



COVERSHEET

Minister	Hon Iain Lees-Galloway	Portfolio	Immigration
Title of Cabinet paper	Options for changes to the Parent Resident Visa (Parent Category)	Date to be published	31 October 2019

List of documents that have been proactively released

Date	Title	Author
16 September 2019	Options for changes to the Parent Resident Visa (Parent Category) (Paper to Cabinet 16 September 2019)	Office of the Minister of Immigration
16 September 2019	Cabinet Minute CAB-19-MIN-0469 Parent Resident Visa (Parent Category): Proposed Changes	Secretary of the Cabinet
18 September 2019	Options for changes to the Parent Resident Visa (Parent Category) (Paper to DEV 18 September 2019)	Office of the Minister of Immigration
18 September 2019	Cabinet Economic Development Committee Minute DEV-19-MIN-0257 Parent Resident Visa (Parent Category): Proposed Changes	Committee Secretary

Explanatory note

On 16 September 2019, the paper *Options for changes to the Parent Resident Visa (Parent Category)* was taken to Cabinet.

Cabinet referred the Paper to the Cabinet Economic Development (DEV) Committee and invited the Minister of Immigration to provide further advice to DEV on the financial and eligibility settings for the policy. Cabinet authorised DEV to have Power to Act to take decisions on the paper.

On 18 September 2019, an updated version of the paper *Options for changes to the Parent Resident Visa (Parent Category)* was taken to DEV, which agreed to re-commence Parent Category Expressions of Interest selections under new settings.

Information redacted**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Constitutional Conventions

In Confidence

Office of the Minister of Immigration

Chair, Cabinet Economic Development Committee

Options for Changes to the Parent Resident Visa (Parent Category)

Purpose

- 1 This paper seeks Cabinet agreement to the future of the Parent Resident Visa Category (the Parent Category) that best meets the objectives this Government has set for the New Zealand Residence Programme (NZRP).

Executive Summary

- 2 Well-managed immigration is essential to our economic and social success as a country. A summary of current progress in the Immigration Portfolio is attached as Annex One.
- 3 In December 2018 Cabinet agreed the new, equally-weighted, objectives for the NZRP:
 - 3.1. to maximise the contribution of the NZRP to the economic and social wellbeing of New Zealand and New Zealanders by:
 - 3.1.1 attracting skilled workers and business migrants;
 - 3.1.2 reunifying the families of New Zealand residents and citizens;
 - 3.1.3 meeting international and humanitarian commitments;
 - 3.2. to manage overall residence numbers through controlling each of the individual components of the programme [DEV-18-MIN-0304 refers].
- 4 Balancing the objectives for the NZRP requires an assessment of the advantages, costs and trade-offs in each visa category. In this paper I am seeking Cabinet's preference for management of the Parent Category.
- 5 The Parent Category enables New Zealand citizens and residents to sponsor their parents for residence in New Zealand. This category (part of the Family Stream of the NZRP) contributes to social and economic wellbeing outcomes for sponsoring families. However, these outcomes are difficult to objectively quantify and, in a purely fiscal analysis, may be outweighed by the long-term cost to the Crown of health and social assistance benefits taken up by parents.
- 6 In October 2016, the previous Government announced changes to the NZRP that included a temporary suspension of selections for expressions of interest (EOIs)

under the Parent Category and a drop in the cap from 5,500 people per year to 2,000. At the time selections were suspended, the previous government chose not to close the category on a temporary basis meaning that EOIs could still be submitted to Immigration New Zealand (INZ) despite selections being halted. At the time selections were suspended, a number of EOIs had already been selected for assessment. The last 24 of these EOIs are in the final stages of assessment.

- 7 At the end of June 2019, approximately 5,900 EOIs (representing around 9,850 people) were queued with around 1,000 EOIs having been lodged since selection was suspended.
- 8 Recommencing selections will put increased pressure on the Family Stream approval volumes which may require trade-offs to be made with other family visa categories in the future. This pressure is mitigated by the current cap of 2,000 individual approvals per annum and could be further mitigated by reducing the cap.
- 9 There are benefits and costs to reopening the category to enable migrants to sponsor their parents to join them. The analysis is complicated by the fact that many of the benefits are intangible and the costs are difficult to estimate with any accuracy.
- 10 Reviews and analysis by officials have revealed that the Parent Category has some key benefits:
 - 10.1. the ability of adult migrants to sponsor their parents to join their family unit in New Zealand is recognised as a factor in the attraction and retention of skilled migrants to this country;
 - 10.2. the presence of parents as part of the family unit is also linked to improved settlement and economic outcomes for their migrant children.
- 11 The primary costs of this visa category rest in the additional costs borne by the Crown as a result of residence being granted to Parent Category visa holders. The most commonly cited costs relate to the consumption of publicly-funded health services (eligibility is immediate for residence class visa holders) and New Zealand Superannuation payments (eligibility is reached after 10 years although this may vary depending on individual circumstances).
- 12 Research indicates that parents entering New Zealand as residents under this category have health costs that are generally similar to New Zealand-born adults of a similar age. Parents in this category are entitled to access public health services, including subsidised rest home care and disability services immediately.
- 13 It is difficult to estimate the numbers that receive New Zealand Superannuation payments, noting that parents must meet the 10-year normally resident requirement before attaining eligibility. It is also unknown what proportion of those taking up New Zealand Superannuation have a portion of their entitlement funded by an overseas government.
- 14 A decision whether to re-open or permanently close the Parent Category is a balanced one with arguments to be made for either position. On the one hand, parents are considered to bring stability to migrant family units, support their

settlement outcomes and contribute to the attractiveness of New Zealand as a destination for migrants. On the other hand they create additional demand on the public health system and can access New Zealand Superannuation, creating costs to the Crown that would not otherwise exist. Reopening the category would also result in a small uptick in the number of resident visas approved although the timing of any decision would not impact the current NZRP planning range which expires on 31 December 2019.

- 15 This is the first visa category to be reviewed under the new objectives for the NZRP. I am seeking Cabinet's preferred approach to the future management of the category by agreeing to either:
- 15.1. re-open selections using the current cap of 2,000 people per annum and increase the financial and evidentiary requirements for applicants; or
 - 15.2. re-open selections using a reduced cap of 1,000 people per annum and increase the financial and evidentiary requirements for applicants; or
 - 15.3. permanently close the category in order to give certainty to those waiting in the EOI queue.

Background

- 16 The New Zealand Residence Programme (NZRP) achieves social and economic outcomes that benefit New Zealanders, the New Zealand economy, and the migrants who successfully apply for residence and their families.
- 17 Resident visas allow migrants to live in New Zealand permanently and enjoy the majority of the rights that New Zealand citizens enjoy. Granting residence to migrants allows them to settle permanently in New Zealand with a level of security that enables them to fully contribute to New Zealand society through their work, their businesses and their links within their communities.
- 18 In 2016/2017, 47,684 migrants were approved for residence and 37,971 were approved in 2017/18. This is the lowest level since 2001/02 and down from a high of 52,025 residence approvals in 2015/16.
- 19 In December 2018 Cabinet agreed two new, equally weighted, objectives for the NZRP:
- 19.1. to maximise the contribution of the NZRP to the economic and social wellbeing of New Zealand and New Zealanders by:
 - 19.1.1 attracting skilled workers and business migrants;
 - 19.1.2 reunifying the families of New Zealand residents and citizens;
 - 19.1.3 meeting international and humanitarian commitments;
 - 19.2. to manage overall residence numbers through controlling each of the individual components of the programme [DEV-18-MIN-0304 refers].

- 20 Cabinet also agreed, from 1 January 2020, to change the approach to controlling annual residence approval numbers and priorities from one based on an overarching planning range and streams structure, to one based on managing forecasts of individual resident visa categories [DEV-18-MIN-0304 refers].

The Parent Category: background, objectives and international comparisons

The Parent Category is one of the Family Stream categories within the New Zealand Residence Programme

- 21 The specific objectives for the Parent Category were established as the result of a 2011 Cabinet decision approving policy changes designed to generate more economic returns from the capped family policies and to address the growing backlog of applications [CAB Min (11) 19/11 refers]. As a result, the Adult Sibling and Adult Child categories, and the former Parent Category, were closed in May 2012 and the current form of the Parent Category was established.
- 22 The objectives of the Parent Category are to “support family connections, in order to:
- 22.1. progress New Zealand Government economic objectives for immigration; and
 - 22.2. attract and retain skilled and productive migrants, while also limiting the costs of New Zealand Government benefits”. (Immigration Instructions F4.1.1)
- 23 The Parent Category enables migrants, who hold New Zealand residence or citizenship and have demonstrated a commitment to living in New Zealand by being normally resident for the previous three years, an opportunity to reunify their family by bringing their parents to this country to live permanently. This is designed to, and does, attract and retain skilled, high-contributing migrants by providing a pathway for their parents to be established as part of their family in New Zealand.
- 24 Parents wishing to join their children in New Zealand must submit an Expression of Interest (EOI) for consideration under the Parent Category. When the EOI is selected from the pool it is assessed against current eligibility criteria and, if these are met, the parent applicant is issued an Invitation to Apply for residence. The subsequent residence application requires significantly more information for assessment, including assessment of the suitability of the sponsor. Based on the assessment of the application the applicant parent is then either granted a resident visa under the Parent Category or the application is declined.

Visa conditions are designed to minimise potential cost for New Zealand taxpayers

- 25 The principle of the Parent Category sponsorship approach is that the costs are to be borne by the sponsors and their parents, with sponsors effectively committing to underwrite the living and accommodation costs that may be incurred during the initial ten-year sponsorship period.
- 26 Applicant parents must meet the standard requirements for residence in New Zealand including:
- 26.1. the acceptable standard of health (ASH) requirement;

- 26.2. the character requirements; and
 - 26.3. an English language proficiency requirement (either demonstration of an acceptable standard of English or evidence of the pre-purchase of English language tuition in New Zealand).
- 27 Sponsors are required to ensure the provision of accommodation, maintenance and living costs for their parent during the ten year sponsorship period. Any relevant costs incurred by the parent during this time can be recovered from the sponsor by the Crown or another third party, including in cases where the parents originally met the financial eligibility requirements for residence through their own funds. If costs are incurred as a result of the sponsor breaching their undertakings, the parent is deemed to have breached the conditions of their visa and may be liable for deportation. This is designed to ensure that sponsored parents do not place an undue burden on the New Zealand community.
- 28 Under current settings, the financial stability of arrangements for the sponsored parent can be demonstrated by one of three means:
- 28.1. evidence that the sponsor has sufficient and regular income to support their parent's resettlement; or
 - 28.2. evidence that the sponsored parent has a sufficient level of guaranteed lifetime income to support their resettlement; or
 - 28.3. evidence that the sponsored parent has sufficient funds to enable their settlement and that these funds have been transferred to New Zealand.
- 29 This approach is consistent with other countries, such as Canada and Australia, which have similar policies that enable migrants' parents to migrate and which also place long-term obligations on sponsoring children to ensure that their parents (and grandparents in the case of Canada) are supported.

The annual cap on the Parent Category was reduced and new selections were suspended while a review was conducted

- 30 In October 2016, the previous government announced a reduction in the annual cap of individual visas granted in this category annually from 5,500 to 2,000 and the suspension of assessment for new EOIs. Enough EOIs had already been selected for assessment to enable Immigration New Zealand (INZ) to meet the cap in 2016/2017 and 2017/2018. This was to allow time for a review on whether to re-open the category for new selections and, if so, whether the policy settings effectively managed demand and costs.
- 31 The previous government did not temporarily close the category meaning that EOIs (and fees) have continued to be received by INZ even though selections were suspended. Around 1,000 new EOIs have been submitted since selections stopped meaning the current EOI queue has grown to approximately 5,900 EOIs representing around 9,850 people.
- 32 INZ has continued to assess the EOIs selected for assessment as at 11 October 2016 and invite applications from qualifying parents. In the period from October 2016

until July 2019 2,442 people were approved under this category. Almost all of the selected EOIs have now been assessed, requiring a decision on whether the category should be re-opened and, if so, under what conditions.

Most sponsors sponsor only one or two parents, a small minority sponsor three or four

- 33 An analysis of migrant children sponsoring parents under the current policy settings considered two factors: the total number of Parent Category applications that each sponsor undertook from the time the current policy settings were enacted in 2012; and the number of parents each sponsor had responsibility for.
- 34 Of the 13,575 individuals who were approved as sponsors since 2012:
- 34.1. 98.1 per cent sponsored one or two parents on a single application;
 - 34.2. 0.8 per cent sponsored two parents on two separate applications;
 - 34.3. 0.9 per cent sponsored three or four parents on two separate applications.
- 35 There were only two sponsors who supported three applications – each application was for only one parent.

New Zealand's settings are similar to those of key comparator countries

- 36 In comparison to other key comparator countries, New Zealand's settings are most similar to those of Australia and Canada. The United States and the United Kingdom are outliers in their approach.
- 37 The United Kingdom does not have an equivalent to the Parent Category. The Dependent Adult Category permits parents to join their children only if the parent is dependent on the child for support in day-to-day activities, there is no other relative who can care for them and the cost of care is unaffordable in their own country. Parents meeting these criteria can apply under the Adult Dependent Relative Category and evidence is required that the parent will not claim public funds for five years and the supporting child can support, accommodate and care for their parent.
- 38 The United States allows citizens to petition for their parents to become permanent residents. There is no cap on this category – once the relationship and eligibility is confirmed permanent residence is granted with the child undertaking to sponsor the parent for ten years. The parent is not eligible for superannuation (unless they have contributed to a fund while working in the United States) and (in most cases) must wait five years before becoming eligible for publicly-funded healthcare.
- 39 Australia and Canada have arrangements comparable to New Zealand. Permanent residents and citizens are able to sponsor their parents to become permanent residents on the basis that the sponsor provides an assurance that appropriate accommodation and living costs can be met without reliance on state support (for between two and ten years in Australia and 10-20 years in Canada). In both jurisdictions the sponsored parent has access to publicly-funded healthcare and eligibility to superannuation after residence eligibility requirements are met. In Canada, superannuation is paid on a pro-rata basis after ten years of residence with 40 years residence required for entitlement to a full state pension.

- 40 Australia offers two 'tracks' for parents. The Parent Visa is broadly comparable to the New Zealand Parent Visa and has a wait time of up to 30 years. The Parent Contributory Visa requires a payment in excess of AU\$47,000 payable in two instalments at application and acceptance and can take several years to obtain.

The Parent Category offers benefits to New Zealand

There is evidence that being able to sponsor parents contributes to the wellbeing of sponsoring children and their families resulting in them staying in New Zealand longer

- 41 Approximately two-thirds of sponsors in New Zealand are skilled migrants and access to the Parent Category has been associated with their choice of New Zealand as a destination and their long-term retention outcomes.
- 42 Migrants' parents positively contribute to the family, cultural and economic wellbeing of their children (the sponsors) and their families. Direct contributions can be through parents' support freeing up their migrant children's time to enable them to work by providing child care, caring for sick children, assisting with household and other tasks and by taking up paid employment themselves. There is also an indirect flow-on to businesses, the wider economy and communities through sponsor migrants being more settled, thus enabling them to contribute and be more productive in their work and other activities.
- 43 New Zealand research has noted that for some migrants the potential to sponsor parents influenced their decision to immigrate to New Zealand and they were unlikely to have come here if their parents had not been able to join them.¹ The New Zealand research found that sponsors benefited from:
- 43.1. reduced stress from fewer household tasks to be done by sponsors if the parents provided housekeeping and/or cooking help;
 - 43.2. parental advice; and
 - 43.3. economic gain from parents providing child care, and care for sick children.
- 44 Canadian research has found there were considerable social, cultural and other economic benefits of sponsorship to sponsor families.² More specifically, sponsors reported that having their parent in the same country:
- 44.1. improved their household income, either through direct contributions, or indirectly by caring for children and assuming other household duties to help the sponsor or their partner work more hours or undertake further education;
 - 44.2. were instrumental in helping "grandchildren learn their cultural heritage"; and

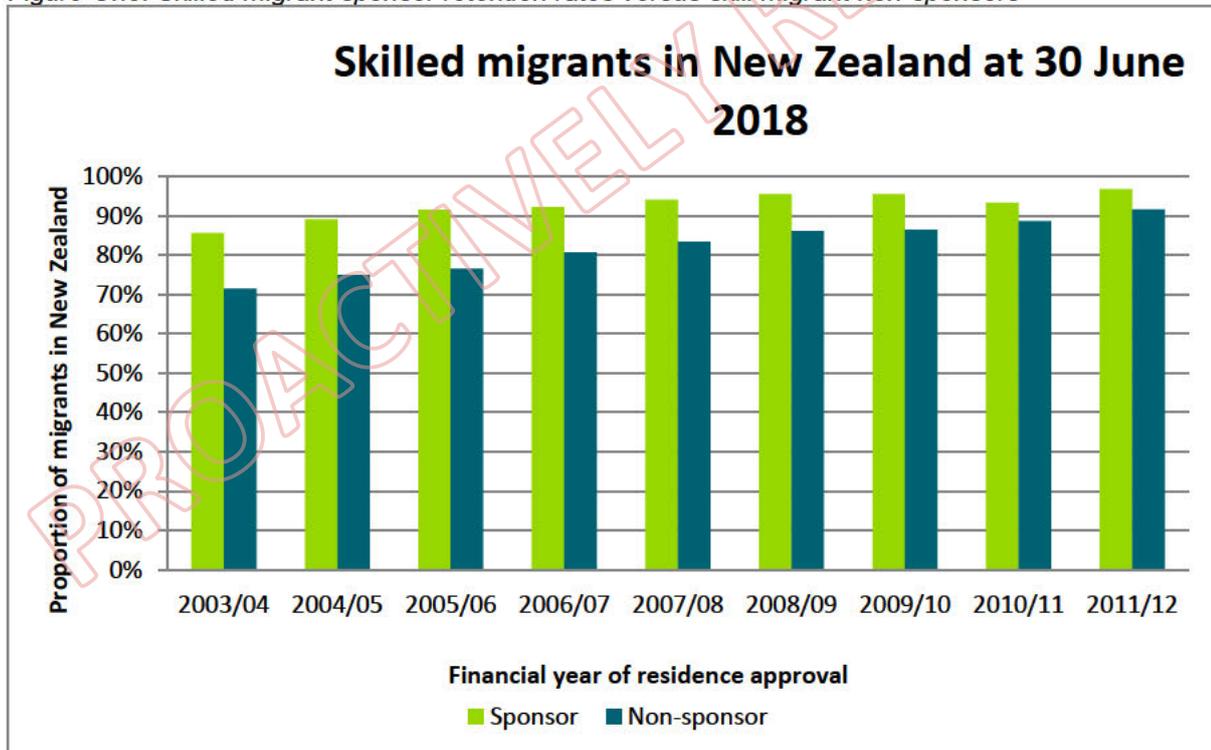
¹ Department of Labour. 1999. *Migrants' and Parents' Experiences of Sponsoring*. Wellington: Department of Labour, page 10 Available from <http://www.mbie.govt.nz/publications-research/research/migrants---settlement/Migrants%20and%20Parents%20Experiences%20of%20Sponsoring.pdf>.

² Immigration, Refugees and Citizenship Canada, Evaluation Division, 2014, *Evaluation of the Family Reunification Program*. Available from <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/reports-statistics/evaluations/family-reunification-program.html#a3.6.4>. The Canadian policies and immigration context are considered sufficiently similar to New Zealand for the findings of this research to be considered relevant to New Zealand.

44.3. provided emotional support and contributed to better settlement of the sponsor or their partner.

- 45 Once migrants are here, there is a correlation between the sponsorship of parents and the likelihood of migrants remaining in New Zealand. The number of sponsoring migrants who stay after migrating (i.e. who do not return to their home country or move to another) is 15 to 20 per cent higher than for skilled migrants who do not sponsor parents. For skilled migrant sponsors who do eventually leave the country, they stay and contribute to the New Zealand labour market, on average, three years longer than migrants who leave that had not sponsored their parents to immigrate.
- 46 A review of retention data for skilled migrants who were granted residence between 2003/04 and 2011/12 and who had subsequently sponsored parents showed that, as at 30 June 2018, between 86 and 97 per cent of each cohort were still in New Zealand compared to only 72 to 92 per cent of those who did not sponsor parents (see Figure One). A similar pattern is found for sponsors resident in New Zealand on humanitarian or family visa types.

Figure One: Skilled migrant sponsor retention rates versus skill migrant non-sponsors



Cases of sponsors abandoning parents in New Zealand appear to be very rare

- 47 There have been anecdotal reports that some sponsoring children have left New Zealand without making adequate provision for their sponsored parents resulting in them requiring State assistance. However, officials have not found evidence that this is a widespread or common occurrence.

There are costs to Government associated with enabling parents to join their migrant children and these are difficult to quantify

- 48 While the Parent Category offers economic and social benefits for both migrants and New Zealand as a whole, the older age of parent migrants carries potential fiscal costs to New Zealand. While research suggests that these costs are in line with New Zealanders of a similar age, they are additional because:
- 48.1. if the Parent Category visa holders had not been granted residence the Government would not incur the costs; and
 - 48.2. unlike the New Zealand-born cohort, the majority of Parent Category visa holders will not have contributed significantly to tax revenue over time.
- 49 Sponsoring children must have been a resident or citizen of New Zealand for at least three years before they can sponsor their parents. Sponsors are responsible for the reasonable maintenance (living costs), accommodation and repatriation (if there are any) costs for their parents for ten years. Sponsors sign an undertaking to meet these obligations and any costs incurred by the Crown can be recovered from them.

Access to financial and publicly-funded health assistance

- 50 When determining eligibility for access to financial assistance, the Ministry of Social Development (MSD) determines whether the applicant meets eligibility criteria, including whether a sponsorship arrangement is in place. Because eligibility for financial assistance from MSD is reached after the parent has been 'normally resident' in New Zealand for three years, any financial assistance paid is not considered a 'debt' and therefore recovery is not sought. Where a sponsorship arrangement has broken down, for instance if the sponsor becomes unemployed, MSD seeks clarification of the situation from the sponsor and may require written and signed confirmation of the circumstances outlining what has caused the breakdown.
- 51 The key fiscal risks for the Crown therefore lie in the potential for migrant parents to access publicly-funded healthcare services, welfare and superannuation payments, once they qualify, and potentially for the remainder of their lives while they are in New Zealand. These costs may be disproportionate to the parents' length of residence in New Zealand and, for health and aged care, are likely to increase as parents age.

Once resident, parents are able to access the New Zealand public health system

- 52 The Minister of Health's Health and Disability Services Eligibility Direction 2011 (the Direction) provides that a person who holds "a residence class visa" is eligible to access publicly-funded health and disability care, including rest home care. Such eligibility is not subject to any sponsorship conditions.
- 53 Research undertaken in 2017 identifies that the public health costs incurred by migrant parents are similar to those of New Zealand-born people of the same age.³ In this respect the cost pressure migrant parents may place on the health system relates to an increase in volume of users rather than the migrant parents representing

³ Sapere Research Group, May 2017 - Based on two cohorts of parent migrants who arrived in New Zealand in the year to November 2011 and the year to June 2013.

a category of user that has disproportionately high health-related costs. Applicants are screened for health issues as part of the assessment process meaning that migrant parents with health issues that would foreseeably result in excessive costs and demand being placed on New Zealand's health system would not be accepted under the Parent Category.

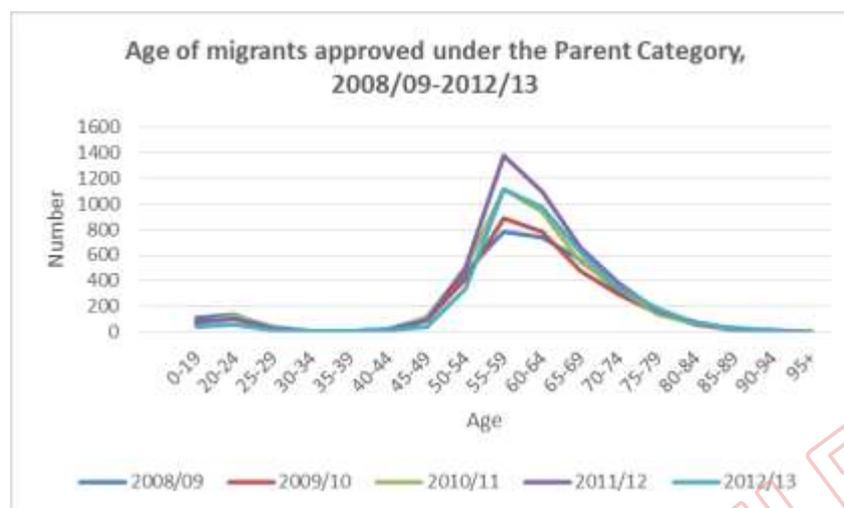
- 54 The option of requiring parents to have health insurance or insurance companies developing insurance products for older migrant parents to help mitigate the potential healthcare costs to the Government has been discussed with the insurance industry. Feedback was that parents' older age and likely health conditions would preclude them from accessing comprehensive health insurance. Considerations around the practicality of this approach include the often significant costs of premiums for policy holders as they age, and the potential difficulty of arranging cover for pre-existing conditions.
- 55 This approach would also require Government to set minimum requirements for the level and extent of insurance cover and establish a mechanism to ensure that the cover is maintained for the duration of the sponsorship period. I consider that this requirement would be too unwieldy to be practicable. The existing health checks required before sponsored parents are granted residence also reduce the likelihood that a parent with an existing health condition that would place an unreasonable burden on the public health system would be successful in their residence application.

Sponsored parents can become eligible for New Zealand Superannuation after ten years of residence

- 56 Under the Social Security Act 2018, residence class visa holders are eligible for superannuation if they have lived in New Zealand for at least ten years, five of which are after the age of 50, and they meet the eligibility age of 65 years. This is effectively a ten-year stand-down period. All Parent Category migrants are entitled to receive superannuation once they meet these criteria.
- 57 The concern with Parent Category migrants receiving superannuation is that their older age means they are likely to meet the age eligibility criteria sooner than other migrants, imposing more immediate costs on the taxpayer and without necessarily having contributed toward the cost of government services and supports.
- 58 The number of Parent Category migrants receiving superannuation in New Zealand is unknown. The graph below shows the age distribution of parent category resident visa recipients and provides an indication of how long some migrant parents might need to live in New Zealand before they become eligible for superannuation⁴:

⁴ Sapere Research Group, May 2017 - Based on two cohorts of parent migrants who arrived in New Zealand in the year to November 2011 and the year to June 2013.

Figure Two: Age of migrants approved under the Parent Category



- 59 Uptake of New Zealand Superannuation is likely to be lower than approval numbers under the Parent Category, and the cost of providing New Zealand Superannuation is likely to be lower on average than for other superannuitants, for three reasons. Firstly, not all parents remain in New Zealand for the ten-year residence period to receive superannuation. Secondly, a number of parents approved (over a five-year period) are younger than 55, so will take longer than ten years to become eligible. Thirdly, some parents are supported by pensions from their home countries. Overseas government benefits or pensions⁵ paid into New Zealand are deducted dollar-for-dollar from the recipient's entitlement to New Zealand benefits or pensions.
- 60 Reciprocal social security agreements exist between New Zealand and a number of other countries.⁶ The agreements allow individuals to count time in overseas jurisdictions towards the residence requirements for New Zealand Superannuation eligibility. At the same time, the agreements can help parent migrants to receive their overseas superannuation entitlement while living in New Zealand. I note that all overseas benefits and pensions are deductible, not only those from jurisdictions with which New Zealand has reciprocal agreements.

Changes made to the Parent Category in 2012 have significantly reduced costs incurred by some parents and increased economic benefits to New Zealand

- 61 Changes introduced in 2012 were aimed at better controlling costs, and included higher income requirements for sponsors under Tier One of the Parent Category and tightening migrants' access to benefits. A review of the Parent Category, undertaken by MBIE and MSD in 2017, found the 2012 policy changes appear to have achieved their intended economic outcomes, as demonstrated by:

⁵ This applies to government administered benefits and pensions paid by the overseas jurisdiction but not income from private superannuation savings.

⁶ New Zealand does not have reciprocal superannuation agreements with China or India, the countries largely represented by Parent Category applications. This means that parents from these countries are unable to reduce the number of years residence required for eligibility to New Zealand Superannuation unless they have previously been normally resident in New Zealand for a period of time (for example under a temporary work visa).

- 61.1 Almost eliminating Parent Category migrants accessing benefits: for parents arriving after 2012/13, only one per cent accessed the unemployment benefit or accommodation supplement during their first two years in New Zealand; and
- 61.2 An increase in the proportion of sponsors earning above \$60,000 per annum: the review found that mean and median annual incomes for sponsors whose parents arrived in 2012/13 were \$67,569 and \$63,309, compared with \$48,204 and \$45,436 for those whose parents arrived in 2010/11. Almost 14 per cent of sponsors in 2012/13 were earning over \$100,000 per annum.
- 62 While these changes have resulted in a reduction of some costs during the sponsorship period they have not eliminated the fiscal impact of the category in the medium to long-term.

Analysis of Options

- 63 Cabinet has two broad options in respect of the Parent Category's future – either to recommence selections or to close the category. If a decision is taken to recommence selections, a further decision is also required on whether the current cap should remain at 2,000 people per annum or change.
- 64 I do not consider that the option of retaining the status quo (i.e. continue receiving EOIs without resuming selections) is appropriate as clear guidance needs to be given to those in the queue as to whether their EOI will ever be selected.
- 65 Assessing options for the future of the Parent Category should be measured against the NZRP's two objectives adopted by Cabinet in 2018:
- 65.1. to maximise the contribution of the NZRP to the economic and social wellbeing of New Zealand and New Zealanders by:
 - 65.1.1 attracting skilled workers and business migrants;
 - 65.1.2 reunifying the families of New Zealand residents and citizens;
 - 65.1.3 meeting international and humanitarian commitments;
 - 65.2. to manage overall residence numbers through controlling each of the individual components of the programme [DEV-18-MIN-0304 refers].
- 66 Table One below outlines an assessment of each option against the two objectives.

Table One: Analysis of options

Assessment against NZRP outcome	Option	
	Re-commence selections	Close category
Outcome 1: maximise the economic and social wellbeing of New Zealand and New Zealanders	<ul style="list-style-type: none"> ✓ Helps to attract and retain skilled migrants, with attendant economic benefits, those these are difficult to quantify. ✓ Positive social wellbeing outcomes are identified in research although these are difficult to quantify. ✓ Helps to reunify the families of New Zealand citizens and residents. 	<ul style="list-style-type: none"> ~ Positive economic outcomes for sponsoring families may be offset by the net cost to the Crown of parents accessing social security and health benefits, although this is also difficult to quantify. ~ Fiscal impacts can be reduced through policy settings, however under current health and social security settings they cannot be fully mitigated.
Outcome 2: manage overall residence numbers	<ul style="list-style-type: none"> ~ Current forecasting indicates residence approvals for the current planning range will be toward the lower limit of the planning range and the full proportion (38%) of the Family Stream will be utilised. ~ Recommending selections will not impact Family Stream approval volumes until the 2020/21 year and would potentially require decisions about trade-offs with volumes in other parts of the Family Stream. This could be mitigated by reducing the cap. ~ Consideration would need to be given to managing the EOI queue which currently represents close to 1,000 individuals. At current approval rates this would take four years to clear under the existing cap, and eight years at a cap of 1,000. 	<ul style="list-style-type: none"> ✓ Closing the category removes a source of volume pressure on the Family Stream and NZRP overall. ✓ Closure reduces the likelihood that trade-offs will be required to manage Family Stream approval volumes under any new settings approved by Cabinet post 31 December 2019 (when the current planning range expires).

Implications of options

67 There are a number of practical implications associated with each option and these will affect decisions about the timing of announcements, amendments to immigration instructions and the timeframe for implementation of the option chosen by Cabinet.

Both options involve amending Immigration Instructions to close the existing Parent Category

68 If a decision is taken to close the category I will amend Immigration Instructions to give effect to the decision at the time an announcement is made.

69 If a decision is taken to recommence selection under new criteria, I will amend Immigration Instructions to close the category under its current settings (and therefore prevent any further EOIs being submitted under the old settings), and issue new Instructions to re-open the category under the changed Category settings from February 2020.

Both options involve processing refunds for affected submitters

- 70 While it is not legally required, I consider it appropriate to refund the EOI fee paid by submitters who will be affected by changes to the category. Refunds will be funded by the revenue already recognised by INZ through EOI submission fees
- 71 If the category closes, current legislative settings mean EOIs currently in the queue cannot be lapsed or withdrawn by INZ and will remain valid even though they will never be selected. This also means that INZ cannot refund the EOI fees paid by submitters unless the submitter requests their EOI be withdrawn from the queue.
- 72 To enable this, INZ will proactively contact submitters with EOIs in the queue using their most recent contact details provided to INZ. This communication will advise submitters of the decision to permanently close the category, and invite them to withdraw their EOI for the purpose of obtaining a refund. Submitters will be given a twelve-month timeframe to return the required information.
- 73 When an appropriate legislative vehicle becomes available, I will seek an amendment of the Immigration Act 2009 to enable INZ to lapse any remaining EOIs and withdraw them from the system. EOIs that are lapsed will not be eligible for a refund.
- 74 If Cabinet agrees to recommence selections, a number of submitters will not meet the new eligibility criteria and may choose to withdraw their EOI for a refund. INZ will proactively contact all submitters advising them of the changes and invite them to either update their EOI or request that their EOI is withdrawn and their EOI fee refunded. Submitters will be given a six month timeframe to advise INZ of their choice. Fees cannot be refunded once an EOI has been assessed.

INZ will incur additional operational costs as a result of any decision

- 75 Regardless of Cabinet's decision, INZ will be required to proactively communicate with all submitters to advise them of the changes to the category (or its closure) and to either provide information to withdraw their EOI for a refund or to update it should they wish to remain in the queue if selections recommence. There is no fee revenue associated with this activity meaning it is an additional processing cost to INZ.
- 76 Officials estimate that the processing costs (staff and overheads) associated with closing the category are \$620,000, and the costs associated with recommencing selections are \$527,000. This amount does not take into account the estimated \$389,000 in processing costs already expended on EOIs in the queue.
- 77 INZ has considered options to fund these costs from within baseline and is unable to meet the full cost from either the Crown Allocation or fees.
- 78 I am therefore seeking one-off Crown Funding of \$500,000 from the Between Budget Contingency to support the additional costs that decisions on this category will generate for INZ. Officials will track and report the full cost of implementation and will return any underspend to the Crown.

If Cabinet chooses to recommence selections in the category

79 If Cabinet decides to recommence selections, I recommend strengthening the financial requirements for sponsors and parents to ensure they are able to meet their obligations. I would also propose making changes to the EOI structure and updating policy settings so that financial and sponsorship requirements are formally linked and indexed to benchmarks. A summary of these proposals is appended as Annex One and includes:

- 79.1. Removing Tier Two and moving to a single level EOI process. This will standardise the eligibility requirements for access to this visa category and remove a track that is unlikely to result in a successful application;
- 79.2. Updating financial eligibility requirements for parents and sponsors to better reflect current living costs and be consistent with other residence categories;
- 79.3. Benchmarking and indexing financial eligibility thresholds to the median salary as outlined in Table Two below:

Table Two: New financial eligibility requirements and thresholds

Sponsor/applicant (current requirement)	Proposed new benchmark	Proposed new benchmark as at this date
Financial eligibility is based on the income of the sponsor (Income from one sponsor) Currently: income from one sponsor (or their partner) of \$65,000 p.a. pre-tax	1.5 times the median salary Same as the 'highly-skilled' threshold under Skilled Migrant Category	\$78,000 p.a. ⁷
Financial eligibility is based on the income of joint sponsors Joint income from one sponsor and their partner/spouse (if partner also meets 3 years residence/citizenship requirement) Currently: joint income of \$90,000 p.a. pre-tax	2 times the median salary Same as the 'highly-paid' threshold under Skilled Migrant Category	\$104,000 p.a. ⁸
Financial eligibility is based on guaranteed lifetime income of the applicant/s Currently: Single – income of NZ\$28,166 p.a. Couple – income of NZ\$41,494 p.a.	0.6 times the median salary (single); or 0.85 times the median salary (couple) Indexes this income to the median income	Single: \$31,200 p.a. ⁹ Couple: \$44,200 p.a. ¹⁰
Financial eligibility is based on the settlement funds of the applicant/s Currently: Funds or convertible assets with a minimum value of NZ\$500,000	Abolish this option	N/A

⁷ equivalent to \$37.50 per hour pre-tax for a 40-hour week.

⁸ equivalent to \$50.00 per hour pre-tax for a 40-hour week.

⁹ equivalent to \$600.00 pre-tax per week.

¹⁰ equivalent to \$850.00 pre-tax per week.

- 79.4. Strengthening the evidentiary requirements for financial criteria by requiring that parents and sponsors demonstrate their income was at the threshold level for two out of the three years immediately preceding the application and using Inland Revenue tax statements as evidence of income;
- 79.5. Updating the information sought on the application form used by sponsors to include details of any current sponsorship obligations they may have. This additional check will enable assessment officers to consider the ability of a sponsor to support, and if necessary underwrite, additional family members through the Parent Category;
- 79.6. Abolishing the Settlement Fund option within the financial eligibility criteria for the Parent Category as this setting does not provide a robust mechanism for guaranteeing the long-term financial stability of the applicant's settlement. The existing Parent Retirement Visa Category provides a residence option for Parent Category applicants wishing to use lump sum capital as evidence of their financial security to settle in New Zealand;
- 79.7. Formally aligning the sponsorship period with the New Zealand Superannuation residency eligibility requirements.

Once the proposed changes have taken effect, the existing EOI system structure needs monitoring to ensure that it can manage the number of EOIs being submitted

- 80 Should Cabinet decide to recommence selections, the queue of EOIs is likely to continue to grow at a faster rate than can be processed under the cap each year and could become unmanageable for INZ.
- 81 I will ask officials to monitor the effects the changes have on managing the EOI queue and report back to me in October 2020. If demand causes issues for managing the queue, further work will be necessary to investigate whether the EOI system can be structured to best manage the high demand or if a new approach (such as an annual ballot system) is preferable.

The existing Immigration Instructions for the Parent Category will be updated from the date of any announcement

- 82 To ensure a smooth transition to the new Parent Category policy settings, I propose that the current Parent Category will no longer be effective from the date the changes are announced. This will ensure that operational processes can be prepared to manage a transition to the new policy settings and avoid the risk of an influx of EOIs immediately after the announcement. No new EOIs will be able to be submitted until the new Parent Category policies are in effect.
- 83 I will amend current Instructions to give immediate effect to Cabinet's decision and issue new Immigration Instructions that reflect the approved changes and enable opening of the new Parent Category in mid-February 2020 with the first selection taking place in May 2020.

Consultation

84 The Ministries of Social Development and Health, the Ministries for Pacific Peoples and Women, the Office for Seniors, Te Puni Kōkiri and the Treasury were consulted in the development of this paper. The Department of the Prime Minister and Cabinet was informed.

Financial Implications

85 The costs of either closing the Parent Category, or reopening the Parent Category with the proposed changes, will impose additional and unfunded processing costs on INZ. I am therefore seeking funding from the Between Budget Contingency of \$500,000 to cover the administrative costs involved in contacting submitters, issuing refunds, and (if necessary) processing updated EOIs.

86 Refunds will be funded by the revenue already recognised by INZ through EOI submission fees.

87 INZ has considered options to fund administrative costs of either a closure or reopening from within baseline and is unable to meet the full cost from available Crown funding or current fees. Crown funded activities include compliance and settlement support which have been increased in Budget 19 as recognition of the need for more investment in these areas. Fee revenue is currently under pressure to manage the operational response to increased visa volumes and processing delays. In the event the parent category is closed, these specific costs would need to be cross-subsidised by other fee payers such as skilled migrants and students.

Legislative Implications

88 A decision to recommence selections does not have any legislative implications. A decision to close the Parent Category will require a minor Amendment to the Immigration Act 2009 which can be undertaken in the future when an appropriate legislative vehicle is available.

89 Both options will require some technical changes to the Immigration Instructions, which I will authorise under section 22 of the Immigration Act 2009.

Impact Analysis

90 If a decision is taken to recommence selections the Regulatory Impact Analysis requirements do not apply to the proposals in this paper as the introduction of new legislation or amendment to existing legislation or regulations is not required. As noted above, I will authorise changes to the Immigration Instructions to give the proposals effect.

91 If a decision is taken to close the Parent Category a minor amendment will be required to the Immigration Act 2009 and Regulatory Impact Analysis requirements will apply at that time.

Human Rights

- 92 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Gender Implications

- 93 There are no gender implications arising from the proposals in this paper.

Disability perspective

- 94 There are no implications from a disability perspective arising from the proposals in this paper.

Publicity

- 95 Subject to Cabinet's decision I intend to issue a press release announcing the details of the decision and how the decision will be implemented. This release will include advice and information for people who have submitted EOIs on what to expect to receive from INZ and what they are required to do next.

Proactive Release

- 96 I intend to proactively release a copy of this Cabinet paper, with appropriate redactions, within 30 days of the Cabinet decision.

Recommendations

The Minister of Immigration recommends that the Committee:

1 **Note** that the Parent Category Resident Visa:

- 1.1. allows New Zealand residents and citizens to sponsor their migrant parents for residence in New Zealand, subject to financial requirements and a 10 year undertaking to cover their parents' accommodation and living costs;
- 1.2. is capped at a maximum of 2,000 people per year, with demand managed through a two-tier expression of interest system where Tier One expressions of interest are selected first to apply for resident visas on a first-in, first-served basis; and
- 1.3. has been closed to new selections, with no new expressions of interest having been selected for processing since October 2016;

2 *Either:*

2.1. **Agree** to close the Parent Resident Visa Category; and

- 2.1.1 **Invite** the Minister of Immigration to amend Immigration Instructions to give effect to this decision
- 2.1.2 **Note** that an amendment to the Immigration Act 2009 will be required in the future to enable the lapsing of any Expressions of Interest remaining in the queue in the longer term

Or:

2.2. **Agree** to resume the selection of Parent Resident Visa Category Expressions of Interest and set the annual cap of individual Parent Residence Visa Category approvals at:

Either:

- 2.2.1 2,000

Or:

- 2.2.2 1,000

And:

2.2.3 **Instruct** the Minister of Immigration to amend the Parent Category's policy settings as follows:

- 2.2.3.1 Dis-establish the Tier Two sub-category;
- 2.2.3.2 Increase and index the benchmarked financial requirements for the Parent Category to the following levels;

Sponsor/applicant requirement	Benchmark
Income from one sponsor	Indexed to 1.5 times the median salary
Joint income from one sponsor and their partner/spouse (if partner also meets 3 years residence/citizenship requirement)	Indexed to 2 times the median salary
Guaranteed lifetime income of the applicant/s	Indexed to 0.6 times the median salary (single) or 0.85 times median salary (couple)

- 2.2.3.3 Abolish the settlement fund financial eligibility criteria;
- 2.2.3.4 Require sponsors to provide evidence of their annual income through Inland Revenue tax statements;
- 2.2.3.5 Require sponsors to demonstrate that they meet the income criteria for two out of the three years prior to the applicant lodging their application for residence to confirm they have the means to support their parents; and,
- 2.2.3.6 Formally link the duration of the sponsorship period at the total number of years required for the residence eligibility criteria for New Zealand Superannuation (excluding the requirement that five of those years be while the parent is over 50 years of age) regardless of whether the applicant may meet the New Zealand Superannuation eligibility requirements in a shorter period of time;
- 2.2.4 **Agree** the following settings for the proposed changes:
- 2.2.4.1 The increased financial and evidential requirements will apply to all parent migrant applicants who have already lodged an Expression of Interest as well as any new applicants;
- 2.2.4.2 All applicants with queued Parent Category expressions of interest will be invited to update their expressions of interest to show they meet the new criteria before their expression of interest is considered for selection.
- 2.2.5 **Invite** the Minister of Immigration to amend Immigration Instructions to give effect to this decision.

3 **Approve** the following changes to appropriations to give effect to the policy decisions in recommendations 2 above:

Vote Immigration Minister of Immigration	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Out-years
Multi-Category Expenses and Capital Expenditure: Immigration services MCA Departmental Output Expense: Assessment and Processing Services	0.500	-	-	-	-

4 **Agree** that the proposed change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

5 *Either*

5.1. **Agree** that the expenses incurred under recommendation 3 above be charged against the between-Budget contingency established as part of Budget 2019, with a corresponding impact on the operating balance; (*Minister of Immigration preferred*); and

5.2. **Direct** the Ministry of Business, Innovation and Employment to report back to the Minister of Finance and the Minister of Immigration by the end of 2019/20 on the volume of applications processed under this policy at the point, and forecasts for future years, to return any funding not required, or to agree to seek further funding if need;

OR

5.3. **Agree** that the expenses incurred under recommendation 3 be funded from other immigration fee payers with no impact on the operating balance, but a corresponding negative impact on the immigration fees memorandum account (*Treasury preferred*).

Authorised for lodgement

Hon Iain Lees-Galloway
Minister of Immigration

Annex One: Summary of 2019 Progress in the Immigration Portfolio

The overview covers the policy programme in Immigration. It does not include important operational changes such as increased compliance enforcement capacity received through Budget and work on improving visa processing times

The Government's vision is to improve the wellbeing and living standards of New Zealanders, including through productive, sustainable and inclusive economic growth. The immigration system supports this vision by...										
Improving New Zealand's labour market outcomes including by filling skill and labour shortages and raising overall skill levels		Encouraging investment and supporting innovation and exports		Supporting foreign relations objectives and New Zealand's international and humanitarian commitments		Supporting social inclusion, including through family reunification		Protecting the security of New Zealanders and the border		
Priorities	Labour market and economy			Migrant exploitation		International	Refugee & Humanitarian	System		
System changes	New Zealand Residence Programme	Parent Category	Entrepreneur and business investment	Employer-accredited temp work and regional planning	Migrant worker exploitation	Pacific policy	Refugee Quota Programme	Family and community refugee sponsorship	Border processing	Border Security
Achieved to date	Agreed objectives for targeted visa decisions	Proposals developed for consultation	Initial policy work on fitness for purpose	Completed consultation on policy proposals	Launched review and independent research completed	Agreed review objectives (support development, need NZ's needs)	Increased quota to 1500 annually from July 2020	Process evaluation of community sponsorship pilot	Introduced ETA and removed departure cards	Successful Budget 2018 bid
Upcoming decisions	Constitutional conventions	Decision on future of the category and eligibility and entitlement settings.	Constitutional conventions	Agree to policy changes including: sector agreement parameters, gateway settings, regional planning settings	Agree to flexible toolset for identifying and addressing exploitation	Agree to focus scope of the review. Likely focus on RSE, labour mobility, PAC/SQ outcomes	Agree changes to international allocations and sub-categories	Constitutional conventions	Completed	Response to any Royal Commission findings. Strengthen settings to better managing maritime mass arrivals
Expected impacts	Unknown - impacts will depend on the decisions made by Cabinet		Changes are likely to tighten the settings, making it more difficult to employ low skilled migrants where New Zealanders are available. Visas: ↓		Changes will strengthen labour market and immigration protections for migrants	Unknown – no specific changes are proposed at this stage. In the longer term impacts will depend on the decisions made by Cabinet.	Increase in number of permanent residence visas granted (by 500 annually) from July 2020 Visas: ↑	No expected changes to visa approval numbers. Will facilitate border processes and improve security Visas: ↔		Unknown impacts
Timing	Cabinet Aug 2019		Cabinet Aug 2019		Cabinet Sept 2019	Constitutional conventions	Cabinet Aug 2019	Completed ✓		TBD

Annex Two: Summary of key changes to the Parent Resident Visa Category (Parent Category) settings

Element	Current Setting	Proposed Change	Comment
Expression of Interest Structure and Process	Two tier system Tier One – first priority for selection, higher financial eligibility requirements Tier Two – selected if not enough Tier One EOIs to meet cap, lower financial eligibility requirements	Dis-establish Tier Two	The volume of Tier One EOIs means that Tier Two EOIs are unlikely to ever be selected
Sponsorship Period	10 Years	Formally align to the residence eligibility requirement for New Zealand Superannuation (regardless of whether the applicant becomes eligible for New Zealand Superannuation in a shorter period due to effect of reciprocal agreement arrangements)	Formally aligning the sponsorship period to the residence eligibility requirement for New Zealand Superannuation ensures that there is no gap between the point at which the sponsorship ends and the point at which the applicant becomes eligible to receive New Zealand Superannuation (if they are 65 or older).
Financial Requirements	Applicants can meet financial eligibility requirements in any one of three ways Sponsor's income (fixed minimum level not reviewed since 2012) Applicant's guaranteed lifetime income (level adjusted on 1 July 2018) Applicant's settlement funds (fixed minimum not reviewed since 2012)	Increase Sponsor's Income and Applicant's guaranteed lifetime income levels and index them to the median wage Abolish settlement fund eligibility option	Indexing the minimum levels avoids the risk that the fixed amounts lag behind reasonable provision for living costs if they are not regularly reviewed The settlement fund option has no requirement that the funds are managed or used in a way that supports a sustainable resettlement over time. Other options are open to Parents wishing to resettle using their own assets such as the Parent Retirement Category
Evidential Requirements	Income must be from sustained paid employment, regular self-employment and/or regular investment income. The sustained/regular test is generally considered to be met if the sponsor provides evidence of the income threshold being met for the previous three months.	Sponsors to provide evidence of their annual income through Inland Revenue tax statements Sponsors must meet the income criteria for two out of the three years prior to submitting their EOI	Revenue tax statements show net income which mitigates the risk that gross investment income generating low or no returns (e.g. mortgaged rental property) is misrepresented Demonstrates that sponsors have stable, consistent income that is sufficient to support their parents Deters sponsors from temporarily working extra hours or multiple low-skilled jobs in order to meet the threshold in the very short term prior to applying
Applicant Character requirement	Applicant must meet the requirement of good character	No change proposed	
Applicant Health requirement	Applicant must meet the acceptable standard of health requirement	No change proposed	
Applicant Minimum standard of English requirement	Applicant must meet the minimum standard of English or have met the requirement to pre-purchase ESOL tuition	No Change proposed	