



## COVERSHEET

<b>Minister</b>	Hon Kris Faafoi	<b>Portfolio</b>	Immigration
<b>Title of Cabinet paper</b>	Long-term Direction for the Immigration Portfolio: A Rebalance	<b>Date to be published</b>	10 December 2021

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
July 2021	Long-term Direction for the Immigration Portfolio: A Rebalance	Office of the Minister of Immigration
12 July 2021	Long-term Direction for the Immigration Portfolio: A Rebalance CAB-21-MIN-0279	Cabinet Office

### Information redacted

**YES / NO**

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

Some information has been withheld for the reasons of Confidential advice to Government, Free and frank opinions and International relations.

**In Confidence**

Office of the Minister of Immigration  
Cabinet Social Wellbeing Committee

**Long-term direction for the Immigration Portfolio: a rebalance**

**Proposal**

- 1 I discussed a possible reset of immigration portfolio priorities with the Cabinet Priorities Committee on 6 April 2021, and was invited to seek this Committee's agreement to the proposed long-term direction for the immigration portfolio [CPC-21-MIN-0006 refers].
- 2 This paper seeks your agreement to develop options to rebalance immigration priorities, preparing for when borders are gradually reopened. This will involve changing the volume and mix of migrants who come to New Zealand, particularly by reducing the flow of low-skilled migrant workers.
- 3 The objective of this rebalance is to incentivise businesses to lift working conditions, improve the skills training and career pathways for workers, and contribute to greater productivity by encouraging investment in higher skill levels and technology. This will also help to reduce the economy's reliance on lower-skilled migrant workers while the flow of people across borders will remain uncertain, even after our borders are reopened.
- 4 Confidential advice to Government  
[Redacted]
- 5 This paper complements two other papers I am taking to Cabinet Social Wellbeing Committee for consideration on the same day:
  - *COVID-19: Ongoing management of temporary work visa settings*
  - *Quarantine-free travel to New Zealand from Samoa, Tonga, and Vanuatu.*

- 6 Confidential advice to Government  
[Redacted]

**Relation to government priorities**

- 7 This Government has committed to a Five Point Plan for New Zealand's economic recovery from COVID-19, and is currently developing a 'Reconnecting with the World' strategy to manage our border reopening,

subject to managed isolation and quarantine capacity restraints. The immigration system is an important lever for achieving these plans, by keeping entry tight but responsive in the short-run (through border entry rules), and then once borders are open ensuring New Zealand businesses can access the highly-skilled workers they need to rebuild and supporting global interpersonal connections. This fits with 'Reconnecting with the World' as it is a workstream around ensuring that eligible travellers are the right level and mix.

- 8 The quality and size of immigration flows matter for New Zealand's productivity performance, job opportunities, and impact demand for housing and other infrastructure.
- 9 These proposals will complement work already underway in the immigration system to encourage investment in skills and lift the quality of roles on offer to both New Zealanders and migrants. These proposals will also deliver on or support some changes to the immigration system that were committed to in Labour's 2020 Election Manifesto, including:
  - supporting New Zealand businesses to access the workers they need while also getting more Kiwis into jobs
  - better matching employer needs with migrant talents and aspirations
  - updating the settings of some partnership visas
  - continuing to stamp out migrant worker exploitation
  - completing work on refugee family reunification and settlement, and
  - ensuring our immigration settings support New Zealand's role as a welcoming, diverse Pacific nation.

### **Executive summary**

*Immigration is important to New Zealand but the volume and mix prior to COVID-19 was starting to impact on our economic performance and standard of living*

- 10 There is no question that New Zealand is always going to need migrants. Migrants make a valuable and significant contribution to New Zealand, both economic and social. And immigration is an important factor for meeting this Government's goals of creating jobs, supporting small business growth and enhancing our global position. We need to ensure that migrants who are choosing New Zealand as their home have good opportunities, and are not subject to exploitation or poor quality jobs.
- 11 However, our pre-COVID reliance on temporary overseas workers and rate of population growth have been recognised for placing unsustainable pressure on our infrastructure (such as housing and transport) and placing downward pressure on New Zealand workers' training, wages, terms and conditions.

This reliance has also shown New Zealand to be vulnerable in times when the border is closed.

- 12 Commentators note immigration settings could do more to support greater productivity.

*The New Zealand economy has fared better than expected with the borders closed*

- 13 COVID-19 border closures put a stop to almost all arrivals to New Zealand (before the trans-Tasman bubble). While the return of New Zealand residents is a priority, we have tried to ensure access to critical skills to support New Zealand businesses and infrastructure, within the constraints of the Managed Isolation and Quarantine system. We have also allowed migrant workers who were already onshore to remain here, further supplementing the workforce and family reunification.

- 14 The New Zealand economy seems to have managed well, despite these reduced migration flows, although particular sectors have been reporting labour and skills shortages. This is to be expected with the economy recovering well and unemployment remaining fairly low and the onshore migrant worker numbers holding up. This would be in addition to any decisions we make on extending the visas for onshore temporary workers, as presented in a companion paper *COVID-19: Ongoing management of temporary work visa settings*.

- 15 However, we need to balance these reports of shortages with information about the need for more work for New Zealanders. Significant numbers have seen fewer hours in the last year and many want more work. We have also seen some businesses adapt by changing the way they work, and improving job conditions and wages to attract workers. But there appears to be more scope across the economy for continued improvements and change, in line with the response we have seen from the better firms.

*COVID-19 border closures offer an opportunity to rebalance the immigration system*

- 16 The rate of arrivals will rise again as the border reopens, including for lower-waged migrant workers. While our reforms to the temporary work visa system so far will address these issues to some extent, we have an opportunity to rebalance our settings before we reopen our borders, rather than returning to 2019 levels and trying to reduce the rate from there. We have a range of options we can consider. I propose to focus on settings for workers, partners with work rights, students, and skilled residence pathways (including improving certainty and stability for currently onshore migrant workers and their families).

*A rebalance would aim to improve outcomes for New Zealanders and enhance our economy*

- 17 This approach is predicated on the basis that businesses previously reliant on migrant workers to fill low-skilled or low-paid roles would be incentivised to

find other ways to address their labour needs, such as improving wages or conditions, recruiting or training New Zealanders, or increasing automation.

- 18 A review of the Recognised Seasonal Employer (RSE) is already underway, so I am not intending to propose any changes to RSE policy as part of the rebalance. However, options within the scope of this work could mean a wider range of opportunities for Pacific peoples to work in New Zealand, supporting this Government's wider policy objectives in the region.

*Work will need to take account of the workforce needs of specific sectors*

- 19 Sectors vary in their reliance on migrants for low-skilled or low-paid roles, immediate workforce demands, and ability to adapt to changes to immigration settings. I will work closely with Ministers with responsibility for the relevant sectors to take account of the specific circumstances of sectors, and consider whether government can support sectors to adapt or take other steps to support just transitions.
- 20 Options will take into account evidence of genuine labour and skills shortages.

- 21 Confidential advice to Government  
[Redacted text]

**The case for an immigration system rebalance: why we need lower overall volumes of inward migration, particularly of lower-skilled migrant workers**

*Immigration is an important factor in New Zealand's social and economic development...*

- 22 New Zealand is an open economy, and our connections to the world are important for our wellbeing and prosperity. Migrants contribute to their communities, and add more in taxes and social contributions to New Zealand than they receive in benefits. Immigration supports our global connectedness and access to talent and knowledge. The direction of change we are seeking will preserve or enhance those aspects of immigration that work well for New Zealand, including the attraction of highly skilled migrants and investors as well as strong flows of business travellers, visitors and family.

- 23 We also have an important part to play in supporting the Pacific region to be strong and resilient and in managing global crises through our humanitarian policies. We are not looking at less generous policies here.

*...But experts have raised concerns about the volume and skill mix of immigration*

- 24 Flags have been raised by experts regarding the volume and composition of migration to New Zealand and the challenges this poses to the country's long-term prosperity.

25 The OECD, the New Zealand Productivity Commission and the New Zealand Institute of Economic Research are among those who have suggested that policy change may be required. For example:

- 'The employer-assisted temporary work visa system is not limiting recruitment of migrants to resolving genuine skills and labour shortages, is attracting too many low-skilled migrants and may be weakening incentives for employers to employ and train New Zealanders.'<sup>1</sup>
- 'There have ... been wellbeing costs [from large numbers of immigrants], including impacts on housing costs, urban infrastructure costs, congestion, and displacement of low-skilled New Zealanders from jobs.'<sup>2</sup>
- 'Infrastructure and housing supply have not kept pace with the demand generated by high net migration, resulting in traffic congestion, water pollution and large increases in house prices, which has redistributed wealth to property owners from non-property owners, who tend to be less well off.'<sup>3</sup>

*There has been significant growth in migration to New Zealand*

26 There has been a recent surge in the rate of migration to New Zealand, and in New Zealand's population growth rate, since about 2014. This has been fuelled by increasing inward flows of temporary migrant workers and international students in particular, and increased net migration of New Zealanders coming home.

27 The increase has been significant. The decade prior to COVID-19 saw the number of people on temporary work visas in New Zealand more than double from fewer than 100,000 to more than 200,000. Temporary work visa holders now make up almost 5 per cent of New Zealand's labour force. Pre-COVID-19 there were also around 60,000 people approved on (fee-paying) student visas each year, and the total number of student visa holders remains historically high, at over 100,000 each year.

28 As overall numbers have grown, the number of partners of visa holders who come to New Zealand is growing. The partners of some workers and some student visa holders are eligible for an open work visa for the same length as their partner's visa. Most people being granted residence are partners, including partners and dependents of skilled migrants. **Free and frank opinions**

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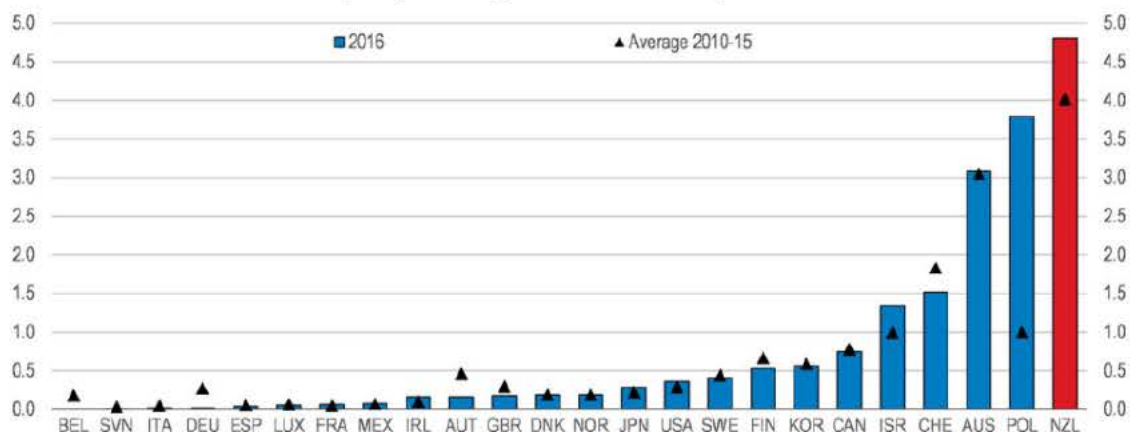
<sup>1</sup> OECD (2019) *OECD Economic Surveys: New Zealand 2019*, OECD Publishing, Paris

<sup>2</sup> Fry and Wilson (2020), *Could do better: migration and New Zealand's frontier firms*, New Zealand Institute of Economic Research

<sup>3</sup> Carey (2019) *Improving well-being in New Zealand through migration*, OECD Economics Department Working Papers, OECD

29 New Zealand is a conspicuous outlier compared to other OECD countries with the highest share of temporary work visa holders in the labour force among OECD countries by a significant margin (Figure 1), one of the highest shares of international students in tertiary education (Figure 2) and one of the highest population growth rates in the OECD (Figure 3). Migrant workers have been highly-represented in primary industries, hospitality and tourism, residential care and road freight transport, particularly in relation to low-skilled and low-paid roles.

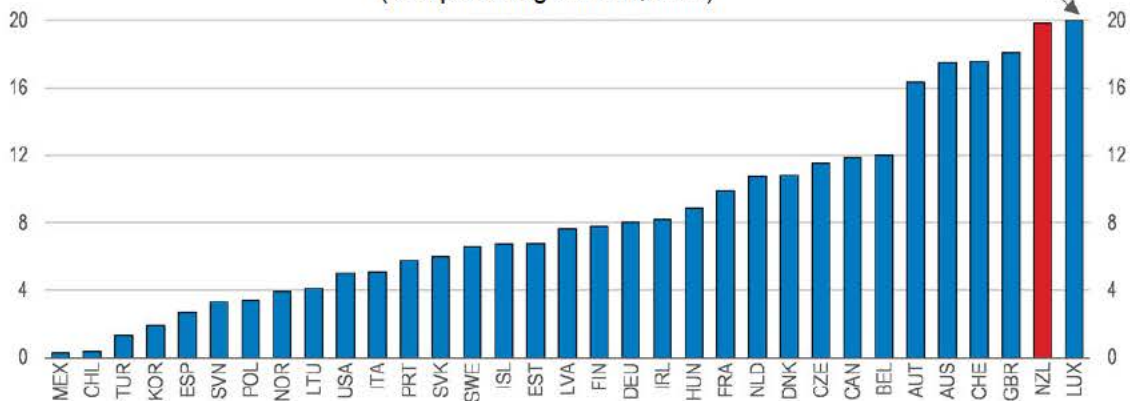
**Figure 1: Temporary labour migration**  
(as a percentage of the labour force)



Note: The data consist of inflows of seasonal and non-seasonal (interns, intra-company transfers and working holidays) foreign workers who obtained a working visa.

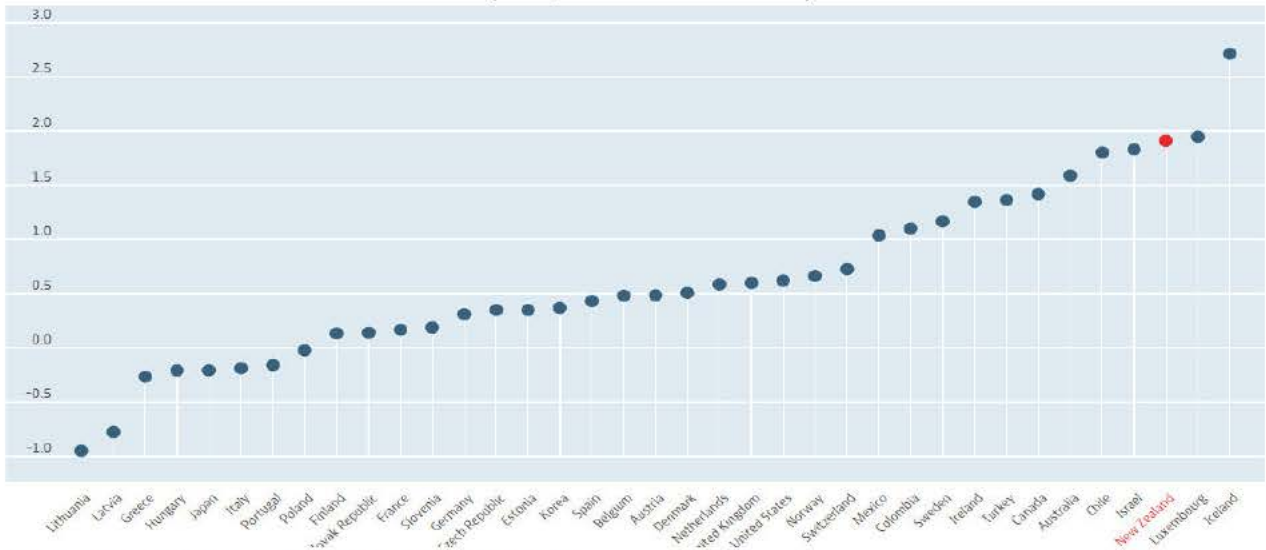
Source: OECD, International Migration database and Annual Labour Force Statistics database.

**Figure 2: Comparison of the share of international students in tertiary education**  
(as a percentage of total, 2016)



Source: Ministry of Business, Innovation and Employment; Education Counts; OECD, Education database

Figure 3: Total population growth rate (percent) of OECD nations (2018, or latest available data)

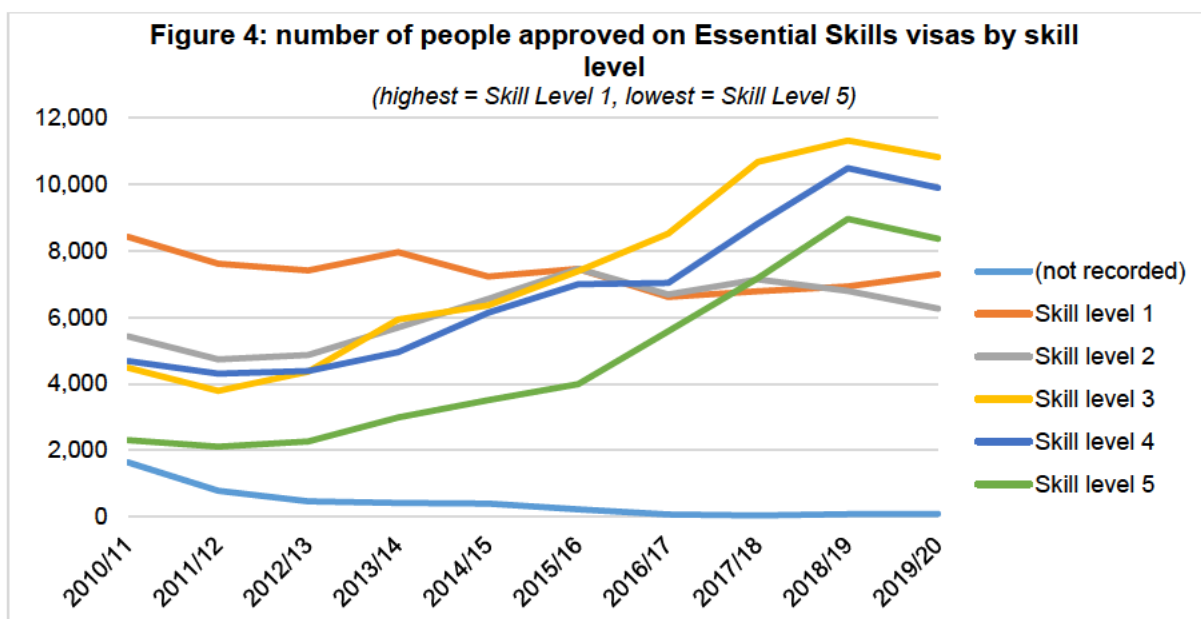


Source: OECD Labour Force Statistics: Population and vital statistics

*Migration is increasingly concentrated at lower skill levels*

- 30 Increasingly, these temporary workers are also employed at lower skill levels; nearly half of all Essential Skills visa approvals in 2019/20 were at the two lowest (of five) skill levels, up from 28 per cent in 2010/11 (Figure 4). The steep rise in applications from 2015/16 reflects high demand for labour following a period of contraction after the Global Financial Crisis, and a series of changes in 2017 to the Essential Skills category that prompted a surge of applications in advance. Students and Working Holiday Scheme visa holders make up a significant proportion of the workforce in lower skilled roles for which there are no labour market tests. This in part tells us about the structure of our economy and the jobs created under current incentives. Access to migrant labour is one key element of this.
- 31 In the international student market too, the growth has been at the lower levels – in below degree-level courses through private training establishments, with less market share over time for universities.
- 32 This has flow on effects to the skill level of our long-term workforce, with more than 80 per cent of residence applications coming from people already in New Zealand.





The volume and falling average skill level of temporary migrants is impacting in various ways

- 33 The high and increasing volumes and the falling average skill level of temporary migrants are widely seen as concerning, with specific risks including:
- reducing the attractiveness to employers of New Zealanders, including beneficiaries and school leavers<sup>4</sup>
  - providing few incentives for employers to offer better wages and/or terms and conditions, including training and better career pathways
  - embedding low-cost labour models which in turn reduce incentives to shift to potentially more productive ways of organising businesses, including investment in automation and other changes to overall capital/labour ratios.<sup>5</sup>
- 34 High levels of population growth can put pressure on infrastructure, including on housing<sup>6</sup> and social services, especially when the expansion of said infrastructure cannot keep pace with growth. Migrants contribute to net population growth, and therefore to infrastructure pressures. Migration is the only part of net population growth that is amenable to policy intervention, compared to other contributors to population growth, such as birth rates and flows of New Zealanders in and out of the country.

<sup>4</sup> Ministry of Business, Innovation and Employment (2018), *Impact of Temporary Migration on employment and earning of New Zealanders*

<sup>5</sup> OECD (2019) “Executive summary”, in *OECD Economic Surveys: New Zealand 2019*, OECD Publishing, Paris

<sup>6</sup> OECD (2019) “Key policy insights”, in *OECD Economic Surveys: New Zealand 2019*, OECD Publishing, Paris; New Zealand Productivity Commission (2020), *New Zealand firms: reaching for the frontier (draft report)*, New Zealand Productivity Commission, Wellington

- 35 Returning to our pre-COVID immigration settings risks frustrating some of the foremost economic and social outcomes that the Government is working to achieve, such as a higher-productivity and higher wage economy and better jobs.

**The closed border offers an opportunity to accelerate the direction we had put in place prior to COVID-19**

- 36 Our pre-COVID work programme included a number of measures to increase investment in skills, lift the quality of roles on offer to both New Zealanders and migrants, and improve access to migrants for highly-skilled roles and genuine skills shortages. This work included:

- *The temporary work visa reforms*, which were agreed by Cabinet in 2019 and will be implemented from November 2021. These reforms introduce minimum standards and a stronger labour market test for employers to meet before a migrant can be hired. These changes are intended to only allow migrant workers to be recruited for genuine shortages, to achieve better alignment between immigration, welfare and education system settings, and to incentivise employers to hire and train more New Zealanders.<sup>7</sup>
- *The introduction of a stand-down period*, requiring migrants in roles paid below the median wage to return home for 12 months after three years in New Zealand. This was introduced in 2017, to prevent migrants in lower-skilled, lower-paid roles who do not have a pathway to residence from becoming well settled in New Zealand. This was due to be implemented from September 2020 but has been delayed due to COVID-19, to maximise the available onshore workforce.
- *A planned review of the Skilled Migrant Category residence visa*, to assess whether settings remain fit for purpose to meet New Zealand's skills needs over the medium- and long-term, and to align with the changes underway for temporary work visas.
- *Consultation with interim Regional Skills Leadership Groups (RSLGs)*, which were formed in June 2020 to identify and support better ways of meeting future skills and workforce needs in our regions and cities. Immigration, education and workforce systems utilise this group to ensure a more joined-up approach to labour market planning.

- 37 COVID-19 and the subsequent border closure has caused a 98 per cent drop in arrivals and a 96 per cent drop in departures to and from New Zealand (before the trans-Tasman bubble).

- 38 This halt on migration flows gives us the opportunity to rebalance our immigration priorities to change the profile of migrants coming into New Zealand, before the inflow resumes when the borders reopen. Our planned work would alter this profile over time, but undertaking a shift now will mean

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<sup>7</sup> Note that these policies may be impacted by any decisions made in the meantime on broad visa extensions.

that the starting point for these changes to operate from will be closer to the desired end state.

**Areas of focus for an immigration system rebalance**

*Visa settings in scope*

39 I recommend focusing on four areas – temporary workers, partners, students and skilled residence pathways. Confidential advice to Government

Possible changes to each of these areas for when borders reopen include:

- **Temporary worker settings:** Free and frank opinions Confidential advice to Government
- **International student settings** (including post-study work rights): pre-COVID-19, international students were a source of high migrant volume. Immigration settings can support a shift to attract proportionally more students studying for degree-level qualifications or in critical skill shortage areas within overall lower volumes. Free and frank opinions
- **Partnership settings:** a review of partnership settings is planned for 2022, but changes to partner work rights could be made sooner: Confidential advice to Government
- **Skilled residence pathways:** pathways to residence are a key driver of temporary migrant and employer behaviour. We will be considering the accessibility of residence pathways for temporary migrants, and whether these are clear and encouraging people with needed skills to remain in New Zealand permanently. I have also signalled a review of the Skilled Migrant Category (SMC) residence stream, which will

consider whether the SMC settings remain fit-for-purpose to meet New Zealand's skills needs over the medium- and long-term. [REDACTED]

Confidential advice to Government [REDACTED]

- 40 I expect to look at a range of options as part of this work, ranging from changes to visas, which would apply across the system, to options that target specific sectors and occupations.

Confidential advice to Government [REDACTED]

*Some elements of the immigration system are out of scope*

- 42 As part of this rebalance, I am not suggesting we make changes to the following visa categories, where changes would either not support our goal of reduced access to migrant labour for low-skilled, low-paid roles, or not align with our wider Government commitments at this time:

- *Specific purpose, short-term business, or visitor visas:* these are genuinely temporary visa groups with limited or no work rights, meaning changes would not make any meaningful contribution to our goals.
- *Working Holiday Schemes:* these contribute a large number of temporary migrants with open work rights to New Zealand's labour market, who often fill low-skilled or casual roles. International relations [REDACTED]
- *Non-partnership family and humanitarian categories:* changes to these categories that reduce access for migrants would not align to our international commitments or to Labour's 2020 Election Manifesto, which includes commitments to enhanced family migrant pathways.

- 43 I am also not commissioning further work on the Recognised Seasonal Employer (RSE) or investor visa categories because work is already underway on both. To be clear, while we will not be actively considering

changes to RSE settings as part of the rebalance, Confidential advice to  
Government

### **Taking account of sector circumstances including genuine labour and skills shortages**

*Businesses are likely to continue seeking lower-skilled migrant labour to meet their workforce needs*

- 44 The closed borders have highlighted our reliance on lower-skilled migrant labour in some sectors and occupations. Despite this, given our economy's performance during this period, overall, we have fared well with the workforce we have had. Over this time, we have allowed onshore migrant workers to remain in New Zealand and continue working, and we have tried to ensure access to critical skills through the MIQ system. The quarantine free travel bubble with Australia opens up further opportunities for sourcing workers, although it can also result in workers flowing in the opposite direction.
- 45 However, we continue to hear reports of labour and skills shortages in some sectors, which we will continue to address the best we can with our border and immigration policies within the limitations of MIQ spaces. This is expected to continue until borders are reopened.
- 46 There are growing signs that current labour market conditions may be benefiting some lower-waged workers. For example, we have seen wages improve, including in the retail and hospitality sectors that have been most affected by border restrictions, as businesses compete for a more limited pool of workers. On the other hand, many workers have seen reduced hours of work and are wanting more work. Some businesses have taken on more of the domestic workforce and developed their business models and processes to reduce reliance on lower-skilled labour.
- 47 These changes have not been across the board and may only reflect the actions of the top performing firms at this stage.
- 48 A continuation of a level of restricted access to migrant labour for lower-skilled roles is what will drive businesses to adapt, by investing more in people and more productive business models. As a result, the proposed rebalance work will mean that we hear ongoing reports of labour and skills shortages from some businesses after the borders are reopened.
- 49 A measured view on appropriate government responses to this will be needed, given the risk of rewarding poor performers or status quo behaviours rather than allowing the pressure incentivise the market to adjust.

*The circumstances of specific sectors will be considered as part of the rebalance*

- 50 Sectors likely to be particularly impacted by rebalance options include aged care, tourism and hospitality, construction, and primary industries. These

sectors have a high proportion of migrants in their workforce, but whether they are the right sectors for targeted action will be explored further as part of the decision-making process.

- 51 The impacts will look different for every sector, depending on:
- the extent of which we anticipate future labour and skills shortages,
  - the level of demand they will face when borders reopen,
  - the degree of reliance they have on migrants for lower-skilled or low-paid roles,
  - the migrant workforce remaining onshore,
  - potential pipelines for training domestic workers, and
  - how quickly they are able to adapt (such as by changing up their production processes and adoption of automation and technology).

52 These factors are very important when developing our rebalance options. Success relies on businesses being able to respond, with benefits accruing in the short-term (to the domestic workforce) and in the long-term (improved productivity and greater workforce resilience).

53 We will therefore consider the potential impacts of rebalanced immigration settings on particular sectors and also how government can help to support adaptation efforts. Confidential advice to Government

[Redacted text block]

*Some examples of what we will need to factor into our rebalance options*

54 Below is some initial thinking around some key sectors, which will need to be developed further as part of the rebalance work.

55 *Construction:* Labour demand growth is likely as the sector scales up to meet rapidly changing housing and wider infrastructure demand.

Confidential advice to Government

[Redacted text block]

- 56 Confidential advice to Government [redacted]  
[redacted]  
[redacted]
- 57 *Primary sector:* This sector employs a high volume of migrants for low-paid or low-skilled roles, including many experienced migrants with skillsets and experience that are not easily replaced. Confidential advice to Government [redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]
- 58 The Minister for Fisheries has established an inquiry looking into the use of migrant labour in the seafood sector, which will flow into our rebalance work.
- 59 *Tourism and hospitality:* Many of the roles filled by migrants in these sectors are low paid and more casual, which may be contributing to a ‘casualisation’ of the workforce more generally. Confidential advice to Government [redacted]  
[redacted]  
[redacted] These sectors employ a large number of open work rights holders, including Working Holiday Scheme participants, and this would be a continued source of labour for these sectors, as these visa types are out of scope for the rebalance work. Confidential advice to Government [redacted]
- 60 *Aged care:* Labour demand is expected to grow in this sector and there are comparatively few opportunities to replace workers via automation. [redacted]  
Confidential advice to Government [redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

**Next steps**

- 61 The key driver for the timing of this work is to have the rebalanced immigration settings implemented by the time the borders are reopened. While the timing around our border reopening remains uncertain, I expect that we would have sufficient time to implement our immigration rebalance if we take policy decisions in late 2021.

*Report back on international student settings in October 2021*

- 62 I propose a first report back on international student settings in October 2021. This topic sits within the rebalance because it offers a potential way of reducing the level of lower-skilled migrant labour but operates within a reasonably distinct set of policy parameters and impacts, and stakeholders.

Confidential advice to Government



*We will need to consider system and sector impacts*

- 66 I expect to work closely with a range of other Ministers as I develop rebalance options, with significant impacts on the economy, the workforce, the employment, education and training system, specific sectors, and our relationship with other countries. I expect that I will need to discuss this work with other Ministers in the coming months as the work progresses, prior to taking any options to Cabinet.
  
- 67 The Ministry of Business, Innovation and Employment (MBIE) will lead this work with significant input from other agencies, using a number of existing mechanisms such as the Economic Chief Executives Group and the Employment, Education and Training (EET) Chief Executives Group.

■ Confidential advice to Government  
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72 This paper has no direct legislative implications.

**Impact Analysis**

**Regulatory Impact Statement**

73 This paper does not require a Regulatory Impact Assessment as it has no direct legislative implications.

### **Climate Implications of Policy Assessment**

- 74 This paper does not require a Climate Implications of Policy Assessment (CIPA) as there will not be any direct emissions impacts from these proposals, and decreasing greenhouse gas emissions is not a key objective of this paper.

### **Population Implications**

- 75 There are no population implications associated with this paper: subsequent report backs will detail implications for affected groups.

### **Human Rights**

- 76 This paper is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

### **Consultation**

- 77 The following agencies were consulted in the development of this Cabinet paper: the Department of Prime Minister and Cabinet, the Ministry of Education, the Ministry of Foreign Affairs and Trade, the Ministry of Health, the Ministry of Housing and Urban Development, the Ministry for Pacific Peoples, the Ministry for Primary Industries, the Ministry of Social Development, and the Treasury.

### **Communications**

- 78 The Ministry of Business, Innovation and Employment will develop a detailed communications and engagement plan and related collateral material to support this rebalance, in consultation with relevant agencies.
- 79 On 17 May 2021, the Minister of Economic Development, on my behalf, delivered a speech to a business audience which signalled Government's intention to use the opportunity presented by the closed borders to rebalance immigration settings. This was a high-level announcement that presented a comprehensive direction of travel for the immigration system. Detailed announcements of changes will follow decisions on the report backs. These announcements will be developed in consultation with the Prime Minister and relevant Portfolio Ministers.

### **Proactive Release**

- 80 I propose to release this paper proactively following an announcement on this topic, subject to any relevant redactions as appropriate, consistent with Official Information Act 1982.

## Recommendations

- 81 The Minister of Immigration recommends that the Committee:
- 1 **note** that prior to COVID-19 we were on a path to reduce access to migrants for lower-skilled and lower-paid roles, but policy settings did not necessarily include strong enough volume controls;
  - 2 **note** that there is an opportunity to accelerate a pre-COVID-19 direction, by putting in place additional immigration system changes that would help address skills, productivity and infrastructure challenges, and reduce reliance on lower-skilled migrant workers, particularly through a lower overall volume of lower-skilled migrant workers;
  - 3 **agree** to rebalance the immigration system by pursuing a lower overall volume of migrants and improved composition of temporary and skilled migrants (compared to the pre-COVID-19 trajectory);
  - 4 **invite** the Minister of Immigration to report back to Cabinet Economic Development Committee with options to give effect to recommendation above, as follows:
    - 4.1 in October 2021, on international student settings;
    - 4.2 in November 2021, lower-skilled migrant workers, partnership settings, skilled residence pathways, and settings for Confidential advice to Government taking account of the specific circumstances of sectors and the potential impact that the immigration rebalance will have on them;
  - 5 **note** that impacts on the labour market and wider economic outcomes, including impacts on sectors, will be considered in the report backs in October and November 2021;
  - 6 **note** that further, targeted report backs may be required to cover off any follow-up decisions required to implement the immigration changes as well as sector-focused reports about how sectors plan to adapt to the new immigration settings and how government can support that transition;
  - 7 **direct** the Ministry of Business, Innovation and Employment to establish a cross-agency group to develop and deliver the immigration rebalance, ensuring that advice considers impacts across New Zealand's economy and workforce; the employment, education and training system; specific sectors; and our relationship with other countries.

Authorised for lodgement

Hon Kris Faafoi

Minister of Immigration