

SUITE OF PROPOSED CHANGES TO THE ESSENTIAL SKILLS VISA

SUBMISSION TO THE LABOUR SCIENCE AND ENTERPRISE GROUP OF
MINISTRY OF BUSINESS INNOVATION AND EMPLOYMENT (MBIE)

FROM

MCDONALD'S RESTAURANTS (NEW ZEALAND) LIMITED

19 May 2017

NOTE: THIS SUBMISSION CONTAINS CONFIDENTIAL INFORMATION

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1.0 Introduction

1.1 This submission is made by McDonald's Restaurants (New Zealand) Limited (McDonald's) in response to a Discussion Document dated 5 May 2017 covering a Suite of Proposed Changes to the Essential Skills Visa, prepared by MBIE officials.

1.2 The Discussion Document follows on from a suite of changes to the Essential Skills visa which Cabinet has agreed, in principle, to implement. We understand your consultation process aims to:

- inform Government's understanding of the impacts of the proposals, especially on sectors and regions;
- identify unforeseen impacts at a sector or regional level;
- seek input from submitters who employ seasonal staff, or represent sectors that have seasonal staff, about how the length of seasons should be defined; and
- inform the advice that will be provided to Ministers before Cabinet makes final decisions on implementing these proposals.

1.3 This submission broadly follows the format requested in the MBIE submission document that accompanied the Discussion Document. Section 4 of this submission contains some information which is commercially confidential. McDonald's does not employ seasonal workers and has no comments to make on the questions you raise under Proposal 5.

1.4 Contact details for any enquiries relating to this submission are:

Melissa Marshall National HR Manger McDonald's NZ
Simon Kenny Head of Communications McDonald's NZ

2.0 About McDonald's

2.1 McDonald's is a fully owned subsidiary of the international quick service restaurant ("QSR") company, McDonald's Corporation. In New Zealand, QSRs make up around 20% of the country's informal eating-out-occasions market. McDonald's is New Zealand's most recognised family restaurant brand with 167 restaurants nationwide.

2.2 McDonald's has been part of the New Zealand community for over 40 years. Our first restaurant opened in Porirua in 1976. More than 80 percent of our restaurants are franchised – owned and operated by local business people.

2.3 We are a large consumer purchasing more than \$150 million of local produce annually to feed our customers of whom there are over one million each week.

2.4 McDonald's employs over 2,000 people, while our 54 franchisees collectively employ around 7,500 people. We are one of New Zealand's largest "first time" employers. We are therefore

profoundly interested in New Zealand's employment legislation, and, in the case of this submission, changes to Essential Skills visas that will affect migrant labour.

2.5 Over 70% of our restaurants are open 24 hours a day and seven days of the week so we need a access to a variety of employees, and employees who are able to work nights.

3.0 Submitter information specifically required by MBIE

What are the most common occupations for migrant workers?

3.2 Migrant workers in our company are employed across a range of roles from crew members (who perform most of the operational tasks and customer), through to Restaurant Managers and assistant managers who run businesses with annual revenues in the millions.

3.3 The company's culture has a strong focus on providing a career pathway for crew members to develop in their roles, and enhance the number of hours for which they can be remunerated. We work with NZQA and are attached to Service IQ which is our ITO partner. Our training programmes can ultimately enable a qualified restaurant manager to cross credit training towards a bachelor of business degree at Massey University.

3.4 Many people stay with McDonald's as a career. In December 2016 we celebrated the latest group of 50 plus qualified restaurant managers. These managers have achieved a level 5 diploma in hospitality through their on-the-job training. McDonald's provides this training at a cost to our business of around \$38,000 per person. For many, they are the first in their family to attain a tertiary qualification, and we are very proud of their achievements.

3.5 McDonald's employment philosophy is to operate a crew base in its restaurants that reflects and mirrors the diversity of its customer base. This means that crews will typically comprise a mix of genders, ages and ethnicities. It would not be uncommon for any restaurant site to be staffed by representatives of eight to ten different ethnicities.

3.6 We also note that increasing international tourism traffic is adding impetus to the need for different ethnicities within our crew structure (especially Asian and Indian staff) to assist with cultural and language barriers. This is particularly the case in the metropolitan areas and major cities.

How many migrant workers does McDonald's currently employ? What visa categories are commonly used by those workers?

3.7 As at 22nd March 2017, McDonald's employed **822** staff who hold visas in various categories. This represents around 8% of our total workforce.

3.8 **404** of the migrant visas are student visas enabling our employees in this category to work up to 20 hours per week. The balance of **418** work visas of varying types including a small number of working holiday visas. It needs to be noted that McDonald's also prioritises and actively employs New Zealanders. However to maintain a diverse workforce that reflects our customer base we need

to be able to access migrant workers, who often speak more than one language which is helpful in hospitality in the metropolitan areas.


Has McDonald's supported an Essential Skills Visa application for any of these workers?

3.9 McDonald's is not a Licenced Immigration Advisor and, under the Immigration Act, is not able to offer advice to prospective migrants. However we are aware of some of our Franchise operators actively supporting migrant workers' applications to INZ for visas, particularly where they may be in relation to recruitment to management roles, or perhaps trying to extend the visa term for long-serving reliable employees. A number of these employees have had a considerable amount of money invested into training and development.

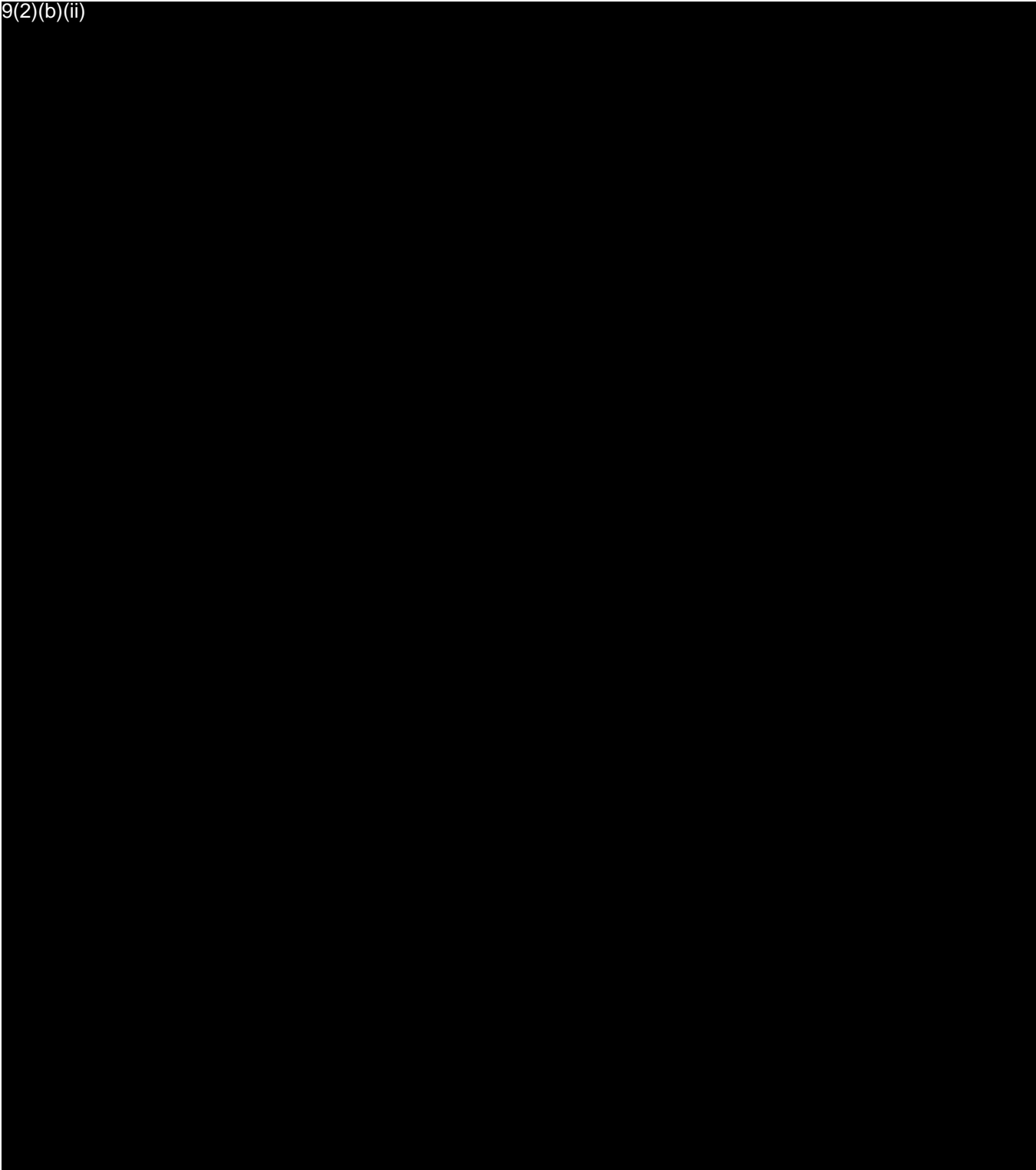
4. Proposal One: Introduction of remuneration thresholds to determine skill levels. [Confidential information is contained in this section which is not for publication]

Impacts or implications from using remuneration thresholds.

9(2)(b)(ii)



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5.0 Proposal Two (a) and (b)

Impacts or implications for three-year maximum duration and one-year stand down period for lower skilled workers.

5.1 McDonald's sees significant adverse impact resulting from the proposed changes to the visa duration and stand-down period for lower skilled workers. -

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5.2 We have already noted that the company invests significant resources in training its staff and does not distinguish between its migrant and New Zealand resident workers for this purpose.

5.3 If the company is faced with the prospect that some of its migrant workers will only be able to stay if their visa can be renewed for three consecutive years, and then be forced to stand down for twelve months, the investment it makes in upskilling and training will be lost, since it is unlikely that many lower-skilled migrant employees would return to New Zealand (or that they would return to an available position within McDonald's) after the stand-down period. McDonald's will most likely continue offering improvement and career advancement training to all of its staff, but the investment in lower skilled workers will effectively be written off once the three year visa period expires. In our view, this is economically inefficient.

6.0 Proposal Three and Four

Impacts and implications for lower skilled workers' partners and children

6.1 McDonald's sees the proposals relating to the requirement for partners to obtain separate Essential Skills Visas as a disincentive for migrant workers on lower skilled levels to seek employment in New Zealand where they wish to bring their partners or families to this country at the same time. It is also probable that lower-skilled migrant workers who have left their families behind in their country of origin will be even less inclined to re-apply for a visa after the one year stand-down period at the end of three years once they have re-united.

6.2 This proposal also means that some of our workforce who may be currently employed on Partner Visa in relation to a Worker Work Visa will no longer be able to get jobs with McDonald's unless their partner has an Essential Skills Visa that is in a higher skill category. Alternatively, the partner will need to apply for an Essential Skills Visa in their own right.

6.3 It also follows that if migrant workers fall within the lower-skilled Skill Level, then it is unlikely that such workers could afford international student fees for their children.

6.4 Collectively, the impact of these Proposals relating to partners and children appear to lend bias toward lower skilled migrant workers employed by McDonald's being single and coming from a younger demographic. As we have noted previously, the company has a philosophy of employing a restaurant crew that reflects the community that it serves.

6.5 The changes must be looked at in relation to the critical shortage of hospitality workers within the sector overall, and the impact that the ageing population is having on access to younger workers. The employees that we have on Visa's assist in filling the skill shortages that are impacting all employers in the QSR sector.

7.0 Overall purpose of the Proposed Changes

Tougher thresholds for lower skilled migrant workers adversely affect the employment outlook for the QSR industry

7.1 We note that the overall purpose of the proposed changes to the Essential Work Visa is, at least in part, based on the perception that temporary migrants are displacing the lower skilled job opportunities that might otherwise have been available to school leavers or other New Zealand residents.

7.2 New Zealand is experiencing record tourism numbers visiting our country. The employment landscape is changing in the retail and hospitality industries as tourist demand for accommodation, and in particular at high-profile destinations, increases exponentially year on year.

7.3 Our expectation is that younger New Zealand-resident job seekers are going to be increasingly drawn to high profile destinations and to work within the hospitality industry where both remuneration and recreational opportunities outside of work hours are more attractive. They will be less inclined to work within the QSR sector with its 24/7 model (in 80% of our restaurants), more urban-based settings, and lower remuneration scales.

7.4 We note also that, in our experience, younger age-group New Zealanders do not enthusiastically seek employment in an occupation which involves working night shifts. On the other hand, such working hours are not uncommon in Asian or Indian cultures and migrant workers do not tend to find job opportunities that involve working these shifts particularly problematic.

8.0 Concluding comments

8.1 Migrant workers are welcome in McDonald's, and are an important aspect of our diversity strategy now and over the next five years. In our view, the visa constraints that are proposed for workers classified as lower skilled in the Essential Skills Visa proposals will be counterproductive to our company because:

- The tourism industry's growth will impact adversely on the availability of New Zealand resident job seekers in the QSR sector, making recruitment of lower-skilled migrant workers more important;
- Lower skilled migrant visas such as those proposed will bias our workforce towards a less stable group of employees because they will be only able to work for the company for up to three years before leaving the country for a compulsory stand down period of one year.
- The restrictions on lower skilled visa workers' partners and families will reduce the pool of available migrant workers, and likely weight the demographic towards a younger pool of migrants. This does not necessarily reflect the company's philosophy of employing crews that reflect the demographic and diverse nature of the communities they serve.
- Though McDonald's would continue with its strong commitment to training and skills improvement for all its employees, the investment of this resource in our people who have only a limited tenure during which they can work for us (under the Essential Skills Visa changes proposed) means that the training investment will be adversely compromised and economically inefficient.
- These changes do not seem to promote NZ as being an inclusive nation.

8.2 To mitigate our concerns we consider that there needs to be:

- More flexibility in the classification of workers in the context of remuneration levels that are paid within the QSR sector; and

- Some recognition of training resources provided to lower skilled workers during the period of their visa that would enable a pathway to residency and an extension beyond three years (even if still on a lower-skilled classification) to get greater economic benefit from this training commitment that has been made by the employer and the employee.

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