



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

**LABOUR, SCIENCE  
AD ENTERSE  
GROUP**

---

# Suite of proposed changes to the Essential Skills visa

**Foodstuffs (NZ) Ltd Submission, May 2017**

---

## Submitter information

Please provide your name and phone number, and preferred email address for contact if it is different from the one used to send this form:

As in covering email.

In what capacity are you providing feedback?  
e.g. on behalf of: your company, the company you work for, an industry organisation, a union, a licensed immigration adviser etc.

This submission is filed by Foodstuffs (NZ) Ltd as the Federation headquarters of the Foodstuffs group of companies, including Foodstuffs North Island Ltd and Foodstuffs South Island Ltd and the members of the two co-operatives.

If you are representing a company or group, what is the name of that group?

Foodstuffs

What industry or industries does that group work in?

Wholesale and retail.

In your company or industry, what are the most common occupations for migrant workers?

Bakers, butchers, and retail managers and assistants.

What visa categories are commonly used by those workers?

I.e. resident visa, Essential Skills work visa, Work-to-Residence work visa (under the Talent or Long Term Skill Shortage List categories), Post-Study work visa (open or employer assisted), open work visa.

Essential Skills work visa, Work-to-Residence visa, and Student visa

### ***Only answer the following questions if you directly employ migrant workers:***

How many migrant workers do you currently employ? (Refer to the visa categories in the question above)

Most migrant staff work in the retail part of the business. Foodstuffs stores (PAK'nSAVE, New World and Four Square) are franchised to members of the co-operatives. These owner-operators employ the retail staff rather than Foodstuffs, so Foodstuffs is unable to fully quantify the number of migrant staff employed in the limited time available for consultation. However, migrants make up a small minority of total retail staff employed.

Have you supported an Essential Skills visa application for any of these workers?

Yes, our store operators regularly support applications for Essential skills visa, most frequently for bakers and butchers where there are skill shortage issues. Store operators also support residency applications.

## Using wage or salary information to help determine skill level and access to Essential Skills migrants

*Proposal 1: Introduction of remuneration thresholds to determine skill levels and associated visa conditions for Essential Skills visas*

Consider the proposal of aligning the remuneration thresholds for the Essential Skills visa with the remuneration thresholds for the Skilled Migrant Category.

What impacts or implications do you foresee from defining lower-, mid- and higher-skilled Essential Skills migrants in this way?

Give details of the occupations or sectors and wage or salary levels you are thinking of.

Foodstuffs accepts there is some merit to introducing a salary component to the Essential Skill visa criteria, as an overlay to the ANZSCO classification system. However, we believe the proposed threshold for mid-skilled labour is set too high for reasons explained below.

Aligning the thresholds with those set for the Skilled Migrant Category (SMC) has some logic in concept but not in practice because we do not believe the remuneration thresholds for the SMC have been set at appropriate levels.

In first instance, we believe the remuneration thresholds for the SMC were determined with inadequate industry consultation. Because of the very short timeframe for consultation in October last year, Foodstuffs was unable to submit on the SMC proposals; we believe many other employers would be in the same position. Simply aligning remuneration threshold for the Essential Skills visa with the thresholds for the SMC would extend the problems we foresee with the revised SMC scheme. Accordingly, we believe Government must set thresholds for the Essential Skills Category independently, and on their own merit.

Additionally, there is further justification for setting remunerations thresholds for the two scheme independently – as they have quite different policy objectives. The SMC is about determining the criteria for allowing migrants to settle permanently in New Zealand. The Essential Skill visa policy sets criteria for the issue of temporary work visas to address both immediate and long-term skill shortages.

Turning to the specific remuneration threshold proposals for Essential Skills visas, we believe the proposed threshold for mid-skilled status is too high. There is no doubt that someone earning the median income for New Zealand will be mid-skilled. The question is whether this is an appropriate “minimum” threshold for this status. This is not the case for the following reasons:

- The median hourly wage for New Zealand is an average of averages. It does not account for the significant differences in median hourly wages between regions or sectors. It will significantly disadvantage provincial and rural New Zealand and sectors that have wage profiles lower than the average for all sectors.

- The NZ median hourly wage is \$23.49, but there are significant regional variations. Across New Zealand, the median wage/hour ranges from \$20.52 (Manawatu/Wanganui), to \$25.57 (Wellington). Stats NZ. Having stores across the length and breadth of New Zealand, we know that local labour supply and demand factors influence pay rates and within regions there are generally differences in wage rates between metro and non-metro areas.
- There are also significant variances in median hourly wage across different sectors. The median hourly wage for the Retail & Accommodation sector is \$17.00. This compares to a median hourly wage of \$33.69 for the Financial and Insurance Sector. Stats NZ
- Logically, the NZ median hourly wage will be “mid-range” for mid-skilled work. As with any normal distribution curve, there will be mid-skilled people earning above and below the “median”. It is not appropriate to base a “minimum” threshold for a skill level at a median pay level.
- There will be many occupations which are clearly mid-skilled e.g. bakers, who require 3-to four years training and will generally hold a Level 4 NZQA qualification, but will be reclassified as low-skilled under the proposal. In this regard, the proposed threshold also fails the sanity check.

Bakers (who have been on the Immediate Skills Shortage List for close to 10 years) generally earn \$18-\$20/hour (although the range of hourly pay is much wider), a respectable margin above the median hourly wage for the retail sector, but under the proposed model will automatically be deemed to be “low-skilled”. This will have significant implications for our business and the baking industry in general. These impacts are:

- Stores will become more reliant on shorter-term migrant staff (staff employed on one-year visas rather than the 3 year visas currently available).
- Because of the higher churn of staff, stores will face higher costs in recruitment, training, and administration. While incurring higher costs, productivity will fall.
- Problems filling baker vacancies will be exacerbated. This is because migrant bakers will be less inclined to come to New Zealand if they see no pathway to residency.
- The change will be a deterrent to investment in training to upskill migrants as there is no certainty that a one-year visa will be renewed, and there will be no pathway to residency.
- These issues will play out in other areas of skill shortage (butchers) to a lesser extent.

The minimum threshold for mid-skilled status needs to be lowered to better reflect wage relativities between different sectors and different geographic regions.

We recommend the remuneration threshold for mid-skilled work is set at no more than 80% of the median hourly wage (all sectors, all regions). This would equate to \$18.79/hr. We note this is above the median for the retail sector (\$17.00) and represents a stretch for our industry. The majority of migrant bakers would qualify as mid-skilled under such criteria.

Alternatively, the mid-skilled level should be pinned to pay scales for “trade-qualified” workers. Trade qualified work is clearly “mid-skilled”.

## Reinforcing the temporary nature of the Essential Skills visa and managing the settlement expectations of temporary migrants

### *Proposal 2a: Introduction of a maximum duration for lower-skilled Essential Skills migrants*

Consider the option of a three years for a maximum duration for lower-skilled Essential Skills visas.

What impacts or implications do you foresee from the proposed maximum duration for lower-skilled Essential Skills visa holders?

Give details of the occupations and industries you are thinking of.

This depends on whether the mid-skilled criteria for the Essential Skills visa scheme is changed to better reflect the reality of wages for mid-skilled workers.

Assuming our recommendations on this are adopted, we agree that there should be a maximum duration for lower-skilled work visas.

Notwithstanding, the 1 + 1 + 1 proposal is not supported. While New Zealand needs migrant labour to fill both short and long-term skill shortages, migrants are unlikely to want to come to New Zealand if they can only stay 12 months and there is no guarantee of extension.

In a similar vein, the change will be costly for employers who will face greater uncertainty and employee churn. There will be little incentive to invest in upskilling if there is no guarantee of a visa beyond 12 months, and 12 months of itself provides minimal opportunity to upskill (it takes up to four years to train to be a baker).

We propose that the low-skilled visa be based on a 2 + 2 years' approach. This would be more attractive for migrants, and would provide greater opportunity for upskilling to the mid-skill level. Employers would be more inclined to make an investment in upskilling if they knew a migrant could be retained in their employment for at least two years.

Foodstuffs member stores do employ and train migrants to become bakers, and for other skilled positions. The bakery programme (Level 4) takes three and a half to four years. A 2 + 2 years' approach would enable such training to continue. This training would be in jeopardy if the proposed 1 + 1 +1 year proposal is implemented.

### *Proposal 2b: Introduction of stand down period for lower-skilled Essential Skills migrants*

Consider the option for a year-long stand down period following the maximum duration for lower-skilled Essential Skills visas.

What impacts or implications do you foresee from these proposed changes?

Give details of the occupations and industries you are thinking of.

We accept that persons who are genuinely lower skilled and have no prospect of residency, should face a stand-down period after a maximum visa duration.

In line with our response to proposal 2a, we recommend the maximum period is increased from 3 to 4 years. This will give migrants a genuine opportunity to upskill while here. Those that elect not to take this opportunity, should be stood down.

*Proposal 3: Require the partners of lower-skilled Essential Skills visa holders to meet the requirements for a visa in their own right*

Consider the proposal to require the partners of lower-skilled Essential Skills visa holders to meet the requirements for a visa in their own right.

What impacts or implications do you foresee from these proposed changes?

Give details of the occupations and industries you are thinking of.

This is a difficult one. We currently train low skilled migrants to become more skilled and where migrants have successfully upskilled, support them in applying for residency if they meet residency criteria.

The success factors for settling permanently in New Zealand include being able to fully integrate into New Zealand society. In our practical experience, migrants who come to New Zealand with their loved ones are more likely to be able to successfully integrate. Separation from loved ones, particularly over long distances, adds to the multitude of stresses that migrant workers must deal with.

Where migrants have a real opportunity to upskill and become productive New Zealand citizens, the system should support them to achieve this goal. Accordingly, we advocate for a more flexible approach. Where a migrant has been accepted into a suitable training programme e.g. Level 4 qualification or above, and has demonstrated satisfactory progress, to the extent that a path to residency becomes achievable, spouses and dependent children should be able to join them in New Zealand.

*Proposal 4: Require the children of lower-skilled Essential Skills visa holders to meet the requirements for a visa in their own right*

Consider the proposal to require the children of lower-skilled Essential Skills visa holders to meet the requirements for a visa in their own right.

What impacts or implications do you foresee from these proposed changes?

Give details of the occupations and industries you are thinking of.

We assume that the proposal relates to adult children only i.e. those aged 18 years and over. If this is correct we support the proposal. Adult children should be independent and meet visa requirements in their own individual right.

Dependent children are in another category. In this case, our response as outlined in proposal 3 above applies.

If a migrant is eventually able to settle in New Zealand, their children are also likely to settle here and make a positive contribution to New Zealand's economy as adults.

## Reinforce that Essential Skills visas should only be granted for the period for which the employment is offered

---

*Proposal 5: Make it explicit how the 'period of employment' condition applies to seasonal work*

Consider the option to reinforce that Essential Skills visas for seasonal work are only for the length of the season and that the offer of employment must match the length of the season. What impacts or implications do you foresee from these options? Give details of the occupations or sectors you think are likely to be affected.
Foodstuffs does not employ seasonable workers and has no view to express on this proposal.
Consider the list of seasonal occupations being considered. Are there any seasonal occupations that should be added or removed from this list? Why?
As above.
Consider the list of seasonal occupations being considered. If you employ seasonal staff, or represent a sector with seasonal staff: <ul style="list-style-type: none"><li>• What are the occupations of the seasonal staff within the sector that you are commenting on?</li><li>• For each of the occupations that you have identified, what is the typical period that you require seasonal staff to cover (e.g. the peak of the season)?</li></ul>
As above.