



BRIEFING

Proposals to change the New Zealand Residence Programme Parent Category and update its requirements

Date:	24 August 2018	Priority:	High
Security classification:	In Confidence	Tracking number:	0585 18-19

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway Minister of Immigration	Agree to provide direction on the decisions required to retain and re-open the Parent Resident Visa (Parent Category)	3 September 2018
Hon Kris Faafoi Associate Minister of Immigration	For your information	3 September 2018

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Siân Roguski	Manager, Immigration Policy	04 901 3855	Privacy of natural persons	✓
Chris Pound	Senior Advisor, Immigration Policy	04 916 6066	n/a	

The following departments/agencies have been consulted

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 Withdrawn |

Comments



BRIEFING

Proposals to change the New Zealand Residence Programme Parent Category and update its requirements

Date:	24 August 2018	Priority:	High
Security classification:	In Confidence	Tracking number:	0585 18-19

Purpose

This briefing seeks your direction on the following decisions regarding the future of the New Zealand Residence Programme Parent Category:

- Retain the Parent Category, with a cap of 2,000 visas per year
- Limit the Category to a single sub-category (Tier One) and dis-establish the existing Tier Two sub-category
- Update the financial requirements for applicants and their sponsors, and
- Re-start selecting Parent Category (Tier One) expressions of interest and processing of new visa applications.

Executive summary

The Parent Resident Visa (referred to as the Parent Category) is part of the Family Stream of the New Zealand Residence Programme that enables New Zealand residents and citizens to sponsor their parents for permanent residence in New Zealand. In general, the principal of the Parent Category policy is that where possible, the costs of migrants bringing their parents to New Zealand are to be borne by the migrants as sponsors. This is consistent with other countries, such as Canada and Australia, which have similar policies that place long-term obligations on sponsoring children to ensure that their parents (and grandparents in Canada) are supported when they immigrate.

The Parent Category has a two-tier system, introduced in 2012, to help attract and retain high-contributing migrants as well as reduce the fiscal costs arising from the category. It is currently capped at 2,000 places per year. Tier One has higher financial requirements for applicants and sponsors and looser family requirements than Tier Two. Tier One receives priority processing.

Demand for this visa is managed through an expression of interest (EOI) system and there has traditionally been more demand from potential migrants than the number of visas available. This has meant that the second tier has only rarely been opened. In 2016, the previous Government closed the category to new visa applications as there were sufficient applications already in the system to fill the revised cap.

The decision to retain and/or re-open processing of this visa is a balanced one. There are arguments that a migrant's parents positively contribute to the family, cultural and economic wellbeing of their children (the sponsors) and their families. This support can be direct through parents enabling their migrant children to work, providing child care, care for sick children and assistance with household tasks. There is also an indirect flow-on to businesses and the wider economy through sponsor migrants being more settled enabling them to contribute and be more productive in their work and other activities. These benefits are very difficult to quantify although there is evidence that migrants whose parents immigrate stay in New Zealand longer.

Migrants' parents' contributions to the wider economy and community are less clear and may be negative particularly as migrant parents age. Older parents can incur additional publicly-funded healthcare costs that cannot currently be recovered from their sponsors. Migrant parents can receive superannuation payments after ten years of residence. While research suggests that these costs are in line with aging New Zealanders, they are additional because if the parent had not been granted residence the Government would not have incurred them.

On balance, we recommend retaining the Parent Category visa on the basis that the category:

- supports attracting and retaining skilled and productive migrants
- can improve settlement outcomes for adult migrant children and their families, and
- costs can be managed (but not completely mitigated) by policy settings and criteria.

We recommend re-opening the Parent Category visa with its current cap as a single-tier system limited to Tier One applicants only, and re-starting selection of new applications. In addition to removing the Tier Two sub-category, we propose two further changes to the Parent Category policy that are consistent with the policy objectives. These changes are:

- Update the level of financial requirements to make sure sponsors keep being able to meet their sponsorship obligations, and
- Update the evidential requirements of sponsors' income, to ensure sponsors genuinely have the means to support their parents.

The current policy is generally fit for purpose so the proposed changes seek to slightly recalibrate the Parent Category to raise the financial requirements to help attract and retain higher skilled migrants as well as manage demand for places and potential costs to the Government.

We have considered also alternative options, such as a new longer-term temporary parent visa, but these could have more costs than benefits and, in our view, would blur the line between temporary visitor and permanent residence status.

Should you agree to the changes, Cabinet approval will be required. We recommend submitting these proposals to Cabinet as a companion paper to another paper that seeks to better align the New Zealand Residence Programme with the Government's objectives for the immigration system and change the current planning range approach [BN3942 17-18 refers]. These papers could be developed for you to submit for Cabinet's Economic Development Committee to consider in either late September 2018 or mid October 2018.

Recommended action

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

a **Note** that the Parent Resident Visa (known as the Parent Category):

- 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
- is split into two sub-categories, Parent Category (Tier One) and Parent Category (Tier Two), but demand from Tier One has been sufficient to fill the annual cap and no expressions of interest have been selected under Tier Two
- is capped at a maximum of 2,000 visas per year, with demand managed through an expression of interest system where Tier One expressions of interest are selected first to apply for residence visas on a first-in, first-served basis, and
- is temporarily closed, with no new expressions of interest selected for processing since late 2016.

Noted

- b **Agree** to retain the Parent Category, as part of the suite of policies that make up the New Zealand Residence Programme, with the current numerical cap of 2,000 visas to be granted in any one year, and update the policy thresholds as outlined below

Agree / Disagree

- c **Agree** to seek Cabinet approval to update the Parent Category's policy thresholds to:

- i. Limit the Parent Category to the Tier One sub-category and disestablish the Tier Two sub-category

Agree / Disagree

- ii. Adjust the benchmarked financial requirements to the following levels to ensure that sponsors keep being able to meet their sponsorship obligations:

Sponsor/applicant requirement	Benchmark	Dollar value at the time of this briefing
Income from one sponsor	1.5x the median income from wages or salary (FTE from main job) <i>Same as 'highly skilled' threshold under Skilled Migrant Category</i>	\$36.44 per hour (equivalent to \$76,013.84 p.a. for a 40-hour week)
Joint income from one sponsor and their partner/spouse (if partner also meets 3 years residence/citizenship requirement)	2.0x the median income from wages or salary (FTE from main job) <i>Same as for 'highly paid' bonus points under Skilled Migrant Category</i>	\$48.58 per hour (equivalent to \$101,337.88 p.a. for a 40-hour week)
Guaranteed lifetime income for 1 applicant (i.e. single parent)	Supported living payment (formerly Invalids' benefit) – single person rate	\$31,622
Guaranteed lifetime income for 2 applicants (i.e. two parents, or one parent and their partner)	Supported living payment (formerly Invalids' benefit) – couple rate	\$52,050
Settlement funds for the parent(s)	The Parent Retirement Category - NZ\$1 million to invest in New Zealand for 4 years plus another NZ\$500,000 to live on	\$750,000

Agree / Disagree

- iii. Enable Immigration New Zealand to adjust the financial requirements (noted in ii above) annually at the same time as the income requirements are updated, which is usually around November or December, at the first operational release following the publication of the Household Labour Force Survey

Agree / Disagree

- iv. Update the evidential requirements of sponsors' income, to ensure sponsors genuinely have the means to support their parents

Agree / Disagree

- v. Apply the updated financial requirement to parent migrants who have already lodged an expression of interest and that the new requirements are to be communicated directly to those affected by the change, and they will be given time to update their EOIs without losing their place in the queue

Agree / Disagree

- vi. Enable Immigration New Zealand to re-start selecting Parent Category (Tier One) expressions of interest as soon as possible after Cabinet decisions on this category are made

Agree / Disagree

d **Note** that Immigration New Zealand are only likely to approve between 500 - 700 Parent Category visas in 2018/19 because of the time lag between selecting new expressions of interest, when applications are lodged once selected, and the assessment timeframes for approval decisions, and then 2,000 visas per year from 2019/20 onwards

Noted

e **Note** that we consider an alternative, longer-term temporary parent visa could have more costs than benefits and would blur the line between temporary visitor and permanent residence status, but we will provide further analysis and advice on this visa should you wish

Noted

f **Agree** to officials developing a paper, subject to your agreement to the proposals in this briefing, for you to consider for submission to Cabinet's Economic Development Committee for decisions in either late September 2018 or mid October 2018

Agree / Disagree



Siân Roguski
Manager, Immigration Policy
Labour, Science and Enterprise, MBIE

24 / 08 / 2018



Hon Iain Lees-Galloway
Minister of Immigration

03 / 09 / 18

PROACTIVELY RELEASED

Background

1. Resident visas¹ allow migrants to live in New Zealand 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.
2. The Government has two main interests in controlling who gets residence:
 - a. Regulating the overall number of people granted residence, to manage the impact that new residents have as they become eligible to settle in New Zealand, and
 - b. Directing which migrants' applications are prioritised within this overall number, to make sure residence categories contribute to the Government's overall objectives for the immigration system.
3. The New Zealand Residence Programme (NZRP) provides residence class visas for approved applicants, with the number of places managed through a two-yearly planning range. The planning range was set at 85,000 to 95,000 people for the two year period ending 30 June 2018.
4. On 29 June 2018, we provided you with advice on the NZRP that included resetting the objectives underpinning the residence programme [BN3942 17-18 refers]. The proposed objectives explicitly set out the Government's priorities for the NZRP with a focus on the contribution of skilled migrants and are as follows:
 - a. To maximise the contribution of the residence programme to the economic and social wellbeing of New Zealand and New Zealanders by:
 - attracting skilled workers and business migrants
 - reunifying the families of New Zealand residents and citizens, and
 - meeting international and humanitarian commitments.
 - b. To manage overall residence numbers through controlling each of the individual components of the programme.
5. The Family Stream is one of the three² streams of the NZRP and includes the following visa Categories:
 - a. the Parent Category (capped to 4,000 places over 2 years - 2,000 visas per year - which was reduced from 5,500 per year in 2016)
 - b. the Parent Retirement Category (Uncapped)
 - c. the Partnership Category (Uncapped)
 - d. the Dependent Child Category (Uncapped)
6. Within the Family Stream, there has been a significant increase in the number of people applying for residence as the partners and dependent children of New Zealand citizens and

¹ Technically, 'residence class visas' include both resident visas and permanent resident visas. Most people who apply for residence get a resident visa first, and can apply for a permanent resident visa two years later. However, some people – for example the long-term partners of expatriate New Zealanders – immediately get a permanent resident visa. The term 'resident visa' is used generically in this briefing to refer to the first visa that migrants get when they apply for and successfully get residence.

² The other two streams are Business/Skilled and International/ Humanitarian.

residents. These applications are not capped and, therefore, the only way to manage numbers within this stream is to adjust the cap on parents.

The Parent Category residence visa

7. The Parent Category enables New Zealand residents and citizens to sponsor their parents for permanent residence in New Zealand. The objectives of the Parent Category are to support family connections, in order to:
 - a. progress New Zealand Government economic objectives for immigration; and
 - b. attract and retain skilled and productive migrants, while also limiting the costs of New Zealand Government benefits.
8. This category has a two-tier system, introduced in 2012, to help attract and retain high-contributing migrants as well as reduce the fiscal costs arising from the category:
 - a. **Tier One** has higher financial requirements for applicants and sponsors, looser family requirements (for example, the sponsored parent can be living in the same country as other adult children) and receives priority processing, and
 - b. **Tier Two** has lower financial requirements for sponsors, tighter family requirements (for example, the sponsored parent must be alone in their country of residence), and is not prioritised.
9. Demand for this visa is managed through an expression of interest (EOI) system - similar to the Skilled Migrant Category system - except that Parent Category EOIs are drawn first by the priority of the tiers and then by date order within each tier. Because of the very high demand for the limited number of places, the previous Government decided in October 2016 that no further EOIs would be selected until further notice.
10. While Immigration New Zealand (INZ) has not made any further selections from the Parent Category pool since the category was closed, the EOI system has remained open, for both tiers, and INZ has continued to receive EOIs from prospective applicants. The current size and make-up of the Parent Category EOI pools are as follows:
 - a. **Tier One** - 4,900 EOIs registered, representing around 8,000 people.³
The main nationalities represented in this pool are (by EOI): China (2,273), India (765), United Kingdom (452), South Africa (272), Fiji (252) and the Philippines (184).
 - b. **Tier Two** - 473 EOIs registered, representing a similar number of people.
The main nationalities represented in this pool are: China (222), India (50), Fiji (42), Samoa (33), United Kingdom (21), Tonga (16), the Philippines (13), South Africa (11) and Sri Lanka (10).
11. Most of the EOIs are around two to three years old. However, many have been in the system for longer, some for up to seven years within Tier Two. Tier Two EOIs have never been selected as part of INZ's processes due to high demand under Tier One. However, a few have submitted residence applications following Ministerial intervention.

³ Applicants under the Parent Category can include a partner as a secondary applicant on their residence application. There are on average 1.6 people per application under Parent (Tier One), and 1 person per application under Parent (Tier Two).

The Parent Category should be retained

The Parent Category brings benefits to New Zealand and New Zealanders

The Parent Category visa plays a small role in attracting skilled migrants to New Zealand

12. Countries with skills-focused immigration systems similar to New Zealand's, like Australia and Canada, also have special visa categories for parents to join their children (and in the case of Canada, for grandparents). For comparison, the requirements for the parents and/or grandparents to settle in these countries with their children as sponsors are attached as Annex One.
13. The potential to sponsor parents for residence is generally considered to be an attraction for skilled workers when deciding on a migration destination (i.e. choosing one country over another).
14. However, for most, it is not a determining factor in either the decision to migrate or in enabling migrants to adjust and settle once they are here. New Zealand research in 1999 suggests that, "while the presence of parents in New Zealand may "enhance" the settlement process for migrants, it was not central to the successful settlement of most migrant sponsors."⁴ The research did note that, for a few sponsors, the potential to sponsor parents did influence 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.
15. In terms of meeting the Government's objectives for immigration, around two thirds of Parent Category sponsors are skilled migrants. The small number of Parent Category visas available each year (2,000) compared to the total number of skilled migrants (around 18,000 in 2017/18) means that only six to seven per cent of all skilled migrants are likely to be able to sponsor their parents.

The Parent Category plays a greater role in the retention of skilled migrants

16. Once skilled migrants are here, those who sponsor their parents are more likely to remain in New Zealand than those who don't. The number for sponsoring migrants who stay (i.e. do not return to their home country or move to another) is twenty percent higher than for migrants who do not sponsor parents, which is a significant positive gain for New Zealand.
17. 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. It has been reported that some sponsoring children may have left New Zealand or moved on in their lives and leave their parents in New Zealand with little or no support.⁵ There is not a lot of evidence to suggest this is a widespread issue.

Sponsoring parents improves the wellbeing and settlement outcomes for adult children

18. There is evidence that being able to sponsor their parents also contributes to the wellbeing of sponsoring children and their families. While New Zealand-specific research dates from 1999⁶, it is strongly corroborated by the findings of a review undertaken in Canada in 2014. 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.

⁴ 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>.

⁵ Stuff, Dec 2014, *Elderly migrant parents abandoned to isolation*, <https://www.stuff.co.nz/national/63925002/Elderly-migrant-parents-abandoned-to-isolation>; NZ Herald, May 2016, *Concern as more older migrants are left alone*, https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11635692

⁶ Ibid

19. The New Zealand research had found sponsors benefited from:
- reduced stress from fewer household tasks to be done by sponsors if the parents provided housekeeping and/or cooking help
 - parental advice, and
 - economic gain from parents providing child care, and care for sick children.
20. The Canadian research found there were '*considerable social, cultural and other economic benefits of sponsorship to sponsor families*'.⁷ More specifically, sponsors reported having their parent (or grandparent) in the same country:
- 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
 - were instrumental in helping "grandchildren learn their cultural heritage", and
 - provided emotional support and contributed to better settlement of the sponsor or their partner.

Sponsoring parents is associated with better labour market outcomes for their adult children

21. There is some evidence that a higher percentage of migrants who have sponsored parents are working for salary or wages and contributing to New Zealand's economy than migrants who do not have parents with them. Labour market participation could be between 10-15 percent higher for sponsors which supports the view that parents can free up sponsoring children enabling them to work. Further work is required on this data to consider factors such as migrants who are included in the data but no longer have parents and so would not access this policy.

The Parent Category has moderate costs that can generally be managed through the sponsorship requirements

22. The Parent Category is designed to minimise the costs of parent migrants to the Crown. Changes introduced in 2012, including higher income requirements under Parent (Tier One) and tightening migrant's access to benefits, were aimed at better controlling costs.

Income requirements ensure sponsors are able to meet their obligations to support their parents

23. Sponsoring children must have been a resident or citizen of New Zealand for at least three years before they can sponsor their parent. Sponsors are responsible for the maintenance (living), accommodation and repatriation (if there are any) costs for their parents for 10 years. Sponsors sign an undertaking and any costs incurred by the Crown can be recovered from them, for example, if a parent migrant finds themselves impoverished and accesses a benefit.
24. To be eligible for priority processing under Tier One, parent migrants must currently meet one of the following financial requirements:
- a. Their sponsor or their partner must earn at least \$65,000 per year, or the sponsor and their partner together must earn at least \$90,000 per year (the amount doesn't change whether one or two parents are included in the application), or
 - b. The parent must have a guaranteed lifetime minimum income (from an overseas pension, for example) of at least \$28,166 per year, or \$41,494 per year if their partner

⁷ 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>

is also included in the application. These thresholds are based on the cut-off point at which a person is, or couple are, no longer eligible for a Supported Living Payment, or

- c. Settlement funds to the value of NZD\$500,000, which must be transferred to New Zealand before residence can be granted.

25. A review of the Parent Category, undertaken by MBIE and the Ministry of Social Development in 2017, found the 2012 policy changes appear to have achieved their intended economic outcomes, as demonstrated by:

- almost eliminating Parent Category migrants accessing benefits – only one per cent accessed the unemployment benefit and accommodation supplement during their first two years in New Zealand
- an increase in the proportion of sponsors earning above \$60,000 per annum – the review found that mean and median 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, and
- a very high proportion of sponsoring children remaining in New Zealand after their parents have been approved under the Parent Category – for sponsors whose parents arrived in 2010/11, 94 per cent were still in New Zealand after six months, and about 90 per cent after 36 months. For sponsors whose parents arrived in 2012/13, 98 per cent were still in New Zealand after one year.⁸

The health system does not currently allow the recovery of health costs for sponsored parents

26. The Minister of Health's Eligibility Direction 2011 (the Direction) provides that a person who holds "a residence class visa" is eligible for publicly funded health care, including for rest home care. This prevents costs incurred by parent migrants from being acknowledged as a debt and so these costs cannot be recovered from sponsors.
27. A review of the Direction in accordance with the Crown Entities Act 2004 is being contemplated by the Ministry of Health, however there is no timeframe for the review at this time. There may also be operational challenges associated with implementing any change to how the Direction treats sponsored parent migrants. In particular, it would be necessary for the Ministry of Health and healthcare providers (such as District Health Boards) to be able to identify individuals who are sponsored parent migrants from the information provided to them from Immigration NZ. MBIE will work with the Ministry of Health to identify solutions when a review gets underway.
28. Parent migrants have to meet standard immigration health requirements and be assessed as having an acceptable standard of health before they can be granted residence. Despite this, their health costs are among the highest for recent migrants, at around \$1,000-\$1,300 per person per year (excluding ACC payments).⁹ This is largely due to their age group, with their health costs very similar to those of the New Zealand-born population on an age-adjusted basis. The lower annual cap introduced in 2016 has the associated benefit of reducing the overall costs from the Parent Category.
29. Officials have previously discussed with the insurance industry the option of requiring health insurance or developing insurance products for parents of migrants to help mitigate the potential healthcare costs to the Government. Feedback was that parents' older age and likely health conditions could preclude them from accessing comprehensive health insurance due to the potential high cost of the premiums or excluded medical conditions not providing

⁸ For the sponsors in 2012/13, retention data was only available for the first year after their parent arrived.

⁹ This estimate is based on two cohorts of parent migrants who arrived in New Zealand in the year to November 2011 and the year to June 2013, with information extracted from Statistics New Zealand's Integrated Data Infrastructure (IDI) in early 2017.

sufficient coverage to meet costs. This could lead to either a lower uptake of the visa or costs being incurred on the healthcare system for urgent medical services (or both).

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

30. Resident visa holders are eligible for superannuation if they have lived in New Zealand for at least 10 years (though not just as residents), five of which are after the age of 50, and they meet the eligibility age of 65 years. This is effectively a 10-year stand-down period. There is no requirement for recipients to have contributed via income tax. All Parent Category migrants will, therefore, receive superannuation once they meet these criteria.
31. The concern with Parent Category migrants receiving superannuation is that their older age means they are likely to meet the eligibility criteria sooner than other migrants, imposing more immediate costs on the taxpayer. These costs may be disproportionate to their length of stay in New Zealand¹⁰. They are also less likely to have participated in the labour force, meaning a likely lower contribution to the New Zealand economy.
32. The number of Parent Category migrants receiving superannuation in New Zealand is unknown. However, uptake is likely to be lower than approval numbers under the Parent Category for two reasons. Firstly, not all parents remain in New Zealand for the 10 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 10 years to become eligible.

Tier Two of the Parent Category should be closed permanently

33. The Parent Resident Visa (Tier Two) was introduced to keep some places available for sponsors who would not meet the income requirements introduced in 2012.
34. For an applicant to qualify under Tier Two of the Parent Category, their sponsor (or their sponsor's partner) must have a minimum income of at least \$33,675 per year and the parent must be living alone in their home country. This threshold has not been updated since 2012 and is now below the minimum wage income level for a 40 hour working week (\$34,320 per year).

Parent (Tier Two) has almost never been used, and is unlikely to be used in the future as demand under Parent (Tier One) is sufficient to fill the Parent Category cap

35. We recommend closing Tier Two of the Parent Category.
36. The two-tier Parent Category criteria was introduced in 2012 with a prioritisation process [DOM (11) 32 refers]. Tier Two EOIs have the lowest priority in the Category for processing behind Tier One EOIs and queued pre-existing applications from the closed, pre-2012 Parent Category. Even with the higher cap of 5,500 visas per year, which was in place before October 2016, there has almost always been sufficient demand under Tier One and from queued pre-2012 applications to fill the entire Parent Category cap without needing to process Tier Two EOIs.
37. Closing Parent (Tier Two) would require a decision to be made on what happens to the existing EOIs that have been lodged with INZ. We propose this be managed by INZ contacting applicants and sponsors to advise them that the sub-category is closing and their EOIs would lapse.
38. The main implication of this decision for INZ would be the need to refund the fee charged to potential applicants when submitting their EOI that would have covered application

¹⁰ For example, a parent who gained residence at the age of 55 and lived until the age of 85 would access superannuation for 20 out of their 30 years in New Zealand.

processing costs. A Cabinet decision would also be required to remove the Tier Two fees from the relevant regulations.

39. If Tier Two is closed, potential applicants would then need to decide whether they are in a position to apply for a Parent Category visa through the Tier One EOI process. There is a risk that closing this tier could generate negative publicity from potential sponsors regarding removing the option for their parents to move to New Zealand as well as the fact that INZ have held their fees when processing of their EOIs was unlikely to occur.
40. Offering applicants a refund of their fees alongside careful management of communications messages would mitigate some of the negative publicity associated with these changes. However, the mitigating effect of a refund is likely to be limited because some applicants may have incurred other costs associated with applying for a visa that cannot be recovered, e.g. medical assessment expenses. A refund may also mean less to applicants as compared to the removal of this pathway to residence.
41. The alternative option to closing Tier Two is to retain the two-tier system but allocate a specific number of visas to applicants who meet the lower criteria on humanitarian grounds. This allocation could be based on current proportions of applications that are currently in the system (approximately ten percent are Tier Two which would equal 200 places).
42. This approach is not recommended as it does not align with the objectives of the category to attract and retain skilled and productive migrants, while also limiting the costs of New Zealand Government benefits. There is also a greater risk that sponsors with lower income levels may not be able to fulfil their financial obligations to support their parents over the sponsorship period. This could potentially lead to the Government incurring costs to support parents' living expenses as well as for any enforcement action.

The policy settings for Parent Category (Tier One) need updating to continue to efficiently manage demand and costs

Keep the annual cap at 2,000 visas, as set by Cabinet in 2016, to manage demand

43. The proposed new Residence Programme objectives focus on prioritising the contribution of skilled and business migrants while allowing New Zealanders to live in New Zealand with their family. Within family residence categories, partners and children are prioritised over parents. High demand for Parent Category is managed through the cap on numbers. Demand for visas under all family categories continues to grow, and it is appropriate to continue to control numbers under the Parent Category.
44. The lower annual cap of 2,000 visas, introduced in 2016, offers a balance between controlling Parent Category numbers and keeping the policy sufficiently open and active to continue to have value in attracting skilled migrants to New Zealand and having them stay once they settle.

Immigration New Zealand is likely to only approve around 500 - 700 Parent Category visas in 2018/19, and continue from 2019/20 onward with 2,000 visas per annum

45. Parent Category applications take a long time to process. Applicants in this stream are not high users of advisors and they generally take around four months, on average, to lodge their residence applications after an invitation to apply has been sent. Around sixty per cent of applications take eight months to finalise once received, because of processes required to obtain multiple medical referrals and security checks¹¹.
46. INZ has so far approved about 130 people in 2018/19, with about 265 applications (approx. 400+ people) currently on-hand and INZ are envisioning that there will be low approval rates

¹¹ At least 25 per cent of applicants require New Zealand national security checks.

for the on-hand residual cases. Given the above, INZ estimate that that they will achieve between 500 – 700 visas approved in 2018/19, subject to Cabinet decisions occurring sooner rather than later.

47. It is also not operationally feasible for INZ to approve a high number of people under the Parent Category (within a twelve month period) if selections from the EOI pool are not drawn until the beginning of a reporting year, as would be the case here.

The EOI system may need to be closed temporarily to manage an ongoing cap of 2,000 visas per year

48. With an annual cap of 2,000 visas, there are enough EOIs already in the system for four years' worth of applications. While that number will likely reduce with the updated financial requirements, the queue of EOIs is likely to continue to grow at a faster rate than what can be processed under the cap each year.
49. The EOI system could be closed temporarily and then re-opened once numbers get close to or slightly below the annual cap (e.g. sufficient EOI numbers to account for 2,000 people). Closing the EOI system would require regulation changes and further work is required before then to determine how the EOI system needs to be structured in the future to best manage the high demand and the lower annual cap.¹²
50. We suggest that you consider this early next year once the other changes proposed in this paper have been agreed to and implemented. Parent Category applicants have other options to either visit or immigrate, such as the Parent and Grandparent visitor or the Parent Retirement visas that are identified later in this briefing.

Adjust the financial requirements to make sure sponsors continue to be able to meet their obligations

Update the level of financial requirements to make sure sponsors keep being able to meet their sponsorship obligations

51. It is important that the financial requirement thresholds continue to enable New Zealand to attract and retain skilled migrants who are interested in sponsoring their parents, while also addressing demand for Parent Category places. Some of the financial criteria for the Parent Residence Visa have not been updated since the last changes were introduced in 2012. Over that period, the median income from wages has increased by nearly twenty percent.
52. We propose that the criteria is increased and indexed in future to ensure that these thresholds ensure that either the parents arriving under this category or their sponsoring children have sufficient finances given that they should not be accessing benefits during the sponsorship period. The proposed income requirements are shown on the next page.

¹² For example, the Canadian *Parent and Grandparent* expression of interest system is open for sponsors for a few weeks every year, and EOIs are randomly selected and invited to apply. EOIs that aren't selected then lapse, and unsuccessful sponsors can try again the following year.

Sponsor/applicant requirement	Benchmark	Dollar value at the time of this briefing
Income from one sponsor	1.5x the median income from wages or salary (FTE from main job) <i>Same as 'highly skilled' threshold under Skilled Migrant Category</i>	\$36.44 per hour (equivalent to \$76,013.84 p.a. for a 40-hour week)
Joint income from one sponsor and their partner/spouse (if partner also meets 3 years residence/citizenship requirement)	2.0x the median income from wages or salary (FTE from main job) <i>Same as for 'highly paid' bonus points under Skilled Migrant Category</i>	\$48.58 per hour (equivalent to \$101,337.88 p.a. for a 40-hour week)
Guaranteed lifetime income for 1 applicant (i.e. single parent)	Supported living payment (formerly Invalids' benefit) – Single person rate	\$31,622
Guaranteed lifetime income for 2 applicants (i.e. two parents, or one parent and their partner)	Supported living payment (formerly Invalids' benefit) – Couple rate	\$52,050
Settlement funds for the parent(s)	The Parent Retirement Category - NZ\$1 million to invest in New Zealand for 4 years plus another NZ\$500,000 to live on	\$750,000

53. In considering whether to raise the financial requirements, thought should also be given to allowing single sponsors to sponsor only up to two parents, or in the case of a couple to sponsor only up to four parents. While we currently place limits on the sponsorship of grandparents,¹³ we do not currently limit the number of parents that an individual or couple can sponsor. Sponsors could, under the current policy, sponsor more than four parents if their parents had remarried.
54. Should you agree to raise the income thresholds, we also recommend that you consider indexing the specified sponsor income for a single person or a couple. The requirements could be linked in a similar manner to the new income thresholds introduced to the Skilled Migrant Category. The settlement fund requirement should also be updated to better reflect current living costs alongside other residence categories.

Update the evidential requirements of sponsors' income, to ensure sponsors genuinely have the means to support their parents

55. To be eligible for residence under Tier One of the Parent Category, the sponsor must meet a minimum annual income threshold unless the parent has sufficient guaranteed lifetime income or sufficient settlement funds.
56. The minimum income must be met through personal taxable income, and may be evidenced through a range of methods, including bank statements, tax summaries and wage slips. There is currently no specified time period for which the sponsor's income must be assessed at the threshold level. Instructions specify that the 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 past three months.
57. The process for assessing the sponsor's income could be improved. Anecdotal evidence suggests that some sponsors temporarily increase their work hours or work multiple low-skilled jobs in order to meet the income threshold. Additionally, the range of methods that can be used to evidence a sponsor's income may increase the likelihood of sponsor's

¹³ Under the current parent policy, only one grandparent and their partner, or one legal guardian and their partner, may be sponsored under Parent Category.

misrepresenting their incomes. There is a risk that some Parent Category migrants may not be sufficiently supported financially.

58. In order to ensure that the policy intent of the minimum income requirement is upheld, we recommend that the process for assessing the income of the sponsor is improved by:
- a. increasing the time period for which the income must be met, and clarifying this in instructions, and
 - b. requiring that income be evidenced by tax statements (i.e. bank statements or wage slips would not be accepted on their own).
59. We recommend that the sponsor's income must be at the threshold level for three of the last five years preceding the application date. This would deter sponsors from temporarily working multiple low-skilled jobs in order to meet the threshold, and better target high-skilled migrants as sponsors. The flexibility of allowing the sponsor's income to be met for any three of the last five years would allow for labour market breaks (for example to have children or to study).
60. We also recommend that the income must be evidenced by tax statements, rather than through bank statements or other forms of evidence that may encourage 'under-the-table' employment agreements.

Alternative visa options available to parents

Residence and temporary visa options already exist for parents outside of the Parent Category

61. Parents and grandparents of New Zealand citizens and residents have two other visa options available to them. They may apply under:
- a. The Parent Retirement Category: This category is uncapped. Applicants require an annual income of NZ\$60,000, NZ\$1 million to invest in New Zealand for four years plus another NZ\$500,000 to live on. After four years, the parent becomes eligible to apply for permanent residence, and
 - b. The Parent and Grandparent visitor visa: This category is for long-term temporary visits and offers a 36-month multiple-entry visa which enables stays of up to six months at a time, although at least 18 months must be spent outside New Zealand.

Further parent visa options could be explored but these have significant issues or drawbacks

62. A new temporary parent visa could provide parents with the ability to reunite with their families for an extended period of time, enabling them to trial living in New Zealand before deciding whether to apply for residence. This visa type could enable parents to visit to support their sponsoring children and potentially allow them to work, including in family-owned businesses, to support themselves (and their family), relieving pressure on their sponsors.
63. We consider that a longer-term temporary parent visa could have more costs than benefits and would blur the line between temporary visitor and permanent residence status. We can provide further analysis and advice on this visa should you wish.
64. Uptake of this visa may be low as it would not have the attraction of a pathway to residence, which is what many migrant parents seek, plus it risks setting expectations of residence for applicants when the visa expires. By not providing a pathway to residence, migrant children may be less inclined to invite their parents to come to New Zealand, potentially reducing the benefits of migrants better integrating into their workplaces and communities.

65. For those parents who do visit, it could be traumatic for families to have their parents/ grandparents become established in their homes and the community only to require them to leave once their visa has expired. This could carry reputational risks for the Government, particularly if there is no family support in their home country for the parent who is leaving.
66. There are also risks for the Government regarding managing potential healthcare costs. In principle, parents needing to access healthcare during the initial temporary visa stage would need to fund it themselves via personally-held funds or insurance¹⁴, or through their sponsor. If parents were unable to fund their own healthcare costs, their sponsor would be liable for this debt if treatment was received during the visit. In cases of high-cost treatment in particular, some of these debts are unlikely to be recovered. Breaches of visa conditions, such as non-payment of debts by sponsors, could also exclude parents from eligibility for residence under the Parent Category at a later stage, limiting uptake of the policy.
67. There is also a risk that some older parents may be medically unfit to travel home, even if they could access healthcare in their home country, which could attract media attention and/or they may not seek urgent treatment in New Zealand if they or their sponsors cannot cover the cost. There could also be additional costs for ACC and for health and disability services if residence screening at hospitals or medical centres is not effective.

Next steps

68. The proposals in this briefing require Cabinet approval. Subject to your agreement to the recommendations in this briefing, officials will prepare a Cabinet paper with your preferred approach to these changes once you have consulted your colleagues.
69. We recommend submitting these proposals to Cabinet in a companion paper to the one that seeks to better align the New Zealand residence programme with the Government's objectives for the immigration system and remove the current planning range approach [BN3942 17-18 refers]. We propose that you consider submitting these papers for consideration at Cabinet's Economic Development Committee in either late September 2018 or mid October 2018.

Annexes

Annex One: International comparison of parent visa requirements and thresholds

¹⁴ If migrant parents could acquire it, noting coverage would likely have exclusions for existing medical conditions.

Annex One: International comparison of parent visa requirements and thresholds

Country	Minimum sponsorship period	Sponsor annual income and other financial requirements	Applicant lifetime income requirements	Applicant's own settlement funds	Number of visas available per year	Eligibility for benefits or superannuation	Access to healthcare/ Other
New Zealand Population: 4.75 million Average income: NZ\$50,000	10 years 5 years if visa was applied for before 21 November 2016	<i>Current:</i> Single person – NZ\$65,000 Couple – NZ\$90,000 OR These amounts remain the same whether one or two parents are included in the application <i>Proposed:</i> Single person – NZ\$76,013.84 Couple – NZ\$101,337.88	\$28,166 per year OR \$41,494 per year if applicant's partner is also included in the application	NZ\$500,000, which must be transferred to New Zealand before residence can be granted	2,000	Not eligible for benefits during sponsorship period Superannuation - 10 years residence including 5 years after the age of 50	As permanent residents, parents are entitled to publicly funded healthcare
Australia Population: 24.77 million Average income: AU\$78,832 (NZ\$86,546)	1 year - Humanitarian 2 years - Non-Contributory Parent Visa (possibly extending to 4 years in 2018/19) 10 years - Contributory Parent Visa Assurance of Support (AoS) required	AU\$28,869 (NZ\$31,697) for each sponsor and applicant (up to 4) + 10% of above figure for each of the sponsor's dependent children. For example, a two parent family (both sponsors) with two children under 18 would require AU\$124,137 (NZ\$136,300) for both parents of one sponsor Sponsors are required to pay a bond – AU\$15,000 for primary applicant + AU\$6,000 for secondary (10 year AoS) AU\$7,500 for primary applicant + AU\$3,000 for secondary (1 & 2 year AoS) Must provide financial support, assistance and accommodation for first 2 years	None	None	8,675 (1,500 for Parent Non-contributory visas, plus 7,175 for Parent Contributory Parent visas)	Not eligible for benefits during sponsorship period Superannuation - 10 years residence including 5 years during working age Must not have received any benefit assistance for 5 years prior to application	As permanent residents, parents are entitled to Medicare benefits Parents must satisfy a balance of family test for strongest family connections
Canada (all states except Quebec) Population: 36.95 million Average income: CA\$51,000 (NZ\$58,577)	20 years 10 years in Quebec Sponsor must repay any social assistance they receive during this period.	Based on size of sponsoring family unit including dependent children under 22 (information is unclear on whether this is for sponsoring one or both parents): <ul style="list-style-type: none"> • 2 persons – CA\$39,813 (NZ\$45,728) • 3 persons – CA\$48,945 (NZ\$56,217) • 4 persons – CA\$59,426 (NZ\$68,255) • 5 persons – CA\$67,400 (NZ\$77,414) • 6 persons – CA\$76,015 (NZ\$87,309) Sponsors are required to pay a performance bond, which is assessed on a case by case basis Quebec has an income calculator that provides similar but not exactly the same income requirements	None	None	17,000	Not eligible for benefits during sponsorship period Superannuation - 10 years residence – Migrants receive a pro-rata partial pension depending on how long they have lived in Canada. Full pension only after 40 years of residence	Have access to provincial healthcare although in some cases there is a waiting period.