, the findings show the migrant population is better educated, has negligible impacts on housing, and contributes more to the country than the New Zealand born population. New Zealand's immigration policy should reflect that increased flexibility is necessary in an environment of severe skill shortages and ensure that migrants are able to fully utilise the skills they bring with them. The Government's proposed policy of enforcing the stand-down rule and cutting people on work visas right to industry training disincentivises firms from investing in the 5% of the workforce those people make up despite clear evidence that trade roles and applied skills are in highest demand and most difficult to recruit for across businesses of all sizes.
- 3.2.5 *Broader immigration and global context has changed* – immigration policy reviews and the Productivity Commission report on immigration settings have highlighted how critical international skills and talent are to New Zealand's economy and communities and that the

immigration system has generally worked well. To ensure that we have an immigration system that is able to flex to changing economic and social conditions, labour market data must be considered. New Zealand has missed an estimated 400,000 workers in the last two years that would have contributed to the local labour market, and this is evident in the size and scale of the skill shortages now experienced.

4. SUMMARY OF KEY CHANGES TO SMC AND CONSULTATION QUESTIONS

4.1 Do you agree with what the proposed changes to the Skilled Migrant Category are seeking to achieve?

- *To align with the Immigration Rebalance*
- *To give more certainty to migrant and employers*
- *To improve processing times*
- *To reduce immigration and labour market risks*

4.1.1 To align with the Immigration Rebalance.

No. Firstly – the stated aims of the Immigration Rebalance are based on a false premise. In the Immigration Reset speech in May 2021, a Minister claimed *...businesses have been able to rely on lower-skilled labour and suppress wages rather than investing capital in productivity-enhancing plant and machinery, or employing and upskilling New Zealanders into work.* This assertion has been proven demonstrably false through a range of feedback loops, including the Productivity Commission's inquiry on immigration and prolific industry data showing the efforts that businesses make to be more effective and efficient by investing in the workforce. Secondly, businesses have already moved in the direction Government has signalled it wants them to move – in a recent '*Mood of the Boardroom*' survey, 75% of firms have increased their investment in skills and training despite an environment of increased cost pressures and uncertainty. Apprenticeship rates have increased 50% following the support provided via the Apprenticeship Boost.

There is no slack left in the labour market, however. As noted by the Reserve Bank, the labour market is past the point of sustainable employment. Continuing to restrict immigration unnecessarily will cause greater hardship for New Zealanders with greater reliance on monetary levers to get on top of inflation. A deteriorating economic outlook for New Zealand will both increase the outbound flow of skills and make it more difficult for New Zealand to attract international skills and talent.

4.1.2 To provide certainty to migrants and employers.

Somewhat. Ongoing rolling changes to work visa settings are causing uncertainty for migrants and employers and making New Zealand a less attractive country to come to. Fundamentally, the immigration work visa policy differentiates between temporary work with no options for settlement, and those who have skills that will make a long-term contribution to New Zealand. In some instances this works well – for example, the RSE Programme, as a partnership between industry and Government, facilitates labour market mobility in the Pacific for defined seasonal work. There are numerous other examples of short-term temporary work for which immigration carve-outs have had to be made, for example ski instructors – the type of flexibility needed in the labour market. However, New Zealand channels people into industries with long-term and growing skill shortages, such as aged care, on temporary work visas when there is clearly not a New Zealand workforce available, resulting in the inevitable need to provide residency, as per the Residency Visa 2021 or the South Island Contribution Work Visa. This could be similarly achieved and create simplified settings by providing a catch-all six month temporary work visa (limited purpose visa) to capture industries in need of short-term skills and providing residency pathways for all people on longer term work visas, utilising similar criteria to the Residency Visa 2021 – that is, they can demonstrate they are skilled, settled or in scarce supply.

The settings do not provide certainty to businesses and immigration is very much a moving feast. Even in the case of the Skilled Migrant Category – it was announced as reopening in August 2022, and then put into review, and then again announced as reopening but the points would change. The Immigration Rebalance has no defined end point for the policy programme.

While in the right environment, this would enable the system to be responsive, businesses are seeing the opposite – industries that proved their case for border exemptions now can't get the same occupations either on the Green List or in a sector agreement. There are no channels or criteria for

industry to define skill needs and immigration approaches when it is clearly evident the lack of skills is having a detrimental effect on the workforce and that firms cannot operate at full capacity.

There is scepticism regarding whether the new settings will improve immigration processing. While it is commendable that the Government has set service delivery targets for the processing of work visas, at the time of writing, a third of work visas were outside the expected service levels. All-of-system planning, such as ensuring qualification recognition processes are timely, appears not to have been implemented adequately and is creating further delays in the system. Since the AEWV system has been put in place, there have been mixed results. Employer registration was automated and could be completed quickly but the wage threshold should have been used to expedite low risk applications, recognising that those earning above median wage are least at risk of being vulnerable in the labour market and that employers carry the increased risk and cost of sourcing skills from overseas. Instead, Immigration NZ have created delays in the system by such things as requiring amendments to legal employment agreements.

More broadly, the forecasting and anticipation of immigration settings is poor. It could reasonably be estimated that the return of Working Holiday Makers scheme would contribute to seasonal and temporary work, with the Government noting that 50,000 working holiday makers would be on their way. At the time of writing, around a third of this cohort has arrived, putting more pressure on the other work visa pathways. A global attraction campaign targeting working holiday makers is needed to drive demand for New Zealand from this cohort. This problem will be further exacerbated if the Government proceeds with the work testing of partners. BusinessNZ anticipates this policy will further compound New Zealand's declining global reputation as a welcoming country and will result in people here being willing and able to work but hindered by immigration settings. BusinessNZ considers this policy carries a significant risk of increasing economic and social isolation of people on partnership visas and is more likely to drive them into black market work. Further, partners unable to work will still add pressure to New Zealand's broader infrastructure, but without the economic contribution that can be made through employment.

4.1.3 *To reduce immigration and labour market risks.* The most significant labour market harm facing New Zealand is burn out of the workforce as a symptom of extreme skill shortages. As noted, the fundamental assumptions that New Zealand firms are reliant on low wage migrant labour have been proven to be incorrect. BusinessNZ will submit on the 'Worker Protection (Migrant and Other Employees) Bill separately at Select Committee, however it should be noted that the Government already has sufficient mechanisms to investigate labour market breaches through the labour inspectorate which it is not utilising given that only 10% of complaints are resulting in any investigative action. It is another symptom of poor planning to introduce a punitive framework for low level immigration breaches three months after over 14,000 companies have registered for AEWV and not acknowledging that a number of immigration breaches are being caused by the Department through things like servicing delays or technical administrative errors. Other risk factors, such as the influence of third party intermediaries, have not been explored. The research released with the introduction of the Bill shows that that 90% of migrant workers and businesses do their best to be compliant and are satisfied in their employment relationship. BusinessNZ considers that risks of vulnerability in the labour market can be more effectively managed by utilising the existing powers of the labour inspectorate to investigate actual cases of exploitation, ensuring the service delivery of the Department is excellent and easy to engage with, ensuring information and education about employer compliance requirements is easily accessible and providing clear pathways to residency for industries with long-term skill shortages and wage levels at market rates.

4.2 *Proposed changes to the Skilled Migrant Category*

- *Do you agree with the proposed skill threshold, i.e equivalent to six years formal training and/or skilled experience. Why / why not?*
- *Do you agree that a points system using a range of skills proxies is a clear, fair way to assess Skilled Migrant Category applications? Why/why not?*
- *Do you have any other comments on this section?*

4.2.1 *The proposed skill threshold (from simplified points system in depth)*

International skills and talent are necessary at all skill levels. ANZSCO is an inadequate system to describe the jobs in a modern labour market, and the purpose of utilising proxies such as wage thresholds should be to reduce reliance on ANZSCO as better labour market data is developed. Attaching the median wage threshold to ANZSCO levels negates this purpose. As noted in the consultation document and other immigration discussion documents, ANZSCO is limited, is resource

intensive for processing, and leads to concerns from Immigration NZ about 'job inflation' to meet residency requirements. BusinessNZ suggests the policy is amended to the median wage, regardless of occupation, and that alternative pathways to residency are time based and reliant on the ability to demonstrate stable, long-term employment and a positive contribution to New Zealand (e.g. clean criminal record).

BusinessNZ agrees that the wage threshold can be used as a proxy to expedite low risk migrants through the system, however, encourages the incorporation of time-based points allocation to reflect 'settled, skilled or scarce' pathways to residency.

BusinessNZ acknowledges that the median wage is not ideal – cost of living significantly varies between regions and rural and urban environments and disparities between industry market rates makes it cumbersome. BusinessNZ does not support the wage threshold being used as a target for the workforce, with wage progression ideally tied to firms becoming more productive, or in instances of industries that operate under contract to Government, sufficient funding being made available to ensure that wages are not squeezed through procurement and are equitable with central Government funding provisions – this is a significant issue in critical industries such as aged care and transport.

BusinessNZ supports a simplified 1 – 6 points system based. However, of the three components proposed (NZ Professional Registration; Qualification; or High Income), the following issues have been identified:

4.2.2 Professional registration

Not all skilled jobs require professional registration, and this approach is likely to be particularly problematic at the trade and technician level (proxied at qualification level 4 – the exit point for most New Zealand Apprenticeships) where there are significant and systemic skill gaps. As per the example provided in the discussion document, a licensed building practitioner would be able to claim points towards residence, but a heavy machinery diesel mechanic would not. BusinessNZ recommends the registration points option is retained, however other options are provided for industries that do not have registration bodies.

4.2.3 Qualification

BusinessNZ recommends that qualifications from level 4 – 10 New Zealand equivalency are able to obtain points for residency, proposed as 3 points for level 4 – 7. There are significant skill shortages at the vocational level and preference to University study continues to perpetuate social perceptions that vocational or 'blue collar' jobs are of less value to individuals and the economy than generic university degrees. There has been a significant levelling of wages between traditional vocational occupations and degree requirement jobs over the last twenty years, and the Government has heavily signalled the value of vocational occupations through successful initiatives like the Apprenticeship Boost. Although the improvement in the skills pipeline is positive for the future, the gap in the labour market is so large that long-term migration is necessary in addition to vocational pathways, particularly given the high outbound flow of vocational skills from New Zealand. BusinessNZ considers that Government should signal the value of vocational occupations in both immigration and education settings.

Considerable work is needed on simplifying and recognising international qualifications. BusinessNZ encourages the Government to consider how to better recognise international qualifications, such as by leveraging international education partnerships between New Zealand education providers and international providers; developing appropriate international quality assurance and moderation to recognise high quality providers and qualifications from high volume source countries that are not covered by existing provisions (e.g. the Washington Accord for engineering); ensuring the New Zealand tertiary sector responds to the need for international skill assessments with appropriate, timely and accessible Recognition of Current Competency and Recognition of Prior Learning processes where appropriate

4.2.4 High income

BusinessNZ supports an income threshold if used appropriately – i.e, to expedite low risk migrants with high value skills. BusinessNZ considers there should be a points allocation of 3 for the median wage to provide a pathway to residency consistent with the entry requirements for bringing people into the country.

BusinessNZ considers the points system is not refined enough to recognise:

- *experience* – this issue has been canvassed most recently with the ANZSO requirements for chefs that did not recognise industry experience. While highlighting the deficiencies of linking immigration to the outdated ANZSCO system, there needs to be a method to recognise the value of international experience in industries that do not rely on qualifications. This could be mitigated by including a time-based points system, such as 5 years stable employment in New Zealand, and utilising a high trust relationship with industry that bears the burden of risk and cost of recruiting somebody from overseas.

- *significant and systemic labour market demand at all skill levels* - the immigration settings effectively cut out channels for migration for half the labour market (46% of the workforce is assessed as being classified at ANZSCO levels 4 – 5). This approach is unsustainable. Put simply, we will not attract high skilled migration without other skills in the labour market that contribute to New Zealand having a thriving and vibrant economy and society. Firms will not seek to recruit from overseas if there is a readily available skilled workforce in New Zealand given the increased cost and risk of doing so.

- 4.3 BusinessNZ supports, if the correct settings are landed on, the SMC being the main channel for skilled migration to residency and negates the need for the Green List and Highly Paid Residency pathways. Micromanaging the immigration settings via specific occupations using ANZSCO is too granular and is slowing down processing.
- 4.4 Work visa settings should be anchored on skills. It is important to recognise that New Zealand's labour market has a significant skills mismatch, and more work must be done within New Zealand to ensure high quality and coherent educational outcomes that lead to relevant employment outcomes with opportunities for progression. The education system, like immigration, must be considered as a pipeline, and it is foreseeable that there will be an increased demand on immigration in the years to come if current issues of disengagement and low educational achievement are not urgently addressed in compulsory education.

4.5.1 *Managing the flow of migrants into New Zealand*

- *Do you agree with the proposed approach to managing migrant numbers? Why/why not?*
- *Do you have any other comments on this section?*

- 4.5.1 BusinessNZ supports the removal of the planning range, particularly in the way it has been used previously that has created significant backlog in the immigration queue (for example, amending the planning range to different time frames that effectively reduced the number of residency places despite increased demand; or the Department not processing those eligible for residency via a slow-down of work). These actions create a lack of trust and confidence in the integrity and transparency of the immigration system.
- 4.5.2 BusinessNZ agrees that those eligible for residency should be processed in a timely and efficient manner. While this paper is responding to the SMC, this principle applies to the current backlog of Residency Visa 2021 applications as well.
- 4.5.3 BusinessNZ agrees with removing the Expression of Interest and Job Search visa as a simplification of the visa application process, presuming tourist visas will be available to people seeking to visit New Zealand prior to accepting a job offer, with no punitive operational policies put in place for those moving to SMC while on shore. Further, BusinessNZ encourages Immigration to work with industry to boost tools like Skill Finder to better assist companies to source relevant skills from people interested in taking up work in New Zealand.
- 4.6 Immigration forecasting is notoriously difficult, and migrant volumes will be highly dependent both on external and domestic factors. Notably, global perceptions that New Zealand was slow to open its borders, ongoing risk that the border will close again, that Covid restrictions are still in place, that cost of living and inflation make New Zealand expensive, that crime rates have increased, and with little global signalling that immigration is part of our economic recovery. Competitor countries like Australia and Canada have all introduced permissive immigration settings, and developing countries are targeting the remote workforce in high value industries such as tech to drive immigration.
- 4.7 New Zealand will continue to experience challenges in returning to pre-Covid levels, and although border entry flows are starting to increase, it will take years to build up capacity - flight routes, a skilled workforce and the like - to return to pre-Covid travel flows. As the focus has been on restricting the border to

navigate the pandemic over the last two years, BusinessNZ suggests the focus now needs to be on simple, open and permissive settings, ensuring immigration and dependent international travel systems are enabled as much as possible to reach capacity for international flows, and with good monitoring mechanisms in place to understand how the system is performing. New Zealand needs the border and travel to be as frictionless as possible, in order to compete internationally on attraction.

- 4.8 Without immigration, New Zealand will not be able to build the capacity to deliver long-term housing, infrastructure and social services. If immigration continues to be at low levels and severely restricted, all parts of the economy will suffer.
- 4.9 The consultation paper notes that managing migrants maintains tension in the labour market. BusinessNZ urges the Government to recognise that the severe skill shortages are resulting in inflationary pressure and lost productivity. Further, unnecessary additional pressures are present in the labour market currently, such as Government-funded work schemes that are drawing people away from firms that need their skills.
- 4.10 BusinessNZ recommends Government putting in place better monitoring mechanisms and accountability for people flows and infrastructure planning and investing adequately in long-term planning to address the infrastructure deficit and accommodate growth.
- 4.11 BusinessNZ strongly recommends that clear policy mechanisms are used to manage immigration rather than processing. Immigration NZ needs to be resourced to meet acceptable service delivery levels rather than adjusting resources as required. The 'whack-a-mole' approach to processing creates an unreliable system and is creating backlogs across different visa categories. This subsequently creates more work for the Department when people try to find out why visas are being held up or apply across multiple visa categories to hedge their bets on which will be processed first. The service delivery reporting is problematic, with a snapshot of how many are within expected service levels changing from week to week – an individual applying for a visa could expect a 6-week turnaround at the point of application, to check back and find that the wait time is now 6 months. Accountability mechanisms for the Department and MBIE are necessary to ensure timely, accurate and efficient service delivery.
- 4.12 BusinessNZ supports the Government improving the quality of labour market data and suggests that the severity of the skill shortages now warrants open immigration settings rather than continued restraint. Ongoing work is needed to consider how immigration should flex in line with labour market pressures, such as how to build in trigger points utilising indicators such as the Reserve Bank's output gap measure, unemployment figure or net migration. Inbound net migration is the appropriate measure rather than population growth, given that population growth is now being driven by natural births and not working age population through migration.

5. *People who are not eligible for residency*

- *Do you agree with the proposal to apply the stand-down period to reduce the risks associated with migrant becoming well-settled without a realistic pathway to residency? Why / why not?*
- *Do you have any other comments on this section?*

- 5.1 BusinessNZ strongly opposes applying the stand-down period given that it will likely perpetuate the recurring problems already experienced with the stand-down – that there is not a readily available workforce able to step into the roles available; that precedent has been set through mechanisms like the South Island Contribution visa and the Residency Visa 2021 that is, there might be a residency pathway if the ongoing labour market shortages continue to deepen. The stand-down reduces the incentives for firms to invest in their international workforce and fully utilise their skills and networks. The stand-down reduces migrants' social mobility and restricts their ability and commitment to fully participate in their communities and society in general.
- 5.2 The overwhelming feedback from companies is that they seek to support the integration of international skills and talent into their firms, workforce and communities. The Government has signalled concerns about the small number of bad actors that seek to take advantage of migrants and BusinessNZ supports the Government using its existing labour inspectorate's powers to investigate incidents where exploitation may be occurring. However, there are factors other than employment that increase the risk of exploitation or negative settlement outcomes. BusinessNZ considers the best way to ensure good immigration

outcomes for business and individuals is to ensure that people coming to New Zealand for extended periods of time have clear expectations, easily accessible information about employment rights and life in New Zealand and a good 'landing pad' – employment, education or the other reasons for long term stays. New Zealand should seek to connect migrants to people and communities to avoid the risk of social isolation and vulnerability to bad actors.

- 5.3 BusinessNZ seeks an enabling environment for business that ensures firms are incentivised to invest in skill development for the whole workforce. To this end, BusinessNZ also seeks the removal, from 1 January 2023, of the provision in the Unified Funding System that makes people on work visas ineligible to access industry training. The work has not been done by officials to quantify the scale of those who would be affected, and which industries would be most impacted. There has been no consultation with industry. There are obvious health and safety risks to those new to the New Zealand work environment who have not had sufficient assessment. Given that there will be no significant changes to the delivery of industry training in 2023, BusinessNZ strongly recommends this provision be removed until further work is done on the impact of the policy, particularly the risks to health and safety for people on work visas, and the additional costs for business of reclassifying work visa holders as international students, typically charged a significant premium for international education.

6. *Special conditions for people in specified occupations*

Do you agree with having a higher threshold for people in specified higher-risk occupations? Why / why not?

Do you have any other comments on this section?

- 6.1 There should be no special conditions for specified occupations. The evidence and case has not been made for the assertions put forward in the paper – job inflation can be a reflection of the inadequacy of ANZSCO as a method of job classification as noted above. It is disingenuous to suggest that retail and hospitality are unskilled roles – if this were the case, New Zealand would not offer tertiary training options in these areas, and this approach perpetuates social perceptions of the lack of value of vocational careers. The industries targeted – retail and hospitality, represent the largest industries by workforce in New Zealand. The message the policy sends devalues the New Zealand workforce who choose to work in these occupations. BusinessNZ considers there is dignity in work and that people should have the choice to work in careers and industries that suit their skills, interests, working and life-styles.
- 6.2 The labour market demand in these industries is evident, and reflective of the scale of contribution to the New Zealand economy. Collectively, they represent approximately 50,000 firms, 357,000 workers and contribute an estimated \$11.3 billion to the economy annually. Further, they are significant contributors to ensuring New Zealand has vibrant towns and cities and employees have been critical workers throughout Covid – their contribution and labour market needs should be recognised. Instead, systemic issues of exploitation are implied.
- 6.3 The need for policy carve-outs for these industries from the AEWV is clear evidence that labour market demand is significant and that insisting on wage rates out of step with market rates is an impractical solution.
- 6.4 In line with the suite of other recommendations, including the availability of industry training provision; points awarded for residency at the median wage or 'settled, scarce or skilled' provisions, utilising labour inspectorate powers to investigate issues, BusinessNZ considers additional provisions would be unnecessary, particularly given the deep impact on industries of Covid disruption, their criticality to New Zealand's economy and society and the specialist nature of skills that are not reflected by ANZSCO.

7. *Simplified points system in depth – comment*

- 7.1 BusinessNZ supports a simplified points' system and considers the 6-point system is better than multiple point categories already in place. Amendments to recognise points for median wage, time served and regional contribution are covered in section 1.
- 7.2 BusinessNZ considers a fair pathway to residency will recognise the contribution individuals make to New Zealand's society and economy and should encourage those who contribute to New Zealand. While the restrictions on immigration and the border have resulted in wage increases, BusinessNZ

urges the Government to recognise the negative impact of continued restrictions - greater reliance on monetary levers to control inflation; ongoing uncertainty in global conditions; increased unemployment due to firm failure, burnout of the workforce and consequent inability to deliver critical products and services, and increasing outbound skill flows if economic conditions significantly deteriorate, will create more long-term damage to New Zealand's economy and society than rebuilding New Zealand's workforce through an open and permissive immigration system.

- 7.3 BusinessNZ considers that the key risks Government has identified – migrant exploitation and the impact on absorptive capacity, can be effectively managed through robust monitoring and accountability mechanisms and investigation and enforcement actions where necessary and by thorough cross-agency planning and policy coherency across Government departments. Government departments must try and move towards more sophisticated and timely methods of monitoring labour market developments.
- 7.4 The AEWV gives significantly more access to firm data than has ever been collected in immigration systems previously, and with this comes an expectation of a high trust relationship with industry, both that the information will be used responsibly, but also by providing the Department with the information and tools needed to take action in genuine cases of exploitation.
- 7.5 BusinessNZ would prefer an immigration system that can adequately flex to labour market demand and a recognition of the fact that improvements to education and training to meet labour market demand, with active labour market programmes for those at risk of poor employment outcomes, will help reduce demand on immigration. There is little evidence that these systems are working in a co-ordinated and coherent way currently, for example, continuing with Government work programmes such as Jobs for Nature in an exceedingly tight labour market environment with easy entry to employment. Social service interventions need to be targeted so that individuals can enter employment without facing barriers.
- 7.3 Immigration is a necessity for New Zealand and BusinessNZ urges the Government to send strong policy signals that the country welcomes international skills and talent at all levels, provides opportunity for people from overseas to make a good life in New Zealand and values their contribution to the economy and to their communities.

The BusinessNZ Network is New Zealand's largest business organisation, representing:

- Business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Business South](#)
- [BusinessNZ](#) policy and advocacy services
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium-sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

The BusinessNZ Network is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

The BusinessNZ Network contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and Business at OECD ([BIAC](#)).

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