

**Registered Master Builders' Association
of New Zealand incorporated**

**Proposed changes to the Essential Skills
Visa**

May 2017

Introduction

Registered Master Builders have been building homes, schools and offices for New Zealanders for over 100 years. Our members, which include the majority of residential builders, group home builders and major construction companies, sit at the heart of a sector responsible for generating the equivalent of 8% GDP activity in New Zealand. As such we have a wealth of knowledge and experience to draw on in helping shape reforms relevant to the building and construction sector. The RMBA's purpose is to help our members build better businesses through improved productivity and profitability; a prosperous vibrant sector and as a voice for builders and the sector.

Brand values at the heart of the RMBA are:

- We act with integrity in all that we do,
- We listen and focus on delivering value to our members,
- We take a leadership role in the sector,
- We align and collaborate to support a stronger and more productive industry,

Submission

The Registered Master Builders Association is grateful for the opportunity to formally submit the organisation's views on the Government's proposed changes to the Essential Skills Visa. It is acknowledged that in our previous submission on the proposed changes to the Skilled Migrant category visa, the Association was critical of the short amount of time given to the sector and the public to make submissions. Accordingly we are grateful for the time provided in advance for public consultations, as well as the documentation specifically on the construction sector, which was circulated by officials.

The construction sector is one of the higher users of essential skills visas, particularly when construction and mining labourers are taken into account. Out of the 31,000 essential skills visas issued in 2015/2016, approximately 10% were for construction trades and labourers. This does not include other occupations such as electricians and quantity surveyors, who are also integral to the sector. Carpenters were by far the biggest category, but essential skills visas were granted for painters, tilers, plasterers and plumbers, labourers and scaffolders. See tables below.

Construction Trades Workers	Carpenter	1,024	
	Painting Trades Worker	214	
	Wall and Floor Tiler	176	
	Solid Plasterer	116	

	Plumber (General)	138	
	Carpenter and Joiner	113	
	Bricklayer	62	
	Floor Finisher	52	
	Fibrous Plasterer	82	
	Joiner	71	
	Roof Tiler	58	
	Other	127	
	<i>Subtotal</i>	2,233	7.0%

Construction and Mining Labourers	Scaffolder	269	
	Builder's Labourer	143	
	Steel Fixer	145	
	Concreter	104	
	Other	170	
	<i>Subtotal</i>	831	2.6%

Demand for building and construction in New Zealand is at record levels. The National Construction Pipeline Report 2016 - a five year forecast of construction activity in New Zealand – suggests that the value of national construction will be as high as \$37 billion per annum. That represents nearly a 60% increase from just over five years ago. Commercial work alone is expected to reach nearly \$9 billion next year. In the residential sector, the Auckland Unitary Plan suggests over the next 30 years

for 400,000 dwellings (over 13,000 houses per year), are needed for up to 1 million residents coming to Auckland.

The sector is already one of the largest employers in New Zealand. It employs more people than the primary sector (agriculture, fisheries, forestry) and ranks only behind retail, health, and professional services. Not surprisingly, with the increased demand for construction, there will be a corresponding increase in demand for construction employees. The overall increase in construction-related occupations is estimated to be 60,000-70,000 in the next ten years, with the bulk of roles likely to be needed in the next five years.

We encourage our members, where feasible, to look onshore to meet their workforce requirements. Indeed, we work closely with training organisation so the education system is conducive to developing the skills needed in the sector. The RMBA is supportive of sourcing labour locally, but where this is not possible members do need to look offshore to fill their immediate skills needs.

The proposed changes to the essential skills visas, we acknowledge do not affect the entry of talent, but will alter their conditions.

Indeed, the introduction of salary bands may now make it possible for some carpenters meeting the new \$73,299 or an hourly rate of \$35.24 thresholds to qualify for a highly skilled visa and, therefore, eligible for a 5-year visa. Previously, under the essential skills framework they were only eligible for a three-year temporary visa because this was defined primarily by the ANZCO level.

The introduction of salary bands, however, will also give rise to a situation where someone who previously, under the essential skills visa system, may have qualified for a three-year mid-skilled visa (if they met the labour market test) will be now relegated to lower skilled. This will be the case if an applicant who earns below the median (\$23.49 an hour or \$48,859). MBIE's *Essential Skills visa policy submission information: Construction* confirms this by stating that from a sample of applications for Essential Skills "many carpenters would not meet the hourly threshold of \$23.49". The 2016 Hays Salary Guide also shows that the salary range applicable to carpenters even in centres such as Auckland and Wellington mean some carpenters will no longer be regarded as mid-skilled. This is particularly relevant for building companies in regions, where wages are not necessarily representative of the national median.

Generally, building companies in that situation have difficulties in finding people to employ due to attractiveness of the location or nature of the work, which is why they are dependent on the Essential Skills Visas. They will now be confronted by having to re-apply for extension visas for their staff every year for up to three years. We appreciate that this might be deliberate, to test whether there is a genuine need for their skills, but this will add compliance to our companies. The bulk of these companies are SMEs already struggling to cope with other legislative changes that impact their day to day work.

Conclusion

RMBA acknowledges the Government's efforts to refine the current immigration system so that where there is genuine need, employers will be able to access labour from overseas. It is important

New Zealand has an immigration system that is responsive to skills requirements that emerge in the building and construction sector that cannot be met locally. Several of our members, both commercial and residential, are reporting the most severe shortages of staff they have ever seen. The proposed changes to the Essential Skills visa are also intended to bring it into line with recent changes made to the Skilled Migrant Category visa changes (which from the Association's perspective were not subject to any reasonable consultation with the sector).

We would also like to take this opportunity to register our interest in being consulted thoroughly on proposed changes to Talent (Accredited Employer) Work Visa. This is a vital skills pathway for construction and building companies. It complements the training and development pathways in New Zealand. Nearly 80 construction and building companies are registered as accredited employers and the RMBA asks to be consulted on any proposed changes to this visa.

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