

21 May 2017

Immigration New Zealand
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To whom it may concern,

PROPOSED CHANGES TO THE ESSENTIAL SKILLS VISA

Introduction

1 Retail NZ is a trade association representing the interests of the retail sector. We have around 4,200 members representing about two-thirds of total retail sector turnover. The retail sector itself contributes about \$83 billion to the economy every year, and employs around 209,000 people. We wish to provide comment on proposed changes to the Essential Skills visas.

General comment

2 As a general comment, retailers struggle to find skilled workers to fill a range of roles. These roles include senior store managers, store buyers, specialist retail staff, bakers, regional managers, logistics managers, category managers, merchandise planners; web designers; IT specialists; bakers; dog groomers and others. There is a real shortage of skilled labour.

3 Typically, retailers do seek to recruit locally, and support their staff to upskill as part of a career path, but the reality is that some roles cannot be filled from within New Zealand. The ability to recruit from offshore, using the Essential Skills Work Visa, and others, is crucial to the sector.

Overall comment

4 As a package, the proposals will impact negatively on our sector, and overall we do not support them.

5 We are particularly concerned that these proposals are being considered in isolation from broader questions about the labour market. Employers typically do not have a specific desire to engage employees from abroad - they do so purely in order to fill roles that they are unable to fill domestically.

6 There are various reasons why many roles are hard to fill domestically. It is simplistic to suggest that roles can be filled from the ranks of unemployed New Zealanders. In some cases, unemployed people may not wish to work. In other cases, there is sometimes a mismatch between the location of the employer and the place of residence of a potential worker, who may not be willing to move for work. In some cases, there are insufficient workers available with the right mix of skills and the right attitude to fill roles. Even with the possibility of 90-day trial periods in some cases, our employment law framework makes it challenging for employers to take risks with recruitment. In many cases (such as with hairdressers and bakers), employers are seeking qualified people with 3-4 years' experience. Unless an unemployed person has already been trained in these areas, they are typically unable to perform the role.

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7 These issues need to be considered before any changes are made to immigration rules. The Government's objective should be to ensure that New Zealand businesses have skilled workers available to them throughout the economy. Questions about immigration and temporary work visas should be secondary to this broader objective.

ANZSCO codes vs salary thresholds

8 We are aware that the use of prescriptive ANZSCO codes has caused problems for Immigration New Zealand, individual retailers, and those seeking residency. In principle, we support the use of salary levels to supplement the use of ANZSCO codes. However, salary thresholds should be set on a sector by sector basis, taking into account the economic realities of each industry.

Different salary thresholds should apply to different sectors

9 We are concerned at the assumption that the same salary thresholds should apply across the economy, irrespective of the sector. The retail sector requires employees with real skills: it is not an unskilled workforce. However, the market is highly competitive, it is typically a low-margin sector, there are a large number of very small businesses in the market and the owner-operators of many small businesses struggle to pay themselves much more than their staff (indeed, anecdotally we hear that some small business owners do not earn much more than the minimum wage). While it is true that retail workers typically will earn less than in some other sectors, this may in fact reflect the sector's economics rather than the skills required.

Where should thresholds be set for the retail sector?

10 We undertake an annual Wages Survey. Results for 2017 are not yet available. However, our 2016 survey indicated that the median retail sector was \$19.00 an hour. We are aware that Statistics NZ data puts the median wage across the Retail and Accommodation sectors at \$17.00

11 As noted above, we think it is imperative that thresholds be set on a sector by sector basis. For the retail sector, we think it would be appropriate to define a higher-skilled employee as one who earns \$21.00 an hour or more. This would include store managers, ecommerce and digital managers, technicians and some sales roles.

12 Our data suggests that mid-skilled roles should be defined as those paying between \$18 and \$20.99 an hour. This would include more sales roles with fewer responsibilities, assistant managers and most hairdressers and beauty therapists.

13 Lower-skilled roles in the retail sector are typically paid less than \$18 an hour. This includes sole charge retail assistants, warehouse and distribution staff, baristas, lower-level sales roles, kitchen hands and junior roles.

14 It is important to note that there are significant regional variations between wage rates.

Practical issues with the proposed changes

15 We understand the goal for the proposed changes is to prevent people settling in New Zealand who have no path to residency. Employees on Essential Skills Work Visas currently have no straightforward path to residency. The proposed policy changes around partners/ children and a one-year stand-down period do not alter this fact. However, they appear calculated to make it less desirable for lower-skilled temporary

migrants to come to New Zealand (notwithstanding the fact that they will contribute to New Zealand by boosting productivity, and paying income tax and GST while they are here).

16 We are particularly concerned about the proposed one year stand down period for lower-skilled workers, which will apply after three 12-month visas. The flow-on impact of this is likely to be a net productivity loss to the New Zealand economy. There are significant transaction costs in hiring offshore workers, jumping through the immigration hoops, and then training employees once they are in-situ. At present it is possible, after satisfying the labour market test, to extend Essential Skills Work Visas meaning that in some cases employers can train employees once and rely on them for periods of time longer than one year. The proposed new rules mean that employers will still be able to employ lower-skilled workers - but that it will not be possible for the *same* employee to stay beyond three 12 month periods, and there will arguably be greater uncertainty around whether visas can be renewed. This will simply add cost and complexity to business, resulting in a net productivity loss to the New Zealand economy.

17 If the Government's objective is to ensure that temporary migrants are not given false hope that they are on a pathway to residency then this should be achieved in ways that do not have productivity impacts on the New Zealand economy. One option could be to enforce a 10 year maximum visa with no right of return for work.

Yours sincerely,

s 9(2)(a), s 9(2)(g)(i)

General Manager Public Affairs, Retail NZ

s 9(2)(a)