



## BRIEFING

### Prospects for a further RSE border exception for the 2021/22 season

|                                 |              |                         |                                  |
|---------------------------------|--------------|-------------------------|----------------------------------|
| <b>Date:</b>                    | 1 April 2021 | <b>Priority:</b>        | Medium                           |
| <b>Security classification:</b> |              | <b>Tracking number:</b> | MPI: B21-0245<br>MBIE: 2021-3074 |

#### Action sought

|  |  |                 |
|--|--|-----------------|
| <p>Hon Chris Hipkins<br/><b>Minister for COVID Response</b></p> <p>Hon Damien O'Connor<br/><b>Minister for Agriculture and Trade and Economic Growth</b></p> <p>Hon Kris Faafoi<br/><b>Minister of Immigration</b></p> | <p><b>Note</b> that officials will report to Border Exception Ministers in mid-April with a proposal for an RSE border exception for the 2020/21 season</p> <p><b>Direct</b> officials to undertake further work on alternative MIQ approaches that would enable larger cohorts of RSE workers in time for the summer peak, including MIQ exemptions for workers from selected low-risk countries</p> <p><b>Refer</b> this paper to the following Ministers for their information:</p> <ul style="list-style-type: none"> <li>Hon Carmel Sepuloni, Minister for Social Development and Employment</li> <li>Hon Nanaia Mahuta, Minister of Foreign Affairs</li> </ul> | <b>Deadline</b> |
|  |  | 6 April 2021    |

#### Contact for telephone discussion (if required)

| Name         | Position   | Telephone                  | 1st contact |
|--------------|--|----------------------------|-------------|
| Fiona Duncan | Director Food, Skills and Science Policy                         | Privacy of natural persons | ✓           |
| Ruth Isaac   | General Manager, Employment, Skills and Immigration Policy, MBIE | Privacy of natural persons | ✓           |
| Kara Isaac   | General Manager, Managed Isolation and Quarantine Policy, MBIE   |                            | ✓           |

The following departments/agencies have been consulted

**Minister's office to complete:**

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

**Comments**

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### Purpose

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The purpose of this paper is to seek Ministerial direction on the government's approach to facilitating further cohorts of Recognised Seasonal Employer (RSE) scheme workers to enter New Zealand over the course of 2021/22 to help manage workforce shortages in the horticulture and viticulture industries.

### Executive summary

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The horticulture and viticulture industries are facing critical workforce shortages for the coming year, starting with winter pruning between July and August and peaking for the summer season between December 2021 and March 2022.

Government has already approved entry of 2,012 Pacific RSE workers into New Zealand early this year as part of the largest border exception to date. However, despite the border exception and efforts to maximise the onshore workforce, we expect a large workforce gap in March 2022 of up to 13,000. This is a considerably worse position than we are in now (the shortage is approximately 7,000, including 4,000 fewer RSE workers) and will have significant economic and social impacts.

In addition, the lack of a plan for the 2021/22 season is contributing to a welfare impact on RSE workers. Some RSE workers have been here for a long time (over 18 months) and we understand that one barrier to returning home is the uncertainty about the ability to return to New Zealand.

MBIE and MPI therefore consider there is a case for a forward-looking, staged plan setting out RSE workers arrivals and departures over the 2021/22 season. We consider RSE cohorts of 150 are likely to be the minimum commercially viable if reliant on charter flights. Given lead times, a decision is needed as soon as possible to give the sector and workers some certainty and have cohorts arriving from July.

MIQ is currently reviewing what the size and pace of cohorts that can be managed within MIQ given specific support needs and safety considerations. Officials will provide advice on this constraint in mid-April to inform a decision about the size of any new monthly RSE border exception and MIQ allocation.

Any option involving current MIQ settings is unlikely to result in significantly greater numbers of workers than this season. If Ministers wish to support larger numbers of RSE workers for the 2021/22 season then officials will need to look at alternative options, such as MIQ exemptions.

MFAT supports the advice in this paper and expects that the combination of MIQ in the short-term and non-MIQ pathways in the medium-to-longer term would be received warmly by Pacific partners.

### Recommended action

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MBIE and MPI recommend that you:

a **Note** that despite a border exception and efforts to maximise onshore workforce, the horticulture and viticulture industries are facing critical labour shortages during winter pruning this year and peaking with summer harvests in December-March 2022

*Noted*

b **Note** the significant work undertaken by government to remove barriers to seasonal work and attract more New Zealanders to help fill the labour shortage is having positive impact

*Noted*

c **Note** that officials recommend we start regular RSE cohort arrivals and departures as early as possible to maximise the number that can arrive by the 2022 summer peak within MIQ constraints

*Noted*

d **Note** that an RSE border exception under existing MIQ settings would need to reflect the following characteristics:

- a. early decision in April for forward-looking, staged arrivals and departures of RSE workers starting in July 2021 (to give industry and workers certainty, encourage repatriations of workers that want to go home, and enable agencies to plan in advance)
- b. minimum cohort size is commercially viable (likely 150 if charter flights are required to meet MIQ requirements)
- c. the size and pace of cohort arrivals (i.e. monthly caps) is operationally safe (to manage the impact on MIQ and to ensure RSE workers receive the support they need)
- d. eligible countries limited to those with low COVID-19 risk (to manage the impact on MIQ and to the community)

*Noted*

e **Note** that officials will report to Border Exception Ministers in mid-April with a proposal for an RSE border exception for the 2020/21 season as per the parameters outlined in recommendation (d)

*Noted*

f **Note** that the likely total number of RSE workers that could be facilitated under the existing MIQ model will help but will be unlikely to result in significantly more workers than the current season

*Noted*

*For Minister for COVID-19 Response only*

g **Direct** MIQ officials to work alongside relevant agencies to undertake further work on alternative MIQ approaches that would enable larger cohorts of RSE workers in 2021/22, including MIQ exemptions for workers from selected low-risk countries

Agree / Disagree

If the risk is low enough to allow RSE workers from specified Pacific countries to enter without MIQ, then we should be actively working towards safe travel zones with those countries. We need a work plan for Pacific safe travel zones ASAP.

For Minister of Immigration only

- h **Agree** to forward the paper to the Minister for Social Development and Employment, and the Minister of Foreign Affairs for their information.

**Agree**  Disagree



Ruth Isaac  
**General Manager, Employment, Skills and Immigration Policy**, Labour, Science and Enterprise, MBIE  
... / ... / ...

Privacy of natural persons

Fiona Duncan  
**Director - Food, Science and Skills Policy**  
Policy and Trade  
MPI  
... / ... / ...



Hon Chris Hipkins  
**Minister for COVID-19 Response**  
... / ... / ...



Kara Isaac  
**General Manager, MIQ Policy,**  
Managed Isolation and Quarantine,  
MBIE  
... / ... / ...

Hon Damien O'Connor  
**Minister for Agriculture**  
... / ... / ...

Hon Kris Faafoi  
**Minister of Immigration**  
... / ... / ...

## Background

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### **The horticulture and viticulture industries are facing critical shortages despite existing government and industry efforts**

1. The horticulture and viticulture industries rely heavily on the Recognised Seasonal Employer (RSE) scheme to meet seasonal workforce needs. The scheme has grown significantly in the last 10 years to the current 14,400 cap on visas that can be granted in any one year.
2. Last year, Government agreed the largest single border class exception to allow 2,012 RSE workers to enter New Zealand in time to support the 2021 summer peak. There are approximately 7,300 RSE workers currently onshore. The majority of these workers have been in New Zealand for a long time and we expect that some will go home before the summer peak in 2022.
3. The industry is also facing a shortage of other migrant workers they normally rely on (such as a portion of the 30-40,000 Working Holiday visa holders usually in New Zealand). There are approximately 11,000 of these workers in the country (approx. 3,750 SSE and 7,200 Working Holiday visa holders). At current repatriation rates, we would expect most of these workers to have left by March 2022.
4. Industry and government have been working to maximise opportunities for New Zealand workers. To address labour market shortages, the Ministry of Social Development has made a number of policy changes to increase the number of New Zealanders working in the horticulture and viticulture sectors (see Annex One for more information on government initiatives).
5. However, MBIE and MPI consider that a large workforce gap will remain, especially across the peak summer season (December 2021-March 2022). Further information on the likely shortage, and scenarios are included in Annex Two.

### **The lack of workers and a plan for the 2021/22 season will have significant, wide-ranging negative consequences**

6. If shortages for the coming season are not addressed, we can expect a number of impacts including significant direct and indirect economic and financial losses, lost opportunities for economic growth, and reduced opportunities for employment for New Zealanders. Further information on these impacts is included in Annex Three.
7. The shortage of workers, and the lack of certainty regarding the coming season is also taking a toll on workers, employers and business owners. Workers who are tired and would like to go home are choosing or feel compelled to stay in New Zealand because they do not know when they will be able to return to New Zealand. Employers and business owners are also feeling the pressure. Industry peak bodies are working hard to provide mental health and resilience support for employers and business owners, and the Ministry for Primary Industries, Rural Support Trusts and sector groups are working together on a recently announced wellbeing support package.
8. In addition, most Pacific Island countries are facing a bleak economic outlook. With the sudden loss of tourism and no other economic drivers that can easily replace it, there are limits to what Pacific countries can do to stimulate their economies. The RSE scheme and other labour migration opportunities represent a tangible mitigation to negative economic impacts for Pacific Island countries. There are few other opportunities for families to source the direct income that remittances from the RSE scheme provides. The income is also crucial in supporting recovery from natural disasters (including Cyclone Harold, which caused widespread destruction in Vanuatu, Fiji and Tonga in early 2020).

9.  International relations

## **We are finalising a proposal to enable further Pacific RSE workers to enter New Zealand under the current MIQ model**

### **A forward-looking border exception for the 2021/22 season should be considered as soon as possible**

10. MBIE and MPI consider that there is a strong case for a further RSE border exception to support the 2021/22 season. However, under current MIQ settings, the number of workers that will be able to enter is likely to be much lower than needed by industry.
11. A decision is needed as soon as possible so that we can:
  - a. start regular cohort arrivals within MIQ constraints as early as possible, so that we can maximise the number that can arrive by summer peak; and/or
  - b. have time to plan an alternative MIQ approach enabling regular cohorts of RSE workers as they can be accommodated
  - c. manage capacity constraints on Pacific governments that will send workers.
12. An early decision enabling a staged, forward-looking plan for arrival and departures of RSE workers for the coming 2021/22 season would help unlock barriers to repatriation by providing certainty to industry, workers and Pacific neighbours about New Zealand's approach to the RSE for 2021/22. It would also enable agencies and industry to more effectively plan for what has proven to be a highly complex and logistically challenging process.

### **Any further RSE border exception should acknowledge that RSE workers are a challenging and resource-intensive group to accommodate**

13. The 2,000 RSE workers were the largest group to enter MIQ to date. While these workers came from low-risk COVID countries and completed regular MIQ, they presented significant operational challenges during their 14 day stay.
14. This was primarily due to the scale and tempo of arrivals (approximately 156 individuals every 4 days), high levels of non-English speakers/difficulties understanding English (almost the entire group), low levels of literacy even in their own languages, high proportion of smokers (approximately 80%), and significant non-COVID related health needs. These issues were anticipated and mitigation measures put in place, however it still put increased and sustained pressure on MIQ and DHB staff, as well as the planning staff in both the Auckland Regional Isolation and Quarantine Command Centre (RIQ) and MIQ Wellington.
15. MIQ have commissioned an external review of the first RSE group process to ensure that lessons learnt are incorporated into any future RSE group processes. We expect this to be completed within the next month.

### **MIQ is working to determine safe operating levels for future cohorts of RSE workers, which will likely not be sufficient to cover the large industry workforce gap**

16. MIQ consider that the scale and tempo of previous RSE arrivals stretched MIQ beyond safe operating limits, and are working to determine safe operating levels for any future cohorts of RSE workers. Key considerations include cohort size, and the pace and origin of arrivals.
17. These factors together will also determine the total size of a potential future RSE border exception, and therefore its effectiveness in addressing industry shortages and its commercial

viability for the sector. At this stage, it is likely that MIQ constraints will result in a proposal that helps but does not meaningfully address the large workforce gap.

*There is a minimum cohort size that is viable for industry if charter flights are required, but it is unclear whether this falls within MIQ safe operating levels*

18. MIQ requires group arrivals to be managed separately to the individuals entering the MIQ system. This means that workers must arrive in groups. For the previous RSE group, the pace and scale of entry meant that industry had to depart from usual practices and charter planes or fully book commercial flights from a limited set of countries.
19. Officials consider that while a smaller cohort size would be desirable to manage pressure on MIQ, smaller cohort sizes could pose additional costs on industry. If charter flights are required to meet MIQ requirements again, MBIE and MPI agree with industry that 150 would be the minimum viable cohort size.
20. MIQ will do more work to determine the safe operating cohort size, and whether workers could arrive on standard commercial flights. An RSE border exception would likely be unviable if the safe operating cohort size was to be determined to be smaller than 150 if MIQ requires charter flights.

*MIQ is also considering the safe pace and origin of cohorts, which would also impact on the extent to which worker shortages would be filled*

21. In addition to cohort size, officials will do more work to determine the safe pace for the arrival of cohorts for the 2021/22 season. This in part is contingent on the Managed Isolation Facility that is used and the availability of wraparound services such as translation.
22. Another consideration for the safe management of RSE group arrivals is the country of origin. A further border exception should explicitly rule out high risk countries (in terms of their COVID-19 status) as assessed by the Ministry of Health. The last RSE border exception decision was based on the assumption that RSE countries were low-risk but did not explicitly rule out high risk countries from the border exception. In giving effect to Cabinet decision, Ministry of Health undertook a health risk assessment and ruled out Papua New Guinea as high risk. Without this assessment it is probable that industry would have sought to bring in workers from Papua New Guinea. Higher risk group arrivals are riskier and more resource-intensive for MIQ to process.

### **Trade-offs will need to be made to accommodate further RSE workers**

23. There is not enough space in the group allocation to accommodate all current group allocation requests and further RSE cohorts without making trade-offs between priority groups.
24. MIQ presently has 350 rooms per fortnight set aside for group allocations. This number may change following the implementation of quarantine free travel (QFT) with Australia. While most of these rooms remain available from June, there are already a number of high-priority groups being considered for the period July – October, including NZDF deployments, the US and Italian Antarctic programmes and returning athletes from the Olympics and Paralympics.
25. Officials are preparing advice for Border Exception Ministers on all known MIQ demands for the coming year and packages of proposed allocations, to enable strategic decisions to be taken on which groups to prioritise and on what scale. This advice is intended to go to Border Exception Ministers for consideration in April.
26. You will receive advice on the size of a proposed monthly border exception and MIQ allocation of RSE workers in mid-April, which could be decided by Border Exception Ministers by round-robin if needed.



## Alternative options will likely be needed to facilitate larger numbers of RSE workers

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27. A change in MIQ model or settings would be required to facilitate more significant numbers of RSE workers that would better address industry shortages and support Pacific economies. MFAT expects that the combination of MIQ and non-MIQ pathways would be received warmly by Pacific partners.
28. Confidential information entrusted to the Government
29. Industry has multiple times asked for bespoke MIQ using workers accommodation. The Minister for COVID-19 response has declined these proposals to date owing largely to limited health and security resource availability (detail about this is provided in Annex Four). Ministers have reiterated this position multiple times in discussions with industry Chief Executives. Options such as on-farm MIQ are not recommended by MIQ for further consideration owing to the long lead-time needed to stand up this kind of arrangement, concern about health and safety requirements, and likely continued workload pressures this would place upon MIQ officials.
30. Alternative arrangements to standard MIQ could include quarantine free travel, group exemptions from MIQ or reducing the length of workers' stay in MIQ. MIQ policy's preferred approach would be either quarantine free travel or MIQ exemptions. A number of low risk groups have been exempted previously, such as pilots travelling to Australia for training purposes and police escorts of detainees.
31. If Ministers prefer that larger cohorts of RSE workers arrive to mitigate the workforce gap, officials can be directed by the Minister for COVID-19 Response to work on alternative arrangements such as MIQ exemptions. This would require our close collaboration with the Ministries of Health and Foreign Affairs, and industry. MIQ officials have begun work on considering moving to a risk-based approach for travellers from low-risk countries. This work is in its early stages and could be explored as an option for RSE cohorts.

## Implementation

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32. As with the arrival of the previous exception cohort of 2012 RSE workers, ensuring the benefits of resuming RSE are distributed across participating Pacific Island countries is important given the potential economic flows, International relations Officials recommend that the process for identifying individuals would need to be spearheaded by industry but made in consultation with Pacific governments. MFAT would lead these conversations and advises that their preference is for this to take place as early as possible.

### **Due to recruitment and immigration processing, July/August is the earliest that Pacific RSE workers would likely arrive**

33. Immigration New Zealand has estimated the minimum possible timeframe from the announcement of a decision to the first flight arrival as 61 business days. This means if processes start in mid-April (following Senior Officials Group, Border Ministers and Cabinet processes), industry would have 5 days to compile names and 30 days for recruitment in Pacific countries (including medical and police checks). The earliest flight could then arrive July. The 30 days required for recruitment in the Pacific is the timeframe requested by Pacific governments as part of the lessons-learned process from the previous cohort of RSE arrivals. Australia is requiring employers to provide minimum six weeks to Pacific countries between state approval to recruit and arrival date of workers.

34. An MIQ group approval process must be undertaken for this group. The group approval process includes risk assessments (both operational and health) and is an important step in determining how groups can be managed safely.
35. MIQ will not be able to apply the same operational model as deployed for the 2,012 cohort. Officials will draw on the aspects of what worked well from the previous cohort's arrival process. Where lessons have identified areas for improvement, particularly relating to operational safety and feasibility, MIQ planners and regional teams will work at pace to develop and validate these improvements.

## **If Ministers agree to further cohorts of RSE workers, similar conditions should be applied**

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36. Irrespective of what option Ministers support, officials recommend that, where appropriate, similar conditions should apply to any new arrivals of RSE workers as they did to the previous cohort [CAB-20-MIN-0473]. These include:
  - RSE workers will only be allowed to enter from Pacific Island countries that have committed to and have a plan agreed with New Zealand to:
    - repatriate currently stranded RSE workers who wish to return home; and
    - repatriate all further workers at the end of their contract;
  - only experienced<sup>1</sup> RSE workers (that, is, people who have worked in New Zealand for at least one season as an RSE worker) can enter through this exception, to realise the benefits of an experienced and skilled workforce;
  - workers will be deployed to and moved around regions and employers where there are the most critical workforce needs to meet harvest requirements that have not been able to be filled despite industry efforts to attract and utilise the onshore workforce;
  - only employers who make the following commitments for the upcoming season will be able to access offshore workers through the border exception:
    - ensure all RSE workers (currently onshore and those arriving through the exception) will be fully employed until they are repatriated;
    - make arrangements to share their RSE workers with another RSE employer growing a different crop or in a different region;
    - cover the cost of managed isolation and quarantine (MIQ), and will not charge this cost to RSE workers, either directly or indirectly;
    - pay workers for 30 hours per week while they are in MIQ;
    - not to deduct RSE workers' wages for flights between Pacific countries and New Zealand more than they would in a 'normal' year, or what has already been approved by the Labour Inspectorate as actual, reasonable and verifiable;
    - not to increase deductions for RSE workers for living costs (e.g. accommodation and transport) beyond last season's deductions, or what has already been approved by the Labour Inspectorate as actual, reasonable and verifiable;

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<sup>1</sup> It may not be feasible for the exception to cover only 'experienced' workers, International relations  
International relations  
 workers who participated in the past were unskilled. Most New Zealanders or WHS

- Employers who are found not to meet these commitments and/or trigger compliance action will lose access to current workers (who will be supported to other employment arrangements) and their RSE accreditation.

#### **Ongoing industry commitment to address known barriers to attracting domestic labour**

37. As part of the previous border exception, industry also committed to addressing known barriers to attracting and retaining New Zealanders. Specifically, the conditions were that industry formally commits to produce, and report back on, time-lined and action focused plans to:

- address known barriers to attracting domestic labour supply, including through partnerships for and with Māori and iwi, with a commitment to make their best endeavours to:
  - increase the proportion of their New Zealand workforce, including increasing the number of longer-term sustainable roles for New Zealand workers;
  - increase the provision of accommodation and transport for New Zealand workers; and
  - increase the provision of training to upskill New Zealand workers for horticulture and viticulture work;

38.

Confidential advice to Government

## Annex One: Government actions to get more New Zealanders into the horticulture and viticulture workforces

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The Ministry of Social Development (MSD) is leading a number of programmes and activities to address key barriers to New Zealanders and job seekers taking up seasonal work. These include:

- Making a significant increase in regional initiatives and investment to supporting seasonal work (such as recruitment drives and training solutions)
- Enhancing some of MSD's key employment products to ensure they can support jobseekers into seasonal roles (such as \$5k to Work, which can now be used to help people relocate for seasonal work longer than 91 days).
- Restarting and enhancing the New Zealand Seasonal Work Scheme (NZSWS). In addition to support with transport, essential clothing, pastoral care, training and relocation costs. The improvements also include support with accommodation costs and incentive payments for participants. This could support 500-700 jobseekers into seasonal work.
- Work and Income regions will be proactively marketing seasonal work opportunities to clients via email, text, digital displays in MSD service centres and a promotional video.
- The Minister for Social Development and Employment has agreed changes to the Seasonal Work Assistance Programme payments to provide an income stream and greater financial stability for seasonal horticultural workers that cannot work due to adverse weather conditions. Changes include:
  - increasing the maximum weekly payment amounts to pay up to minimum wage for up to 40 hours per week (up to a maximum of \$632.04 per week);
  - increasing the maximum amount payable in a season to cover up to 17 days per season within a 26-week period (up to a maximum of \$2,149), where clients cannot work due to adverse weather conditions; and
  - streamlining the payment structure of the Seasonal Work Assistance Programme payments to ensure all clients receive the same rate regardless of personal circumstances.
- MPI is working closely with industry bodies, key partner agencies, and the Tertiary Education Commission to address barriers to jobseekers taking up seasonal work. Actions include the 'Opportunity Grows Here' workforce marketing and media campaign, the roll out of familiarisation and basic skills courses, solutions to support people to move easily between seasonal jobs to ensure year-round employment, promotion of seasonal work and joint industry/agency initiatives.
- MPI is also consistently encouraging industry to do more to attract and retain New Zealanders into the primary sector. While remuneration is a key part of this, we also want industry to improve workplace conditions, management and leadership, and other supporting factors (e.g. provision of career development pathways) that make people want to stay in a job. This remains a focus for the coming year.

## Annex Two: What is the horticulture and viticulture workforce gap now? how big could it get?

### The RSE workforce gap is 4,000 now and it could double by March 2022

- Before COVID-19 RSE workers normally made up around 33% of horticulture and viticulture's seasonal workforce, with a further approximately 21% of the workforce on Working Holiday Visas.
- There are approximately 7,300 RSE workers currently onshore. Normally, we would have around 11,000 RSE workers in country in March, so our current RSE workforce gap is almost 4,000.
- If no, or minimal new cohorts of RSE workers arrive before March 2022, we can expect to have around 3,600 RSE workers left in country by March 2022<sup>2</sup> creating an RSE workforce gap for the March/April 2022 horticulture peak of at least 7,000.
- Building up RSE worker numbers over the year is critical to having enough workers in New Zealand for the 2021/2022 peak season unless policy settings change (e.g. Pacific bubble is progressed)

#### How long have our onshore RSE workers been here and where are they?

The 7,300 onshore RSE workers comprise two groups: 2,012 from the new cohorts that arrived from January this year; and approximately 5,300 who have been onshore since before the March 2020 lockdown. This latter group includes over 2,100 who have been here for longer than 15 months, and a small number have been onshore for over 18 months.

The RSE workers are throughout the country, from Northland to Otago, but the majority (as at 21 March 2021) are in the Hawke's Bay (3,300), Bay of Plenty (1,200) and Nelson (1,100) regions, regions associated with apples and kiwifruit.

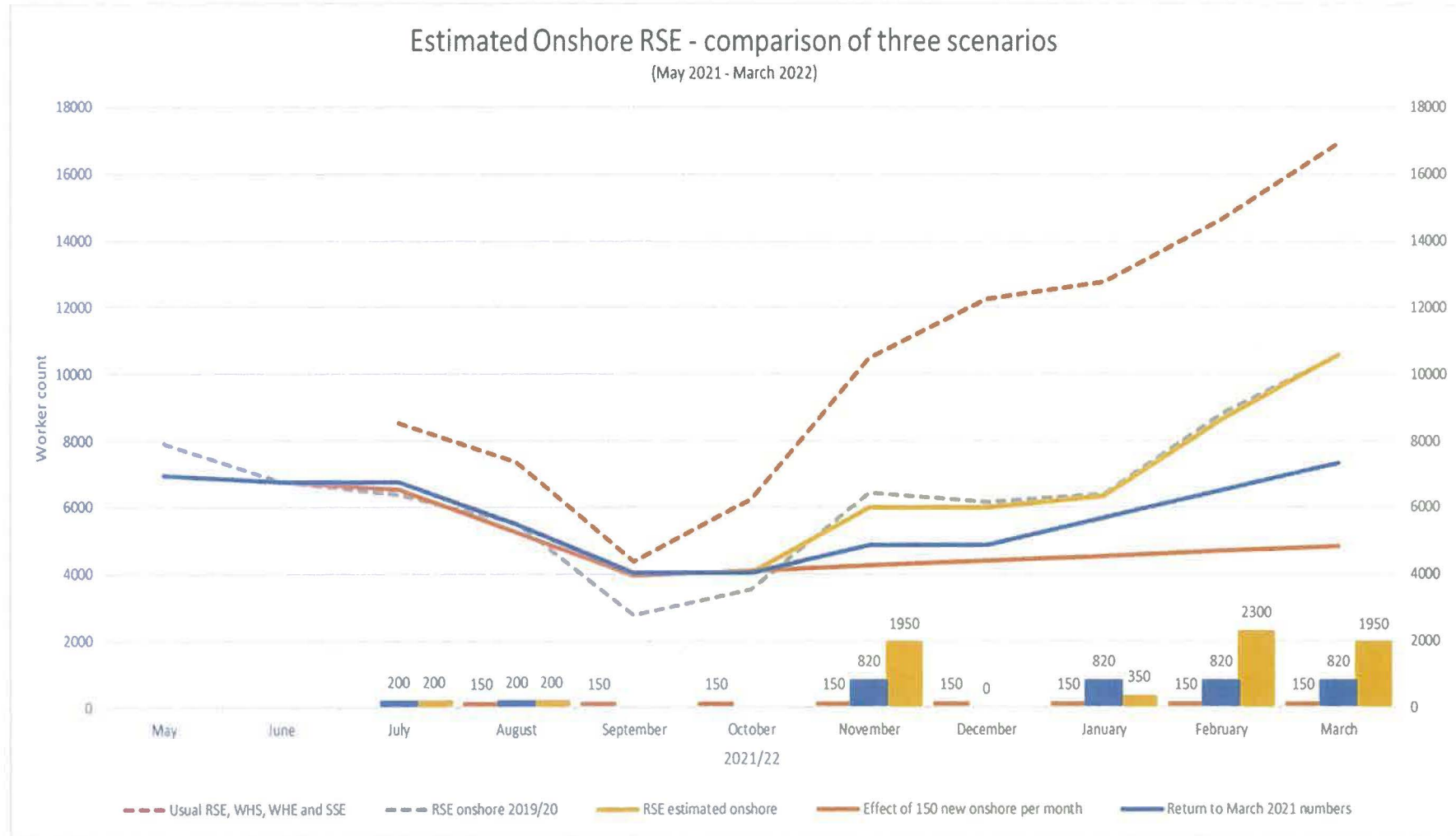
### Working Holiday Visa workers are also exiting the workforce pool...

- Sources of temporary migrant labour other than RSE (e.g. Working Holiday Visa and SSE Visa holders) are also decreasing at rates of up to 2,000 people each month.
- There are approximately 11,000 of these workers in the country (approx. 3,750 SSE and 7,200 WHS) and at current repatriation rates, we anticipate most of these worker swill have left the country by March 2022.

**If no action is taken, the overall horticulture and viticulture worker shortages will gradually get bigger..**

| May    | Jun    | Jul    | Aug    | Sept | Oct    | Nov    | Dec    | Jan    | Feb     | Mar     |
|--------|--------|--------|--------|------|--------|--------|--------|--------|---------|---------|
| -3,900 | -2,551 | -2,034 | -2,283 | -732 | -2,591 | -6,850 | -8,597 | -9,120 | -11,002 | -13,674 |

**Significant numbers of RSE workers will be needed by March 2022 to get back to even March 2021 RSE levels. Even greater number would be required to get anywhere near pre-COVID levels**



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## **Annex Three: Further information on the economic impacts of worker shortages**

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The shortages, and the lack of a long-term plan to alleviate these shortages, is causing uncertainty for the sector. MPI considers the following impacts as highly likely to occur:

### **Direct economic/financial losses:**

- The direct economic impacts of worker shortages are that some crops will not be picked, routine maintenance and non-critical activities will be put off, quality and yield will decrease, and returns will be down. This will result in lost economic opportunity and growth, further affect regional employment. We are already seeing this in the apple industry, which has estimated that this season's migrant labour shortage has cost the sector approximately \$100-\$120 million in direct lost profits.
- Companies are already adapting to the new supply chain circumstances where they can. Strategies vary and include pivoting markets, product format, and/or modes of transport; reducing output or in some extreme cases, halting harvest (to avoid harvest costs and minimise losses). For example, shortages of kiwifruit pickers are forcing growers and packers to implement efficiency measures to make the most of their available workers. These include selective picking for highest value fruit, strip picking, single runs over vines, and reduced packhouse hours (i.e. limited nightshifts and weekend work). These measures will likely have longer-term impacts on investment and export potential.
- MPI shares the sectors' concerns that loss of quality and volume will negatively impact on New Zealand's reputation as a reliable and consistent producer of high-end goods. This could displace our horticultural products and wine from the world's highest value markets for years to come and would compound the effects of lost profits. For example, the \$2.4 billion wine industry has yet to see the impacts of shortages as winter pruning has not yet begun but industry has advised that if vines are not pruned this year, this will collapse the crop for next year and would take New Zealand wine off the winelists of a range of high-value consumers. It would also see some businesses not recovering any revenue until June 2023 (assuming winter pruning resumes in 2022).
- Taking a wider view, industry bottom lines have also been impacted by higher airfreight rates; additional COVID-related testing, disinfection, and supply chain costs; additional transport costs connecting with flights; and other in-market costs. The ability of some companies to adapt in a managed way is constrained. There are regulatory and market access limitations on the ability to pivot markets and supply chains, particularly for perishable products. Even where possible, there are practical limits to the speed with which business can pivot given changes take time, investment, and negotiation to implement. As such, COVID-related impacts, including those caused by worker shortages, will be unevenly distributed, with small and medium growers less able to absorb these compared to large growers.

### **Lost opportunities for economic growth:**

- COVID-19 impacts that reduce export revenues and chill investment may also undermine Government policy objectives for example for an export-led recovery. Horticulture export revenue is forecast to rise 9.1 percent for the year ending June 2021 to nearly \$7.1 billion following successful harvests in early 2020 for most crops (noting that at the time lockdown occurred, there were approximately 10,500 temporary migrant workers already in New Zealand who were able to work because horticulture was considered an essential industry). Consumer demand for fresh fruit and wine has remained strong despite COVID-19-related disruptions, and this is expected to continue. Adequate worker numbers are necessary to ensure New Zealand can make the most of volume and value increases.

**Employment of New Zealanders:**

- The horticulture and viticulture sectors employ approximately 13,500 in post-harvest processing roles, the majority of whom are New Zealanders. Transport, processing, packing and logistical services would also be disrupted if there is a reduction in productivity and output horticulture and wine making industries. Other groups impacted include those who provide the wrap around services such as, accommodation provides, pastoral care workers and those involved in facilitating financial services.



## **Annex Four: Factors for consideration for establishing new Managed Isolation Facilities**

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- There are a range of factors that need to be considered when establishing new managed isolation facilities (MIFs) that would meet existing MIQ standards. Key considerations when standing up a new MIF include availability of suitable hotels which meet our standard MIF operating criteria; health and security workforce availability; ease of transferring returnees to the MIF; ability to quarantine individuals testing positive for COVID-19 and distance to a tertiary health facility.
- In order for a location to be treated as a viable option, the DHB covering that area would need to be able to cope with the increased workforce demands that come with a MIF. For example, a public health unit that is available to support the MIF as a 24/7 operation would be required.
- Laboratory capability would also be needed to support the testing, along with the timely turn around and back up of a hospital system in the event an individual becomes unwell or is injured. These supports would be required whether a facility was run by MBIE or by the private sector. In addition, the costs of establishing and operating a new MIF would be significant.