



## BRIEFING

### Recovering additional MIQ costs of RSE workers

<b>Date:</b>	23 April 2021	<b>Priority:</b>	High
<b>Security classification:</b>		<b>Tracking number:</b>	2021-3426

Action sought		
	Action sought	Deadline
Hon Chris Hipkins <b>Minister for COVID-19 Response</b>	<p><b>Note</b> Border Exception Ministerial Group has agreed a border exception for RSE workers</p> <p><b>Agree</b> additional MIQ costs of these workers should be recovered from their employers</p> <p><b>Refer</b> this briefing to the Minister of Agriculture and the Minister of Immigration</p>	27 April 2021

Contact for telephone discussion (if required)				
Name	Position	Telephone	1st contact	
Privacy of natural persons	Manager, Allocation and Supply	Privacy of natural persons		✓
	Senior Advisor, Allocation and Supply			

The following departments/agencies have been consulted
MFAT, MBIE Immigration Policy, MPI

**Minister's office to complete:**

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 Withdrawn           |

**Comments**



# BRIEFING

## Recovering additional MIQ costs of RSE workers

Date:	23 April 2021	Priority:	High
Security classification:		Tracking number:	2021-3426

### Purpose

To seek your agreement to recover additional MIQ costs incurred by future RSE workers.

### Recommended action

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

- a **Note** the Border Exceptions Ministerial Group agreed a new border exception for RSE workers on 19 April 2021 to bring in cohorts of 150 workers every 16 days on an ongoing basis.

*Noted*
- b **Note** you previously agreed that additional costs incurred in facilitating entry of bespoke groups should be charged to the group in question [2021-1598 refers].

*Noted*
- c **Note** this was not possible for the cohort of RSE workers that arrived between January and March due to the speed at which arrangements were put in place, and that additional costs were absorbed by MIQ and the individual facilities hosting RSE workers instead.

*Noted*
- d **Agree** additional costs for future RSE workers should be borne by their employers or sponsoring agency.

*Agree / Disagree*
- e **Note** a low estimate of these costs is between \$610 and \$1110 per worker.

*Noted*
- f **Note** we will work with industry to explain these costs and explore options for cost reductions before informing you of final costs.

*Noted*
- g **Agree** that instances of room damage or smoking in rooms should also be charged to the employer of the worker responsible.

*Agree / Disagree*
- h **Agree** employers will be liable for additional rooms if group size decreases less than ten working days before its arrival date.

*Agree / Disagree*
- i **Note** a fiscally neutral adjustment to the Isolation and Quarantine Management appropriation may be needed to provide MBIE with the authority to both spend (to deliver the additional services), and subsequently recover the costs of providing the additional services from the relevant group. This will be considered after the Budget moratorium.

Noted

j **Agree** that this briefing is proactively released.

Agree / Disagree

k **Refer** this briefing to the Minister of Agriculture and the Minister of Immigration.

Agree / Disagree

Privacy of natural persons



Hon Chris Hipkins  
Minister for COVID-19 Response

**Manager, Allocation and Supply**  
MIQ Policy, MBIE

23 / 04 / 21

30 / 4 / 2021

## Background

---

1. Ministers agreed on 19 April to a new border exception for RSE workers. This will see a steady stream of workers arriving in groups of 150 every 16 days. This border exception is designed to increase the number of RSE workers in the country in time for the peak summer season without pushing MIQ over safe operating limits, as was the case with the previous border exception.
2. You agreed in January that bespoke or 'additional' services for groups should be recovered from third parties [2021-1598 refers]. This was not actioned for the previous border exception of RSE workers due to the rapid pace at which that exception was agreed and workers entered the country.
3. While these workers were from low-risk COVID-19 countries, they were a group that has higher needs. They required significant additional translation services, welfare support and general medical care.

## Cost recovery for RSE workers

---

4. This paper sets out what additional costs are necessary to safely accommodate RSE workers and provide the necessary wrap-around support, and seeks your agreement for MBIE to recover these costs for future RSE workers. This will ensure the ongoing flow of RSE workers is both operationally and financially sustainable.
5. Those entering MIQ should have their needs met in a culturally appropriate way as much as possible within the MIQ system. This helps ensure compliance with IPC and other requirements within a managed isolation facility. For RSE workers, because of the size and ongoing nature of the border exception and the unique needs of the workers, there are additional costs associated with safely managing their stay in MIQ and responding to their requests for services not typically provided in MIQ.
6. Due to the speed at which the previous border exception was set up, contracting arrangements were not put in place for additional costs. Contracts are required in order to recover these types of additional costs. This led to a significant proportion of costs being absorbed by MIQ, Ministry of Health, and the individual facilities hosting MIQ workers.
7. For instance, some costs incurred from the last RSE group include:
  - At least \$183,394 of in-person interpreter costs (\$91 per worker).<sup>1</sup>
  - Serious pre-existing conditions needed GP and hospital treatment, which was paid for by DHBs; related costs such as for medical interpreters and hospital transfer security were also higher.
  - MIQ hotels absorbed significant<sup>2</sup> costs for things such as larger meal portions and room damage.
8. Although RSE workers are allocated MIQ spaces due to their benefit to the New Zealand horticulture and viticulture sectors, you have previously agreed that third parties should be responsible for costs incurred over and above standard MIQ services [2021-1598 refers]. Treasury has previously advised that MIQ fees should not be used to implicitly subsidise

---

<sup>1</sup> While group representatives provided some interpreting capability, this was not enough, particularly for medical briefings, and the movements of the group representatives were restricted because they were also self-isolating. The standard approach for interpreter services is to utilise Ezispeak (a phone service), rather than in-person translators. For groups of this size and with such high levels on non-English speakers (more than 80%), in-person services are required.

<sup>2</sup> As there was no mechanism in place to record these costs, it is difficult to estimate what they amounted to on a per-person basis.

particular industries, sectors, or groups, if their costs are “over and above” standard MIQ costs. Subsidising particular sectors through under-recover of costs creates issues around inequity and financial transparency.

### Method of recovering costs

9. At present, we have the ability to charge employers the standard critical worker fee of \$4,800 + GST for the first worker in a room and \$2,600 + GST for another adult in the same room.
10. To recover additional costs relating to RSE workers, MBIE will need to make advance contractual agreements with employers (or with umbrella organisations in situations where there are too many employers to be practicably contracted with).
11. Previously, Apples and Pears New Zealand acted as an umbrella organisation for paying MIQ fees on behalf of all RSE employers. We propose a similar arrangement, with one organisation to contract with for all MIQ-related costs, is repeated, and that the recovery of additional costs is included in this contract.
12. MIQ has no legal authority to over-recover costs, however we are confident that at the costs as set out below, there is no risk of over-recovery. These costs represent a low estimate as they do not include health costs, increased general staffing, staff training costs, or project team costs, all of which will be absorbed within current MIQ or Ministry of Health baselines.

### Estimated costs

13. Initial work suggests additional cost per worker for services over and above standard MIQ provision is approximately \$610 or \$1110 depending on the inclusion of a welcome pack for each worker. These costs are set out in the table below:

#### *Per-worker costs*

	<b>Item</b>	<b>Estimated requirement</b>	<b>Est cost per month (2 cycles, 300 RSEs) excl. GST</b>
1	Bottled water (1L bottles) <sup>3</sup>	2L / per person, per day	\$8,400
2	Additional food/alternative food options	3 meals / RSE / day Extra \$10.00 pp/pd	\$42,000
3	Face-to-face translators Based on last RSE requirement	2 per MIF (business hours)	\$100,000
4	Pasifika Wellbeing coordinator (Pastoral care incl.)	2 Per MIF (7 days) \$30.00 per person, per hour	\$26,880
5	Communications material and Collateral - Printing (cannot be re-used by other RSEs) - Translation / rush translation - Video production	Per language	\$5,000

<sup>3</sup> For cultural reasons, workers are not willing to drink from the taps in their ensuite. This caused a number of problems with dehydration in the previous cohort.

			<b>TOTAL</b>	<b>\$182,280</b>
6	Welcome pack (phone, Prezzy card)	1 per RSE		\$150,000
			<b>TOTAL</b>	<b>\$332,280</b>

*Welcome packs for workers*

14. Industry provided welcome packs for the previous group of RSE workers, containing a cell phone and pre-loaded Prezzy card, so that workers could contact their families while in isolation and have discretionary spending money. Workers opted into receiving these welcome packs, the cost of which were deducted from their salaries.
15. The organisation and delivery of these packs proved a significant logistical challenge for the managed isolation facility staff. There were different welcome packs depending on the employer and what the employee had opted for. Some workers did not opt into receiving a pack initially then changed their mind while in MIQ, requiring facility staff to act as go-betweens with the worker and employer to source a welcome pack. Packs were not always delivered on time or to the correct worker, leading to IPC risks as packs were transferred between workers.
16. Going forward, the content and delivery of welfare packs needs to be standardised to reduce the burden on facility staff and the risk of IPC breaches. We believe these packs should be compulsory, as cell phones are necessary for contact tracing purposes and very few of the previous cohort arrived with phones of their own. If MIQ provides these packs and charges the cost to the employers, we estimate it will cost approximately \$500 per worker. However, this cost could be removed if industry are able to arrange and deliver these packs in a way that we agree and that does not impose an additional strain on facility staff.

*Per-incident costs<sup>4</sup>:*

17. Smoking in rooms and damaging facility property generally incurs a charge to the person responsible for the damage. This is applied to all returnees as standard practice. However, for the previous group of RSE workers, confusion about who was liable for room damages and how to bill them led to facilities absorbing these costs themselves.
18. In order to prevent this happening again, we propose that the umbrella organisation with whom we contract assumes responsibility for paying for damages and passes the cost onto the employer or worker as they see fit.

	<b>Item</b>	<b>Estimated requirement</b>	<b>Est cost</b>
7	Accommodation room damage	Per room / on occurrence	\$1,000 - 2,000
8	In-room smoking cleaning charge	Per room / on occurrence	\$750

<sup>4</sup> These costs are charged to all returnees found to have damaged or smoked in their rooms, however were not charged to RSE employers during the last border exception.

19. The costs outlined above include only costs over and above standard provision (eg COVID-19 related healthcare, usual wear and tear) and excludes departmental costs such as standing up a project team and the cost of training and upskilling regional and facility staff.

#### *Room wastage*

20. During the entry of the previous RSE group, there were a number of instances when worker numbers decreased at very short notice, leading to room wastage. If worker numbers change with fewer than ten business days' notice, there is not enough time to release unwanted rooms onto MIQ for the general public to use.
21. If such room wastage occurs with the future RSE workers, we propose that industry should be liable for covering the cost of these unusable rooms at the standard room fee of \$4,800 + GST.

#### *Health costs*

22. Due to the speed at which workers were recruited and brought to New Zealand, and because of the previous decision to waive health check requirements, many workers entered New Zealand with existing health conditions that the MIQ health workforce then had to address. This put significant strain on MIQ health workforce.
23. When RSE workers need medical care while in New Zealand, they are covered by their health insurance (or, in the case of pre-existing conditions, pay for it themselves). As RSE workers would not ordinarily be covered by the public health system, it would be consistent, therefore, to pass the cost of additional health support onto the employers or claimed through their health insurance.
24. Even if the health check requirements are not waived for this cohort, it is likely that many workers will still require general medical care while in MIQ. In order to provide adequate health support to this group, it is likely that an additional health worker per facility will be required. However, there is not currently a mechanism to recover health costs, so they will be absorbed by the Ministry of Health and DHBs.

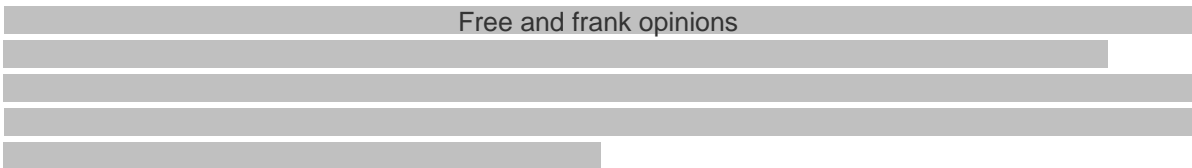
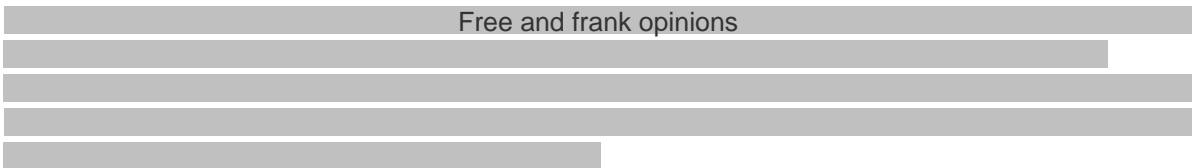
#### **Risks to this approach**

25. A condition of the border exception is that the additional costs of MIQ are not passed onto workers. This will need to be carefully monitored in light of increased MIQ costs.
26. The impact of any MIQ fee increases will affect smaller businesses ahead of large ones, who are better able to absorb costs. Industry has advised that there is a risk that higher costs, combined with the relatively low number of arrivals (compared to industry need) will make this exception financially unviable.
27. If the increase in costs makes the proposal unviable for industry, there would be ramifications not just for the horticulture and viticulture sectors but also for the home countries of the RSE workers. RSE workers send a significant amount of their wages back to their country of origin as remittances. As many of these countries are struggling with the tourism disruption caused by COVID-19, these remittances are an important part of their economic recovery.

#### *MPI comment*

28. MPI does not support the proposal to increase RSE MIQ fees at this time. We recommend that any increases to RSE MIQ fees come after a thorough analysis of cost impacts posed by different groups to best determine the size of any cost increases and to which group/s these costs should fall.

## Risks of not recovering additional costs

29. There are also risks associated with not covering the additional costs of RSE workers. For groups that have additional or complex needs, such as sports teams, MIQ has contracted with the relevant organisations to recover some of the costs of non-standard MIQ.
30.  Free and frank opinions 
31. If MIQ is unable to recover additional costs, it will put additional stress on the sustainability of the provision for RSE workers and strain the MIQ network more generally. Without the ability to cover extra costs, facilities will have to 'do more with less'. Persistent stress of this kind could lead to facilities choosing not to accommodate RSE workers, or increase their base rates for all MIQ services to protect themselves financially.
32. Overstrained workforces may lead to resources being drawn from elsewhere in the MIQ network to support RSE workers instead. RSE workers are not considered at high risk for COVID-19 but due to their other high needs could cause resourcing gaps elsewhere in the MIQ network if staff are being reallocated or working with a higher staff to returnee ratio than is best practice.

## Financial implications

---

33. When a final cost is arrived at, we will return to you with more information about the financial implications of this cost recovery.
34. It is possible that a fiscally neutral adjustment will be needed to provide authority to spend (to deliver the additional services) and recover costs.
35. We will return to you to finalise the financial arrangements after the Budget moratorium.

## Next steps

---

36. Ministers will formally announce the new border exception for RSE workers.
37. Following announcement, we will work with INZ and industry to validate final costs and explore any options for cost saving within 'safe operating limits'. We will inform you of these costs and any financial implications following the Budget moratorium.