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**Report back on remuneration thresholds for migrants under the Skilled Migrant  
Category**

**CABINET PAPER (March 2017)**

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Office of the Minister of Immigration

Chair, Cabinet Economic Growth and Infrastructure Committee

## Report back on remuneration thresholds for migrants under the Skilled Migrant Category

### Proposal

- 1 This paper seeks Cabinet's agreement to the proposed remuneration thresholds to be introduced to the Skilled Migrant Category (SMC) residence policy. The remuneration thresholds will be used to determine whether employment is skilled, for the purpose of granting points for skilled employment under the SMC. The changes proposed in this paper are intended to raise the quality of those migrants granted residence by prioritising higher-skilled and higher-paid migrants.

### Executive Summary

- 2 The SMC is a points-based residence policy that seeks to support New Zealand's economic growth by selecting migrants who can grow our overall skills base, and connect with local opportunities. Migrants' expressions of interest are ranked and selected according to points awarded for skilled employment in New Zealand, work experience, qualifications, age, and family links. Successful SMC migrants are granted a residence visa which allows them to stay permanently in New Zealand.
- 3 Cabinet has agreed to a package of changes to the SMC to help achieve the planning range for the New Zealand Residence Programme (NZRP) and ensure that highly-skilled and higher-paid migrants are prioritised. Cabinet invited the Minister of Immigration to report back on proposed remuneration thresholds to be used to determine whether employment is skilled for the purpose of awarding points under the SMC [CAB-16-MIN-0500].
- 4 Remuneration thresholds will supplement the Australia and New Zealand Standard Classification of Occupations (ANZSCO) by introducing an additional component to determine whether employment is skilled. ANZSCO is not always an accurate description of the skills of a person employed in a particular job and some jobs can be difficult to classify (for example, emerging or unique IT roles). Two remuneration thresholds are proposed that will:
  - a) prevent points being claimed for jobs that are currently considered skilled under ANZSCO but that are paid below a certain level, and
  - b) allow points to be claimed for jobs that are not currently considered skilled under ANZSCO but are paid above a certain higher level.
- 5 Officials consulted on three options for each remuneration threshold, based on multiples of the New Zealand median full-time equivalent earnings (referred to as 'median income' in this paper). Feedback from submitters on the remuneration thresholds was mixed. Thresholds were supported by BusinessNZ and Federated Farmers but opposed by some other employer groups, and by tertiary education providers.
- 6 I propose that the minimum threshold for jobs that are currently considered skilled be set at the New Zealand median income, the lowest of the three options consulted on. This would currently be equal to \$23.49 an hour or \$48,859 annually. I propose that the second remuneration threshold for jobs that are currently not considered skilled be set at

1.5 times the New Zealand median income. This is currently equal to \$35.24 an hour or \$73,299 annually.

- 7 Cabinet also agreed that I would make changes to realign the points system to improve the skill composition of the SMC in consultation with the Ministers of Finance, and Tertiary Education, Skills and Employment. The new points table is attached at Annex One for Cabinet to note. As a package, these changes will tilt the SMC back towards higher-skilled and higher-paid migrants (some of whom will be missing out currently) and ensure that demand on the SMC and the NZRP can be managed into the future. Annex Two summarises the likely impact of the changes on some selected SMC personas.

## Background

### ***Objectives of the Skilled Migrant Category***

- 8 The SMC seeks to support New Zealand's economic growth by selecting skilled migrants who can grow our overall skills base, and connect their skills, knowledge and international networks with local opportunities. The SMC has an important role in filling skill shortages in highly skilled sectors, it is not designed to support sectors and regions to fill lower skilled labour shortages, those shortages being supported by the labour market tested Essential Skills visa policy. Successful SMC migrants are granted a residence visa which allows them to stay permanently in New Zealand and grants them most of the rights of citizenship either immediately (e.g. the ability to vote and receive taxpayer-funded healthcare and education) or after a period of residence in New Zealand (e.g. welfare support and student allowances).

### ***The Skilled Migrant Category is based on ranking applicants by points***

- 9 The SMC is a points-based system, with points awarded under three main areas that indicate skills and the potential of the applicant to positively contribute to New Zealand as a skilled worker:
- skilled employment in New Zealand (a job offer or existing employment)
  - work experience (both overseas and in New Zealand), and
  - qualifications.
- 10 Bonus points are available under each area. Points are also available for age and for having close family already living in New Zealand. Where the principal applicant has a partner, additional points are also available for that partner's employment and qualifications.
- 11 Applicants lodge an expression of interest with basic information on which points they are claiming. Expressions of interest are ranked based on the level of points claimed and those that meet the selection level (currently set at 160 points) are selected. If the points claimed are assessed as credible they are invited to apply for residence.
- 12 The SMC, under the Skilled/Business stream, usually accounts for around half of the NZRP. In 2015/16, around 26,000 migrants (including partners and children) were approved under the SMC. Prior to the NZRP decisions the number of SMC approvals had been forecast to be around 30,000 for the current financial year.

***Cabinet recently invited the Minister of Immigration to report back on proposed remuneration levels to be used to determine whether employment is skilled***

- 13 On 26 September 2016, Cabinet agreed to a lower the NZRP planning range for 2016/17-2017/18 [CAB-16-MIN-0500]. Changes to the SMC were agreed to improve selection and manage the immediate demand on residence through the category. The selection level has been increased to 160 points and the English requirements have been clarified. Around half the number of expressions of interest are now being selected under the new selection level compared to previous selections.
- 14 Cabinet agreed to a series of adjustments to be implemented next year, to ensure the SMC continues to meet the Government's objectives in the medium/long-term (allowing higher-skilled and higher-paid sectors to continue to recruit skilled migrants) within reduced overall numbers. While there are still many highly-skilled and highly-paid migrants coming through the SMC, the overall skill composition of the SMC does not fully reflect the Government's wider objectives to lift skill levels and incomes. The top three SMC occupations by volume (chefs, café and restaurant managers and retail managers) are also among the lowest-paid.
- 15 The Minister of Immigration was invited to report back on the details of the proposed remuneration thresholds. This paper seeks Cabinet's agreement to the details of the proposed remuneration thresholds to be used to determine whether employment is skilled, for the purposes of claiming points for skilled employment.

**The proposed remuneration levels would complement the use of ANZSCO to determine whether a job is skilled**

***The use of ANZSCO as the sole test of skilled employment has limitations***

- 16 The SMC awards points (either 50 or 60 points) for skilled employment (either current employment or a job offer) in New Zealand with reference to ANZSCO. Most SMC migrants need to claim these points in order to be granted residence (92 per cent of SMC migrants had a skilled job in 2015/16).
- 17 ANZSCO classifies occupations into five skill levels. Levels one, two and three are currently classified as "skilled" under the SMC. ANZSCO also defines a minimum qualification or work experience required to do the work, and applicants generally must have this in order to be able to claim the points for their skilled employment in New Zealand.
- 18 While ANZSCO provides an objective and consistent classification of occupations, it is not an accurate description of the actual level of skills required for a particular job or the skills of a person employed in a particular job. It cannot be easily used to differentiate between senior and junior roles (particularly in managerial positions). In addition, some jobs can be difficult to classify (for example, emerging or unique IT roles).
- 19 The growth over the last five years in SMC migrants who work in lower-income occupations indicates that some jobs that meet the current definition of "skilled" work (based on job description and ANZSCO) may not in fact be highly-skilled. On the other hand, there have been examples of migrant workers in highly-paid positions unable to progress to residence under the SMC because their job description matches a "low-skilled" occupation under ANZSCO.



### **Two remuneration thresholds to be introduced to complement ANZSCO**

- 20 I propose that two remuneration thresholds are introduced as an additional component to determine whether employment is skilled. The level of salary offered for work is generally a strong indicator of the skill level of a worker. Introducing remuneration as a complementary indicator of skill level would address the limitations of the current determination of skilled employment in two ways. The remuneration thresholds would:
- prevent points being claimed for jobs that are currently considered skilled (ANZSCO skill levels one to three) but that are paid below a certain level, and
  - allow points to be claimed for jobs that are not currently considered skilled but are paid above a certain higher level.
- 21 Remuneration thresholds are also used by other countries with similar systems to determine visa eligibility. Officials have consulted on and assessed three options for each threshold. For consistency all the thresholds are derivatives of the New Zealand median full-time equivalent earnings (from the New Zealand Income Survey, and referred to as 'median income' in this paper) and I propose that they be updated annually when the new earnings data is released. The salary and hourly wage levels provided in this paper are from the 2016 New Zealand Income Survey.

### **Proposed remuneration threshold for jobs that are currently considered skilled**

- 22 I considered three remuneration threshold options below which employment in skill level one, two or three occupations would not be considered 'skilled'. Table One below summarises the impacts of these options based on two main criteria:
- the extent to which the threshold level would support the objectives of the SMC by increasing incomes and skill levels of migrants (**quality**), and
  - the number of migrants that come under the threshold level, with reference to numbers needed to meet the NZRP (**quantity**). If we introduce too high a threshold future NZRPs might not be achieved and some employers may experience additional difficulty filling vacancies at skill levels one to three.

Table One: summary of minimum remuneration options for employment to be considered skilled

Option	Current level \$ <sup>1</sup>	Estimated impacts on numbers and occupations <sup>2</sup>	Assessment criteria	This is also comparable to:
Option A Median income proposed	\$23.49 hourly \$48,859 annually	It is estimated that around a third of potential applicants could be affected by Option A. The impacts would be likely to be concentrated in a small number of lower-paid occupations including chefs, retail managers, café or restaurant managers, and ICT customer support technicians.	This option would reduce the number of migrants qualifying for the SMC by around the number needed to manage the NZRP. Using the median income of all workers would raise the skill levels of migrants but not by as much as the other options.	Median hourly earnings of New Zealand-born workers in skill level 3 occupations

<sup>1</sup> Annual income is calculated based on a 40-hour week. SMC jobs must be for a minimum of 30 hours per week. An hourly rate would be applied for jobs with more or less than 40 hours per week specified in the employment agreement.

<sup>2</sup> These estimates are based on previous years' approvals and income data from migrants approved in 2012/13 (the most recent data available). It does not take into account the impact of the recent decision to increase the selection mark to 160 points which has reduced the number of skilled migrants selected by around 50 per cent (i.e. it is not a cumulative impact).

Option B 1.1x median income	\$25.84 hourly \$53,747 annually	It is estimated that around 40 percent of potential applicants could be affected by Option B. The occupations affected would be broadly the same as Option A, but a small number of entry level or graduate roles in generally higher-paid occupations could also be affected.	This level provides a small premium above the median income. This would increase skill level more than Option A. However, it would impact more migrants than Option A, potentially impacting on the NZRP.	Median hourly earnings of New Zealand born workers in skill level 2 occupations
Option C 1.2x median income	\$28.19 hourly \$58,635 annually	It is estimated that around half of potential applicants could be affected by Option C. The migrants affected would be more likely to be in a broader range of occupations than the other options, including those in entry-level roles across most industry sectors. For example, less experienced software engineers and registered nurses.	This option would have the greatest impact on skill levels but it would be likely to impact too many migrants, including some in highly skilled occupations.	Median hourly earnings of New Zealand born workers in skill level 1, 2 and 3 occupations

23 I propose that Cabinet agree to Option A. This would set the threshold equal to the median full-time equivalent earnings of all workers in New Zealand. This option would provide a good balance between:

- reducing the demand on the SMC (in order to manage the NZRP), and
- raising overall skill levels

24 Setting the minimum remuneration threshold for skilled employment above this level would increase the risk of excluding genuinely skilled migrants and not meeting the NZRP. The number of migrants affected may turn out to be lower as it is likely that some employers of migrants who are close to the remuneration threshold would choose to increase the migrants' salary to meet the new threshold. The extent to which the threshold will drive behaviour change over time is difficult to estimate.

***The proposed remuneration threshold would change the occupational makeup of the SMC***

25 The impacts of the remuneration threshold will be felt more strongly by lower-paid sectors, such as hospitality and retail. However, I would expect to see an increase in the proportion of SMC migrants in higher-paid and higher-skilled industries such as health, ICT and engineering. The changes may also benefit higher-paid trade occupations. The modelling of selected SMC personas in Annex Two indicates that experienced and well-paid migrants in sectors such as ICT, science and trades are likely to have enough points to qualify while some lower-paid chefs and managers may no longer have enough points.

26 The largest occupation groups in the SMC in the year to June 2016 were chefs, retail managers and café and restaurant managers, which are also some of the lowest-paid SMC occupations. Up to 70 per cent of recently approved SMC migrants in these occupations may earn less than \$50,000 in their first year working in New Zealand after



gaining residence.<sup>3</sup> Changes to the SMC would not significantly impact overall labour supply in these industries because:

- SMC migrants make up only a very small proportion of all workers in these industries, and
- migrants who are unable to qualify for residence will still be able to be granted temporary visas in these occupations where there is evidence of a shortage of New Zealand workers.

***The impact of the proposed threshold would be felt more strongly in Auckland than other regions***

- 27 I have considered whether lower remuneration thresholds should be applied outside Auckland or other main centres. However, there is no evidence that SMC migrants earn less in the regions outside Auckland. In fact Auckland has a higher proportion of SMC migrants earning less than the proposed threshold compared to those in other regions.<sup>4</sup>
- 28 A number of submitters noted that lower salaries were generally paid outside Auckland and therefore the proposed thresholds would negatively impact the regions. However, evidence provided with submissions is not clear that there are regional differences in migrant salaries that would justify a lower threshold for the regions. I propose to monitor and review the impact of the remuneration thresholds on regions.

***Former international students would be more affected than those on other visa pathways***

- 29 The remuneration threshold is likely to have a bigger impact on former international students than people entering through other SMC pathways. International students will typically have less experience and therefore earn less than migrants with more work experience. Around 50-60 per cent of the international tertiary graduates who were employed in New Zealand in 2013<sup>5</sup> earned below the proposed threshold.
- 30 Higher qualified students would be more likely than those with certificate and diploma qualifications to earn enough. More than half of the international students with postgraduate qualifications earned above the proposed threshold three years after completing their study (three years of post-study work visas are available to most students). Currently postgraduate students make up a small proportion of the students who transition to SMC.
- 31 The international student market is sensitive to immigration policy changes so in the short term the remuneration threshold may have an impact on the number of international students coming to New Zealand. The threshold could impact on the target in the 2011 International Education Leadership Statement and the 2014 Migrant Settlement and Integration Strategy to increase the proportion of bachelor level qualified international students who transition to residence.
- 32 However, the International Education Leadership Statement will soon be replaced by a new international education strategy. A key feature of the international education

<sup>3</sup> This estimate is based on data extracted from the Integrated Data Infrastructure for migrants approved residence in 2012/13.

<sup>4</sup> Of the SMC migrants in Auckland who were approved residence in 2012/13, 44.3 per cent earned \$45,000 or less in their first year here compared to 28.9 per cent of those in the rest of the North Island and 28.5 per cent of those in the South Island

<sup>5</sup> This is the most recent data from the Integrated Data Infrastructure that is available and includes former international students on both work and residence visas.

strategy going forward is strengthening the focus on value rather than volume. In the longer-term the remuneration threshold could incentivise students to study higher-level qualifications and in fields of study more closely aligned to skill shortages, increasing the value for New Zealand as well as supporting better labour market outcomes.

### Proposed remuneration threshold for jobs that are not currently considered skilled

33 I have considered three remuneration options above which employment would be considered skilled regardless of the ANZSCO skill level. This includes some jobs that are higher-skilled and higher-paid but are not currently classified as skilled employment either because they:

- are classified as low-skilled by the ANZSCO, e.g. commercial tandem hang-gliding pilots or skilled scaffolders; or
- do not substantially match any occupation listed in the ANZSCO, e.g. emerging or unique IT roles.

34 By design this threshold would be kept high so that it only benefits a relatively small number of migrants and industries that are very well paid. Setting the threshold too low would risk lowering the overall skill level of SMC and increasing overall demand if too many migrants in ANZSCO skill levels four and five were able to qualify. It could also increase the risk of fraudulent offers of employment for lower-skilled migrants.

Table Two: summary of remuneration threshold options for employment that is not currently considered skilled

Option	Current \$	Estimated impacts	This is also comparable to:
Option A 1.4x median earnings	\$32.89 hourly \$68,411 annually	It is estimated that around 20% of temporary migrants earn more than Option A. It is therefore likely that there could be a number of migrants in nominally lower-skilled jobs who would be able to meet this threshold. This could affect the overall numbers and skill composition of SMC.	The median hourly earnings of New Zealand born workers in skill level 1 occupations
Option B 1.5x median earnings <b>proposed</b>	\$35.24 hourly \$73,299 annually	There are likely to be fewer migrants in jobs classified as lower-skilled who would meet Option B. This would manage demand and skill composition. There is still a risk, however, that it would not set a high enough bar.	The upper quartile of hourly earnings for those in skill level 2 occupations
Option C 1.7x median earnings	\$39.93 hourly \$83,054 annually	This is comparable to the upper quartile of skilled workers which is a good proxy for high skills. There are temporary migrant workers that would meet this threshold. This includes some outdoor adventure instructors, experienced workers in the construction sector and experienced drillers in the oil and gas industry. Farm managers who do not meet the existing ANZSCO criteria could also qualify.	The upper quartile of hourly earnings for those in skill level 1, 2 and 3 occupations

35 I propose that Cabinet agree to Option B. The remuneration threshold would be set equal to 1.5 times the median income for all workers. This is a good proxy for highly-skilled workers and would ensure that only the highest paid migrants can qualify.

36 Workers who are likely to be able to meet this threshold who do not currently qualify for SMC include outdoor adventure instructors, heavy machinery operators, experienced



workers in the construction sector such as scaffolders, experienced drillers in the oil and gas industry, and farm managers who do not meet ANZSCO requirements.

### **There will be measures in place to verify that the salary offered is genuine**

37 A risk with the use of salary thresholds to determine whether employment is skilled is that fraudulent employment agreements may be provided to immigration officers. Immigration New Zealand is currently able to request tax records and information on employers' ability to pay any salaries offered. However, Immigration New Zealand is likely to need to enhance mechanisms already in place to verify that the salary level offered is genuine. The ability to check that the required salary is still in place after the grant of residence may require adjustment to the way in which conditions are imposed and checked under s49(1) of the Immigration Act 2009. Officials will be reporting back to me in 2017 on any additional mechanisms needed to ensure that salaries offered are genuine.

### **A new SMC points table**

38 In addition to the proposed remuneration thresholds, Cabinet has previously agreed to a series of changes to realign the points and selection mechanisms to better recognise skilled applicants. I was invited to make decisions to implement the changes agreed by Cabinet. The changes included:

- focus more on skilled work experience
- reflect increased skill levels in the 30-39 age group
- remove points no longer aligned with Government priorities, and
- award additional points for high salary levels.

39 I have now agreed to changes to the points system, in consultation with the Ministers of Finance, and Tertiary Education, Skills and Employment. Annex One contains a summary of the current points system and the agreed changes.

40 The changes to the points system will work alongside the remuneration thresholds proposed in this paper to ensure that the SMC better reflects the Government's aims to raise skills and incomes in our labour market. Annex Two contains some illustrative personas of SMC applicants and provides the potential points they would score under the current and proposed SMC points systems. Figure One below provides a summary of the impacts of the changes on selected personas.

Figure One: What potential SMC applicants could score under the current and proposed SMC points systems<sup>6</sup>

	<b>Current point system (with selection level at 160 points)</b>	<b>Proposed point system</b>
<b>In</b>	Scientist (\$78,615 – 190 pts)	Scientist (\$78,615 – 195 pts)
	Dairy farmer (\$60,000 – 185 pts)	Software engineer (\$104,000 – 175 pts)
	Restaurant manager (\$37,000 – 175 pts)	Dairy farmer (\$60,000 – 170 pts)
	Chef (\$37,440 – 175 pts)	Aged care nurse (\$56,368 – 170 pts)
	Aged care nurse (\$56,368 – 170 pts)	Carpenter (\$55,796 – 160 pts)

<sup>6</sup> The projected points are based on the recommended minimum remuneration threshold (all applicants meeting the median income).

	Retail manager (\$47,840 – 170 pts)	Head chef (\$55,000 – 160 pts)
<b>Out</b>	Carpenter (\$55,796 – 145 pts)	Restaurant manager (\$37,000 – 90 pts)
	Head chef (\$55,000 – 145 pts)	Chef (\$37,440 – 90 pts)
	Software engineer (\$104,000 – 125 pts)	Retail manager (\$47,840 – 90 pts)

## Consultation

- 41 The following agencies have been consulted this paper and their views have been incorporated: the Department of Internal Affairs, the Ministry of Education, the Ministry of Foreign Affairs and Trade, the Ministry of Health, the Ministry for Primary Industries, the Ministry of Social Development, the Treasury, Education New Zealand, the Tertiary Education Commission, and the New Zealand Qualifications Authority. The Department of Prime Minister and Cabinet was informed.
- 42 The Ministry of Business, Innovation and Employment undertook public consultation on the remuneration threshold options contained in this paper. Feedback was received from online submissions and through face to face meetings with selected stakeholders. Almost all stakeholders expressed concerns about the short period of time (two weeks) for consultation. They noted that it was insufficient to engage fully on a complex issue. Nonetheless, the submissions received provided useful information on the potential impacts and design of the proposals.
- 43 Forty five submissions were received from a wide range of sectors, including dairy, hospitality, health, motor trade, viticulture, aged care, tertiary education and construction. Submitters included industry bodies, such as Federated Farmers, New Zealand Council of Trade Unions (CTU) and BusinessNZ, submissions from individuals and companies, as well as submissions from immigration advisors.
- 44 Some feedback was regionally focused, such as those submissions from regional development agencies, or referred to regional pay discrepancies, but the majority of feedback reflected comments focused around sectors. Nineteen of the 45 submissions were from industry bodies, with the balance of submissions received from individuals, companies, District Health Boards (2) and large tertiary institutions (6).
- 45 In general, feedback on the proposals was mixed. Most feedback focused on the remuneration threshold options. Sixteen submitters indicated that they did not support having remuneration thresholds for SMC. Complete opposition to a minimum threshold came from tertiary education providers, Southland representatives (including 2 tertiary education providers) and hospitality and tourism representatives. The arguments from Southland and hospitality representatives focused on the need for migrant staff of all skill levels.
- 46 Of those that indicated a preference for a minimum remuneration level the majority supported the lowest option. More submitters supported the proposed threshold for jobs that are not currently considered skilled than supported the minimum threshold (few submitters expressed a preference for any option).
- 47 Business New Zealand supported the introduction of remuneration thresholds. The CTU proposed that a market rate for each occupation be set on a tripartite basis between Government, employers and unions in the sector.

## Financial Implications

- 48 Changes to visa settings would have implementation costs, including systems changes. IT systems, communications and training costs can be met from existing third party funded baselines.
- 49 Consideration is still being given to whether any additional measures will be required to verify that SMC requirements are being met, for example that salaries offered are genuine and are being maintained. This work will also consider:
- Immigration New Zealand's verification capacity across visa categories, and
  - the use and enforcement of residence visa conditions across various visa categories where they are used (including Parent Category).
- 50 If increased verification or compliance resources are required there may be a need to seek increased third party funding (depending on the nature of services requiring funding, this could involve either fees or levies). As the impact of the changes proposed in this paper is not likely to be felt until later in 2017/18 if any increased funding is needed it would be sought in 2017/18.

## Human Rights, Legislative and Regulatory Implications

- 51 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act of 1993. There are no legislative implications.

## Implementation and Publicity

- 52 The changes to the SMC policy are complex and involve significant systems and operational changes. They will be implemented in July 2017. Officials will ensure that any transitional arrangements are well managed. This will include clear arrangements for those who fail to meet the new requirements and seek an exception from the Associate Minister of Immigration. I will make announcements on the detailed changes to SMC in 2017 in consultation with the Ministers of Finance and Tertiary Education Skills and Employment.

## Recommendations

- 53 It is recommended that Cabinet Economic Growth and Infrastructure Committee:
1. **note** that on 26 September 2016, Cabinet agreed to amend the Skilled Migrant Category (SMC) visa settings to introduce the option of remuneration levels to determine whether employment in New Zealand is skilled [CAB-16-MIN-0500];
  2. **note** that Cabinet invited the Minister of Immigration to report back to the Economic Growth and Infrastructure Committee on the details of the proposed remuneration levels to be used to determine whether employment is skilled;
  3. **agree** that two remuneration thresholds be introduced to the SMC to complement the use of the Australia New Zealand Standard Classification of Occupations (ANZSCO), to:
    - 3.1 prevent points being claimed for jobs that are currently considered skilled (ANZSCO skill levels one to three) but that are paid below a certain level, and



- 3.2 allow points to be claimed for jobs that are not currently considered skilled (irrespective of the ANZSCO skill level) but are paid above a certain higher level;
4. **agree** that the minimum remuneration threshold referred to in recommendation 3.1 be set at the New Zealand median full-time equivalent earnings;
5. **note** that the remuneration threshold in recommendation 4 above is currently the equivalent of \$23.49 per hour or \$48,859 per year based on a 40-hour week;
6. **agree** that the minimum remuneration threshold referred to in recommendation 3.2 be set at 1.5 times the New Zealand median full-time equivalent earnings;
7. **note** that the remuneration threshold in recommendation 5 above is currently the equivalent of \$35.24 per hour or \$73,299 per year based on a 40-hour week;
8. **agree** that the salary thresholds referred to in recommendations 4 and 6 be updated annually based on New Zealand income data;
9. **note** that mechanisms to enable Immigration New Zealand to test whether the claimed remuneration was actually paid to the applicant (including the use of conditions imposed under s49(1) of the Immigration Act 2009) will be reviewed;
10. **note** that the Minister of Immigration has agreed to changes to the points system in order to implement decisions previously agreed by Cabinet [CAB-16-MIN-0500];
11. **note** that the changes in the recommendations above will be implemented in July 2017;
12. **note** that the direct implementation costs of the proposals in this paper, including IT systems changes, communications and training costs can be met from existing third party funded baselines;
13. **note** that if increased verification or compliance resources are required there may be a need to seek increased third party funding in 2017/2018.

Authorised for lodgement

Hon Michael Woodhouse  
**Minister of Immigration**

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## Annex One: Comparison of the current SMC points table and the changes agreed by the Minister of Immigration

CURRENT STATE		REASONING FOR CHANGES	NEW POINTS (TO BE USED FROM JULY 2017 ONWARD)	
<b>Skilled Employment</b>		Redefine 'skilled employment' for the purpose of these points: <ul style="list-style-type: none"> <li>keep ANZSCO descriptors</li> </ul> <b>AND</b> <ul style="list-style-type: none"> <li>add remuneration thresholds                             <ul style="list-style-type: none"> <li>ANZSCO 1, 2, 3 + remuneration threshold of the median income</li> <li>any ANZSCO level + remuneration threshold of 1.5 time the median income</li> </ul> </li> </ul>	<b>Skilled Employment</b>	
<ul style="list-style-type: none"> <li>Current skilled employment in New Zealand for 12 months or more</li> </ul>	60		<ul style="list-style-type: none"> <li>Offer of skilled employment in New Zealand or current skilled employment in New Zealand</li> </ul>	50
<ul style="list-style-type: none"> <li>Offer of skilled employment in New Zealand or current skilled employment in New Zealand for less than 12 months</li> </ul>	50		<ul style="list-style-type: none"> <li>Remove additional points for skilled employment for 12 months or more</li> </ul>	60
<i>Bonus points for employment or offer of employment in:</i>		<ul style="list-style-type: none"> <li>Remove bonus points for 'identified future growth area' which refers to priorities identified in the 2002 <i>Growth and Innovation Framework</i></li> <li>Introduce bonus points for very high income earners (above the level of the minimum remuneration threshold for employment to be considered skilled)</li> <li>Keep 'area of absolute skill shortage' points (occupations on the Long Term Skill Shortage List (LTSSL)) for skilled employment</li> </ul>	<i>If points claimed for skilled employment above, then bonus points for that skilled employment being also:</i>	
<ul style="list-style-type: none"> <li>An identified future growth area</li> </ul>	10		<ul style="list-style-type: none"> <li>In an area of absolute skills shortage [on the LTSSL]</li> </ul>	10
<ul style="list-style-type: none"> <li>An area of absolute skills shortage</li> </ul>	10		<ul style="list-style-type: none"> <li>In a region outside Auckland</li> </ul>	30
<ul style="list-style-type: none"> <li>Region outside Auckland</li> </ul>	30		<ul style="list-style-type: none"> <li>Income more than twice the New Zealand median income (currently \$97,718 annually or \$46.98 per hour)</li> </ul>	20
<ul style="list-style-type: none"> <li>Partner employment or offer of employment</li> </ul>	20		Moved to separate 'partner' bonus points section for clarity	
<b>Work Experience:</b>		Award higher points for work experience, to rebalance against points awarded for qualification and job offer/employment in New Zealand Change the definition of 'work experience' eligible for points to focus on skilled work. In the future work experience must be in a 'skilled' job which would be assessed with reference to ANZSCO As currently, work experience must also be gained in a comparable labour market (unless the applicant has employment in New Zealand, or the work experience is in a LTSSL occupation or with a multinational)	<b>Work Experience:</b>	
<ul style="list-style-type: none"> <li>2 years</li> </ul>	10		<ul style="list-style-type: none"> <li>2 years</li> </ul>	10
<ul style="list-style-type: none"> <li>4 years</li> </ul>	15		<ul style="list-style-type: none"> <li>4 years</li> </ul>	20
<ul style="list-style-type: none"> <li>6 years</li> </ul>	20		<ul style="list-style-type: none"> <li>6 years</li> </ul>	30
<ul style="list-style-type: none"> <li>8 years</li> </ul>	25		<ul style="list-style-type: none"> <li>8 years</li> </ul>	40
<ul style="list-style-type: none"> <li>10 years</li> </ul>	30		<ul style="list-style-type: none"> <li>10 years</li> </ul>	50
<i>Bonus points if work experience was in:</i>		Remove some of the points awarded for work experience in New Zealand – one level of points for 'skilled' employment in New Zealand for 12 or more months Research on SMC migrant outcomes ( <i>Points of Difference (2012)</i> and <i>Labour Market Integration and Retention of Skilled Migrants (2015)</i> ) found a positive impact on wages from New Zealand work experience but that the length of time working in New Zealand did not appear to matter very much beyond the initial 12 months	<i>If points claimed for work experience above, then additional bonus points if that work experience was:</i>	
<ul style="list-style-type: none"> <li>New Zealand:                             <ul style="list-style-type: none"> <li>1 year</li> <li>2 years</li> <li>3 years or more</li> </ul> </li> </ul>	5		<ul style="list-style-type: none"> <li>In New Zealand, for 12 months or more</li> </ul>	10
	10			
	15			
<ul style="list-style-type: none"> <li>An area of absolute skill shortage [LTSSL]                             <ul style="list-style-type: none"> <li>2 to 5 years</li> <li>6 years or more</li> </ul> </li> </ul>	10	<ul style="list-style-type: none"> <li>In an area of absolute skills shortage [on the LTSSL]                                     <ul style="list-style-type: none"> <li>2 to 5 years</li> <li>6 years or more</li> </ul> </li> </ul>	10	
	15		15	
<ul style="list-style-type: none"> <li>An identified future growth area:                             <ul style="list-style-type: none"> <li>2 to 5 years</li> <li>6 years or more</li> </ul> </li> </ul>	10	<ul style="list-style-type: none"> <li>Points for future growth removed</li> </ul>	40	
	15		45	
<b>Qualifications:</b>		Increase the point level for Master and PhD qualifications Keep point level for lower-level qualifications (NZQF 4-6, and NZQF 7-8)	<b>Qualifications:</b>	
<ul style="list-style-type: none"> <li>Recognised level 4-6 qualification (e.g. trade qualification, diploma)</li> </ul>	40		<ul style="list-style-type: none"> <li>Recognised level 4-6 qualification (e.g. trade qualification, diploma)</li> </ul>	40
<ul style="list-style-type: none"> <li>Recognised level 7 or 8 qualification (e.g. bachelor's degree, bachelor's degree with Honours)</li> </ul>	50		<ul style="list-style-type: none"> <li>Recognised level 7 or 8 qualification (e.g. bachelor's degree, bachelor's degree with Honours)</li> </ul>	50
<ul style="list-style-type: none"> <li>Recognised level 9 or 10 post-graduate qualification (Masters degree, Doctorate)</li> </ul>	60		<ul style="list-style-type: none"> <li>Recognised level 9 or 10 post-graduate qualification (Masters degree, Doctorate)</li> </ul>	70

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<b>Bonus points for:</b>		Keep bonus points for higher level study in New Zealand (bachelor and higher), reflects link between SMC and Government objectives/goals under the <i>Leadership Statement for International Education</i> (2011) to increase transition from study to residence for international students at bachelor's degree and higher	<b>If points claimed for qualifications above, then bonus points if that qualification was also:</b>	
• 2 years of full-time study in New Zealand completing a recognised bachelor's degree (level 7) New Zealand qualification	10		• 2 years of full-time study in New Zealand completing a recognised bachelor's degree (level 7) New Zealand qualification	10
• 1 year of full-time study in New Zealand completing a recognised post-graduate New Zealand qualification	10		• 1 year of full-time study in New Zealand completing a recognised post-graduate New Zealand qualification	10
• 2 years of full-time study in New Zealand completing a recognised post-graduate New Zealand qualification	15		• 2 years of full-time study in New Zealand completing a recognised post-graduate New Zealand qualification	15
• Qualification in an identified future growth area	10	Remove 'future growth area' points, as above	▲ Points for future growth removed	40
• Qualification in an area of absolute skill shortage	10	Remove LTSSL points for qualification – no direct or strong link between having the qualifications listed and addressing the actual shortage (many/most of these qualifications could lead to all sorts of jobs)	• Points for area of absolute skill shortage removed	40
• Partner qualifications		<i>See below</i>	<i>Moved to separate 'partner' bonus points section for clarity</i>	
– recognised level 4-6 qualification	10		<i>Moved to separate 'partner' bonus points section for clarity</i>	
– recognised level 7 + qualification	20			
<b>Close Family Support in New Zealand</b>	10	Remove points for having close family in New Zealand – no clear indication of value-add of these points, and little used	• Points for close family removed	40
<b>Age (20 to 55 years):</b>		Small increase to points awarded to 30-39 age group, to reflect their better employment outcomes Reflects a more balanced combination of positive employment outcomes (30s onward) and duration of fiscal contribution in New Zealand (the longer the better)	<b>Age (20 to 55 years):</b>	
• 20-29	30		• 20-39	30
• 30-39	25			
• 40-44	20		• 40-44	20
• 45-49	10		• 45-49	10
• 50-55	5		• 50-55	5
		<i>New 'partner' section for bonus points – for clarity.</i>	<b>Partner:</b>	
			<i>Bonus points for:</i>	
		No change (already limited to 'skilled' employment)	• Partner's employment or offer of employment	20
		Increase the level of qualifications eligible for bonus points: • align with bonus points for New Zealand qualification, i.e. bachelor's degree, and post-graduate qualifications	• Partner's qualification (either):	10
			– recognised bachelor's degree or higher qualification	
			– recognised post-graduate (level 9 or higher) qualification	20

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## Annex Two: Illustrative personas – what this means for SMC applicants

- Figure One below illustrates the impact of the proposed changes to the point system, compared with the recent change to the SMC selection level (to 160 points), on nine potential SMC applicants. The points they score under both systems are included.
- These personas, their occupations and salaries, are based on expressions of interest selected (but not all successful in being invited to apply) since 12 October 2016. Descriptions of the personas and their SMC points are included below.

Figure One: comparison of how SMC applicants score under current and proposed SMC point systems

	Current point system (with selection level at 160 points)	Proposed point system
<b>In</b>	Scientist (\$78,615 – 190 pts) Dairy farmer (\$60,000 – 185 pts) Restaurant manager (\$37,000 – 175 pts) Chef (\$37,440 – 175 pts) Aged care nurse (\$56,368 – 170 pts) Retail manager (\$47,840 – 170 pts)	Scientist (\$78,615 – 195 pts) Software engineer (\$104,000 – 175 pts) Dairy farmer (\$60,000 – 170 pts) Aged care nurse (\$56,368 – 170 pts) Carpenter (\$55,796 – 160 pts) Head chef (\$55,000 – 160 pts)
<b>Out</b>	Carpenter (\$55,796 – 145 pts) Head chef (\$55,000 – 145 pts) Software engineer (\$104,000 – 125 pts)	Restaurant manager (\$37,000 – 90 pts) Chef (\$37,440 – 90 pts) Retail manager (\$47,840 – 90 pts)

### Detailed descriptions of the nine personas used for comparison

Personas	Points
A 36 year-old <b>carpenter</b> with current employment outside Auckland with a salary of \$55,796. He has work experience in Asia as a carpenter, and one year of work experience as a carpenter in New Zealand. He has no qualification.	<b>Point score:</b> Under current settings: 145 Under new settings: 160 <i>(gets more points for work experience)</i>
A 37 year-old <b>software engineer</b> working for a company in Auckland, on a salary of \$104,000. He has 6 years of previous work experience as a software engineer in Europe, but has no qualification. The applicant's partner has a level 7 Diploma, recognised for the award of points.	<b>Point score:</b> Under current settings: 125 Under new settings: 175 <i>(gets more points for work experience and bonus points for high salary)</i>
A 32 year-old <b>scientist</b> with a job offer with a salary of \$78,615. She has a PhD gained in New Zealand and no previous skilled work experience.	<b>Point score:</b> Under current settings: 190 Under new settings: 195 <i>(gets more points for high level qualification)</i>

Personas	Points
<p>A 28 year-old <b>dairy farm manager</b> in the South Island with a salary of \$60,000. He has a one-year level 8 Post Graduate Diploma completed in New Zealand. He has been working in New Zealand for four years starting as a farm assistant and progressing to positions as an assistant herd manager and assistant manager – these positions are not considered skilled for the award of points for work experience.</p>	<p><b>Point score:</b>            Under current settings: 185            Under new settings: 170  <i>(gets fewer points for previous work experience that is not skilled)</i></p>
<p>A 28 year-old <b>registered nurse (aged care)</b> with a salary of \$56,368. She has three years of previous skilled work experience in her home country and has a recognised level 7 qualification.</p>	<p><b>Point score:</b>            Under current settings: 170            Under new settings: 170</p>
<p>A 33 year-old <b>head chef</b> in a 'luxury lodge' outside Auckland with a salary of \$55,000. He has no recognised qualifications but has eight years of skilled work experience, including one year in New Zealand.</p>	<p><b>Point score:</b>            Under current settings: 145            Under new settings: 160  <i>(gets more points for work experience)</i></p>
<p>A 23 year-old <b>restaurant manager</b> working outside Auckland with a salary of \$37,000. She has a National Diploma of Hospitality completed in New Zealand after two years of study, and one year of work experience in New Zealand.</p>	<p><b>Point score:</b>            Under current settings: 175            Under new settings: 90  <i>(salary does not meet proposed minimum threshold so no points are awarded for her job)</i></p>
<p>A 36 year-old <b>chef</b> working outside Auckland with a salary of \$37,440. He has a national Certificate of Cookery completed after one year of study in New Zealand. He has worked as a chef in New Zealand for three years. His partner has a job as a receptionist with a salary of \$40,000.</p>	<p><b>Point score</b>            Under current settings: 175            Under new settings: 90  <i>(salary does not meet proposed minimum threshold so no points are awarded for his job)</i></p>
<p>A 27 year-old <b>retail manager</b> in a store outside Auckland, with a salary of \$47,840. He has a Level 6 Diploma of Business completed after one year of study in New Zealand, and has two years of experience as a duty manager in New Zealand.</p>	<p><b>Point score</b>            Under current settings: 170            Under new settings: 90  <i>(salary does not meet proposed minimum threshold so no points are awarded for his job)</i></p>

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# Cabinet Economic Growth and Infrastructure Committee

## Minute of Decision

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### Report Back on Remuneration Thresholds for Migrants under the Skilled Migrant Category

Portfolio                      Immigration

On 8 March 2017, the Cabinet Economic Growth and Infrastructure Committee **referred** the submission under EGI-17-SUB-0015 to Cabinet on 13 March 2017 for further consideration.

Janine Harvey  
Committee Secretary

**Present:**

Hon Steven Joyce (Chair)  
Hon Gerry Brownlee  
Hon Simon Bridges  
Hon Amy Adams  
Hon Michael Woodhouse  
Hon Nathan Guy  
Hon Judith Collins  
Hon Maggie Barry  
Hon Paul Goldsmith  
Hon Louise Upston  
Hon Nicky Wagner  
Hon Jacqui Dean

**Hard-copy distribution:**

Minister of Immigration

**Officials present from:**

Officials Committee for EGI  
Treasury  
Ministry of Business, Innovation and Employment  
Ministry of Education

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# Cabinet

## Minute of Decision

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### Report Back on Remuneration Thresholds for Migrants under the Skilled Migrant Category

Portfolio                      Immigration

On 13 March 2017, following reference from the Cabinet Economic Growth and Infrastructure Committee (EGI), Cabinet:

#### Background

1        **noted** that on 26 September 2016, Cabinet:

- 1.1      agreed to amend the Skilled Migrant Category (SMC) visa settings to introduce the option of remuneration levels to determine whether employment in New Zealand is skilled;
- 1.2      invited the Minister of Immigration to report back to EGI on the details of the proposed remuneration thresholds;

[CAB-16-MIN-0500]

#### Proposed remuneration thresholds

2        **agreed** that two remuneration thresholds be introduced to the SMC to complement the use of the Australia New Zealand Standard Classification of Occupations (ANZSCO), to:

- 2.1      prevent points being claimed for jobs that are currently considered skilled (ANZSCO skill levels one to three) but that are paid below a certain level;
- 2.2      allow points to be claimed for jobs that are not currently considered skilled (irrespective of the ANZSCO skill level) but are paid above a certain higher level;

3        **agreed** that the minimum remuneration threshold referred to in paragraph 2.1 above be set at the New Zealand median full-time equivalent earnings;

4        **noted** that the remuneration threshold referred to in paragraph 3 above is currently the equivalent of \$23.49 per hour, or \$48,859 per annum based on a 40-hour week;

5        **agreed** that the minimum remuneration threshold referred to in paragraph 2.2 above be set at 1.5 times the New Zealand median full-time equivalent earnings;

6        **noted** that the remuneration threshold in paragraph 5 above is currently the equivalent of \$35.24 per hour, or \$73,299 per annum based on a 40 hour week;

- 7 **agreed** that the salary thresholds referred to in paragraphs 3 and 5 be updated annually based on New Zealand income data;
- 8 **noted** that mechanisms to enable Immigration New Zealand to test whether the claimed remuneration was actually paid to the applicant (including the use of conditions imposed under section 49(1) of the Immigration Act 2009) will be reviewed;
- 9 **noted** that the Minister of Immigration has agreed to changes to the points system in order to implement the decisions previously agreed by Cabinet [CAB-16-MIN-0500];
- 10 **noted** that the above changes will be implemented in July 2017;

### Financial implications

- 11 **noted** that the direct implementation costs of the above proposals, including IT systems changes, communications and training costs, can be met from existing third party funded baselines;
- 12 **noted** that if increased verification or compliance resources are required, there may be a need to seek increased third party funding in 2017/2018.

Michael Webster  
Secretary of the Cabinet

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Prime Minister  
Minister of Immigration

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