



COVERSHEET

Minister	Hon Andrew Little	Portfolio	Immigration
Title of briefing	Future of the Skilled Migrant Category	Date to be published	15 January 2024

List of documents that have been proactively released

Date	Title	Author
September 2022	Future of the Skilled Migrant Category	Office of the Minister of Immigration
27 September 2022	Future of the Skilled Migrant Category CAB-22-MIN-0411 Minute	Cabinet Office
7 July 2022	Skilled Migrant Category Review	MBIE
11 August 2022	Skilled Migrant Category Review – Draft Cabinet Paper	MBIE
9 September 2022	Future of the Skilled Migrant Category – Updated Cabinet paper	MBIE
14 September 2022	Future of the Skilled Migrant Category: Final Cabinet Paper and Talking Points	MBIE

Information redacted

YES

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Some information has been withheld for reasons of protection of privacy of natural persons, free and frank opinions, and confidential advice to Government.

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Office of the Minister of Immigration

Cabinet

Future of the Skilled Migrant Category

Proposal

- 1 This paper reports back to Cabinet on the future of the Skilled Migrant Category (SMC) and seeks agreement to:
 - undertake targeted public consultation on proposed future settings for the SMC skilled residence visa;
 - reopen the SMC under existing settings in the interim, with an increase in the skill level required for new applications; and
 - shift away from the use of a planning range to constrain skilled residence places, instead managing skilled residence numbers through eligibility criteria.

Relation to government priorities

- 2 The proposals in this paper ensure that the SMC is fit for purpose, and consistent with the broader Immigration Rebalance. The Rebalance supports the Government's plan to transition to a more productive and sustainable economy by creating the new normal for access to migrant labour with a now-open border. It builds on the Government's work to seek positive workforce changes through Industry Transformation Plans, labour market system changes and the economic recovery.

Executive Summary

- 3 The SMC has historically been New Zealand's main skilled residence policy. Its objective is to support our economic growth by granting residence to people who have skills to fill identified long-term needs, and who can deploy those skills in New Zealand. As part of the COVID-19 impacts, the SMC has effectively been closed to new applications since April 2020.
- 4 Cabinet has invited the Minister of Immigration to review the SMC and report back to Cabinet on the future settings of the category [CAB-21-MIN-0554 refers]. This review is intended to ensure that the category is delivering on its objectives, address suboptimal outcomes, and ensure alignment with the broader principles and direction of the Immigration Rebalance.
- 5 The Immigration Rebalance has already addressed some of the previous issues that the SMC presented, and changed the policy landscape that the SMC operates in:

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- 5.1 The 2021 Resident Visa has created an almost-blank slate for the reopening of the SMC, by granting residence to most people onshore that had applied or would be likely to apply for SMC, as well as many other onshore workers.
- 5.2 The introduction of the Green List, and the Highly Paid (twice median wage) skilled residence pathway, which collectively account for around half of the SMC approvals from previous years.
- 6 The key choice for Ministers is about how tightly to target residence under the SMC, and who will miss out. Trade-offs relate to allowing medium- to long-term labour market gaps to be filled, especially if there is an economic downturn or if the labour market changes. In general, temporary work visas are the most appropriate response to immediate labour market gaps and “surge needs”.
- 7 Consistent with the principles of the Immigration Rebalance, I recommend the SMC targets people who can fill medium- to long-term labour market gaps that would be hard, or take time, to fill domestically. This includes people in professional roles, skilled technicians and trades workers, but not lower-skilled roles that could be filled from the domestic workforce if the conditions were right.
- 8 To deliver this, I propose to transition to a simplified points-based system that includes a clear skill pay (1.5 time median wage), formal qualifications (Bachelor’s level or above) or professional registration. People who meet the minimum skill threshold can also gain points for up to three years’ skilled work experience in New Zealand. The points system will provide more certainty for migrants, while addressing the previous issues of long queues and high numbers of people gaining residence in lower-skilled roles.
- 9 Although smaller than pre-COVID, there will be a gap between the threshold for temporary and residence visas. This is appropriate: closing the gap completely by extending residence to anyone eligible for a work visa in New Zealand could result in either unmanageably high immigration flows, or a need to increase the threshold for temporary work visas.
- 10 The group most affected by the move to a tighter skill threshold is expected to be people in non-professional occupations that do not have a formal qualification or registration requirements. Higher skilled people within these occupations will be eligible, including where they are highly-paid. Many of these roles did not have a residence pathway previously, but this did not prove a barrier to employers recruiting them temporarily. Officials will undertake further work, including through consultation, to identify potential options to address critical gaps, including potential additions to the Green List.
- 11 I also propose to include two discrete policy settings that directly address key concerns with existing residence settings:
 - 11.1 introducing higher income thresholds for identified occupations that present significant immigration risk; and

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- 11.2 extending the existing stand-down period for temporary work visas, which applies people paid below median wage, to include temporary work visas for roles paid above the median wage where people have no realistic pathway to residence. This is to prevent families from becoming well-settled in New Zealand without a realistic pathway to residence and the associated negative outcomes, including no access to social security benefits and the risk of having to leave New Zealand if they get sick or lose their job, as their visa is based on employment.
- 12 I propose to publicly consult on the future direction of the SMC. This will help ensure transparency and public trust in the direction of policy change, as well as identifying any aspects of the settings that may have unintended consequences. Following consultation, officials aim to report back to Cabinet in January 2023 (or early February, depending on the timing of the first Cabinet Committee meetings).
- 13 Immigration New Zealand has advised it will take six months following final Cabinet agreement to implement the new settings, i.e. around mid-2023. I propose to reopen the SMC in the interim using the existing points system. This will enable us to reopen the category soon after Cabinet decisions on this paper, which will provide employers a residence pathway for some roles not on the Green List in the interim. The limited timeframe of this interim reopening should reduce the risk of replicating the issues experienced previously.
- 14 I also propose to change the way that we manage the number of people gaining residence. In previous years, residence approvals were constrained through a planning range set by Cabinet, which determined the number of applications processed per year. This led to many more applications being submitted than were processed, e.g. in 2019 only 40 per cent of eligible applications were processed.
- 15 I propose to transition to a more sustainable long-term model, which removes the planning range constraints and means Immigration New Zealand processes all eligible SMC applications, with resources adjusted based on forecasts. To support this, I have directed MBIE to develop a monitoring framework that triggers a response to changes in context, such as application numbers, labour market conditions and overall migration levels. This framework would consider if changes are required to policy settings, operational processes or Immigration New Zealand resourcing needs, and contribute to all-of-government processes related to managing population pressures.
- 16 I note that Australia has recently increased its cap for residence visas, but that it still has an annual cap on numbers, unlike the proposed settings for New Zealand.
- 17 I expect a slower influx of new migrant workers than pre-COVID, resulting in lower numbers of residence applications in the initial year of reopening, based on changes across the Immigration Rebalance and the impact of the one-off

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2021 Resident Visa, which is providing a simplified pathway to residence for 214,428 people.

Background

- 18 The two main visa classes in the New Zealand immigration system are temporary entry and residence class visas:
- 18.1 A temporary class visa allows a holder to be in New Zealand for the purpose and length of the visa (e.g. for work, study, or holiday/visit). Following the Immigration Rebalance, the main skilled temporary work visa is the Accredited Employer Work Visa (AEWV), which allows employers to hire migrants on visas for up to three years. Employers must pay market rate and at least the median wage, with limited exceptions¹, and show that they cannot find a suitable New Zealander first; or
- 18.2 A residence class visa provides the holder the right to live and work in New Zealand indefinitely, as well as the rights to vote, buy a house and access social security benefits and subsidised tertiary education.
- 19 **Annex One** provides a full list of the benefits of residence.
- 20 Historically, the SMC has been New Zealand's main residence policy based on skills and employment. Its objective is to support our economic growth by granting residence to people who have the skills to fill identified long-term needs, and who can deploy those skills in New Zealand.
- 21 New SMC applications ceased to be invited in April 2020, effectively closing the category to new applications, although existing applications continued to be processed.² People could also continue to submit an expression of interest (EOI), meaning the EOI pool continued to grow.

There is significant uncertainty in the medium-term labour market outlook

- 22 The labour market is currently experiencing historic levels of tightness, with unemployment and underutilisation at close to record lows, participation rates and wage growth high, and employment still growing (albeit at slowing rates). Firms report that access to labour is one of the major constraints on their growth. Although economic headwinds are building, it seems likely that the labour market will remain comparatively tight over the short-term.

¹ Sector Agreements will allow sectors traditionally reliant on low-paid migrants to continue to recruit migrants at rates below the median wage, to provide time to improve working conditions and work on longer-term resourcing. These sectors are care, construction and infrastructure, meat processing, seafood, seasonal snow, and adventure tourism. Many tourism and hospitality roles will also be provided an exemption to the median wage, with a lower wage threshold of \$25 per hour until April 2023.

² The SMC involves a two-stage process where migrants first submit an expression of interest (EOI) into the EOI pool, indicating which points they can claim. Immigration New Zealand then periodically draws all applicants claiming sufficient points to meet the SMC point threshold (currently 160 points) and then issues them an invitation to apply.

- 23 The medium-term outlook for the labour market is far less clear. There are uncertainties about the speed with which inflation will be tamed and the flow-on effects of that for the labour market, the scale and pace of inward migration flows, and the relative attractiveness of foreign labour markets (especially Australia) to New Zealanders.

SMC is a skill-focussed category with a medium- to long-term outlook

- 24 The permanent nature of residence means that the long-term direction of the SMC needs to look beyond the immediate labour market context. Instead, the focus is on facilitating candidates who will contribute to New Zealand's long-term economic growth and productivity objectives, even when short-term skill and labour shortages, or macro-economic indicators like unemployment, fluctuate.
- 25 In general, temporary work visas are an appropriate response to immediate labour market needs, and residence more appropriately responds to medium- to long-term labour market needs. Residence pathways can, however, play an important role in attracting people to New Zealand.
- 26 I consider the existing Immigration Rebalance settings and the proposed (interim and future) residence changes strike the right balance between meeting the current labour market pressures as we reconnect, and positioning us with the right access to a permanent migrant workforce that will support our economic growth, inclusion and transformation objectives.
- 27 The new Accredited Employer Work Visa gives employers streamlined access to skilled workers.³ The Green List and Highly Paid (twice median wage) pathways make us attractive to the highly skilled, globally in-demand roles we need. The SMC changes will round out the residence offering to the more skilled, without locking in skills that we expect to be able to fill with New Zealanders in the short- to medium-term. Not providing residence to all temporary workers also provides a further incentive for employers to invest in upskilling New Zealanders who can be retained in the longer-term.

The purpose and scope of the SMC review

- 28 On 20 December 2021, Cabinet invited the Minister of Immigration to report back to Cabinet with proposals for the future of skilled residence [CAB-21-MIN-0554 refers].
- 29 I have considered three main questions in developing proposals for this report back to Cabinet:
- 29.1 Who the SMC should provide a pathway to residence for, beyond the specified occupations included in the Green List and the Highly Paid (twice median wage) pathway;

³ As at 6 September 2022, 7,654 job check applications covering 50,575 roles had been received, and 6,234 job check applications covering 42,308 roles had been approved.

- 29.2 Whether the category needs to reopen in the interim while new settings are consulted on and implemented; and
- 29.3 Whether the number of skilled residence places needs to be constrained to ensure a well-functioning immigration system (particularly in light of the current labour market context, and the recent Productivity Commission report on immigration).
- 30 The broader policy context has shifted since the SMC closed in April 2020. Changes under the Immigration Rebalance, including the introduction of the median wage threshold for Accredited Employer Work Visas, aim to lift the overall skill threshold for work related visas, to support the Government's broader economic and labour market objectives.

The 2021 Resident Visa means we have a nearly-blank slate for the SMC

- 31 The 2021 Resident Visa will grant residence to almost all of those people onshore who had or would have likely applied for the SMC in coming years. This will clear most of the SMC backlog: in 2019, 94 percent of SMC applications were from people already onshore on another visa. It also granted residence to migrants onshore who were well settled or in scarce occupations, but otherwise would have not been eligible for residence under the SMC as they would not have been able to claim sufficient points. Applications covering 214,428 people⁴ have been received for the 2021 Resident Visa, which is equivalent to more than five years of pre-COVID residence approvals. In providing a broad, generous, one-off pathway to residence, the 2021 Resident Visa has effectively provided a 'blank slate' for the SMC.

The SMC will complement new residence pathways

- 32 The two new skilled residence pathways introduced under the Immigration Rebalance are expected to cover up to 45 to 55 percent of the skilled residence demand that the SMC used to receive:
- 32.1 The Green List, which provides a straight-to-residence and two-year work-to-residence pathway for migrants in specific highly skilled, hard-to-fill occupations of high national importance. **Annex Two** provides a list of Green List roles.
- 32.2 A two-year work-to-residence pathway for highly paid migrants paid at or above twice the median wage.

There will still be a gap between eligibility for temporary and residence visas

- 33 Pre-COVID, significantly more temporary work visas were approved than skilled residence visas every year, and these were complemented by working holiday, student and post-study work visas. Changes to temporary work visa settings under the Immigration Rebalance, including introducing the median

⁴ 106,048 principal applicants and their partners/families.

wage requirement for most temporary work visas under the Accredited Employer Work Visa (AEWV), have lifted the bar for skilled workers entering New Zealand, while placing high trust in employers to determine who they are bringing in at this level.

34 These changes will result in a smaller gap between eligibility for temporary and residence visas, and a smaller cohort of people onshore without a pathway to residence. However, there is still expected to be a gap between eligibility for temporary work and residence visas, and some people will not get residence. A higher threshold for the offer of residence than is required for a temporary work visa helps to:

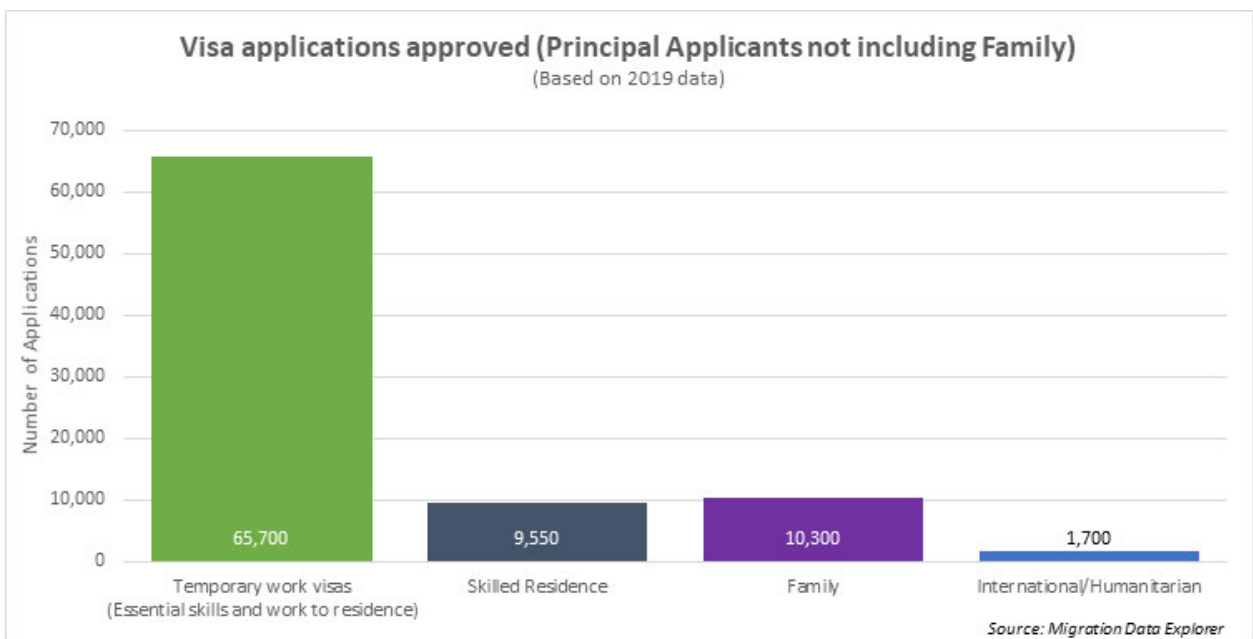
34.1 manage growth of the labour force and its alignment with economic cycles

34.2 keep pressure on employers to lift wages and conditions, and prioritise the domestic workforce over recruiting offshore workers, particularly at middle skill levels.

35 This is appropriate; closing the gap completely by extending residence to anyone eligible for a work visa in New Zealand could result in either unmanageably high immigration flows; or a need to change the threshold for temporary work visas.

36 I did consider a residence policy that would give residence to Accredited Employer Work Visa holders after five years in New Zealand, in light of the higher median-wage threshold. However, this does not align with our broader economic objectives and would create pressure to lift the bar for temporary workers, which is harder and not appropriate at this time.

Figure 1: 2019 Comparison of temporary and residence visa approvals



Previous settings were resulting in suboptimal outcomes

- 37 The current SMC awards points for a range of factors:
- 37.1 formal skills, assessed using skilled work experience and qualifications as proxies
 - 37.2 a job or a job offer that meets the definition of 'skilled'
 - 37.3 bonus points for a range of factors relating to the ability to settle well or contribute to other policy objectives (points for working outside Auckland, studying in New Zealand, or having a skilled partner)
 - 37.4 age (with fewer points able to be claimed the older the applicant is, and an upper limit of 55 years).
- 38 **Annex Three** shows the points available under the current points system.
- 39 The balance of 'hard' skills and other factors relating to settlement potential aimed to ensure that successful applicants were not just meeting immediate labour market needs but were able to deploy those skills in New Zealand. Anyone able to meet the points threshold was invited to apply for residence. However, numbers were constrained by a planning range set by Cabinet, which limited the number of people granted a residence visa each year.
- 40 The SMC settings are intended to deliver a mid-to-high skill cohort of residence applications. However, pre-border closure we were seeing the following issues:
- 40.1 **excess demand for the SMC and wait times of up to two years.** Demand for residence places exceeded the planning range, leading to large queues and long wait times. For example, in 2019 there were 19,750 applications for residence under the main skilled residence categories at the time (SMC and Residence from Work), but only 8,150 applications (around 40 per cent) were approved because of the planning range. The long and overpopulated queues created significant uncertainty for migrants and their families. In 2018 Immigration New Zealand introduced prioritisation for those holding professional registration or earning twice the median wage, to enable highly skilled migrants to be processed in a timely way.
 - 40.2 **no clear skill threshold.** The structure of the current points system is prone to "gaming" and bonus points can act to discount the skill level an applicant needs to demonstrate. For example, most people in ANZSCO level 1-3 occupations could get through if they undertook a one-year certificate diploma or certificate, with bonus points awarded for study in New Zealand, with no other measures of skill. This led to a large number of people taking qualifications specifically to meet the points threshold, whether or not it was relevant to the skills required for

their work.⁵ Points for employment outside Auckland (equivalent to six years' work experience) distort the eligibility threshold, but evidence shows it has not had the intended impact of increasing migrant retention in the regions.

40.3 **high numbers of SMC applicants in roles that should be able to be filled from the domestic workforce.** Some roles technically meet the definition of high-skilled, but can be filled by people with minimum training or experience. The top three occupations for applications Immigration New Zealand had on hand (i.e. non-prioritised) in February 2020 were Retail Manager (583), Restaurant Manager (529) and Chef (466).⁶ These occupations are among the lowest-paid of SMC roles and are prone to "job inflation".⁷

40.4 **a cohort of people that had become well-settled in New Zealand without a realistic pathway to residence,** through repeated renewing of temporary work visas. (Most of these people would have been eligible for the 2021 Resident Visa.)

41 The current review presents an opportunity to prevent these issues from developing again.

Objectives for a more effective SMC

42 In determining the appropriate skill level for the SMC, there is a key balance to be struck between:

42.1 targeting higher-skill levels supports a higher-wage, higher productivity economy; and helps to manage numbers and absorptive capacity. People at higher skill levels tend to stay in their occupations for longer and have more ability to transfer skills if the labour market changes. However, if too high a threshold is set, economic growth can stagnate, i.e. if there are no pathways to residence, this acts as a disincentive and employers cannot attract the skills and experience to supplement the domestic workforce.

42.2 targeting a lower-skill level that provides a pathway to residence for anyone able to find employment provides employers and migrants with certainty and avoids creating a large cohort of the people onshore without a pathway to residence. However, if too low a skill level is set, it can lead to wage stagnation, reliance on low-wage migrant labour, and limited incentive for employers to invest in productivity enhancing capital.

⁵ There is evidence that migrants with a student visa as their first visa in New Zealand earn less over the long term than those starting on work visas, residence visas or New Zealanders.

⁶ These were followed by Marketing Specialist (299) and Accountant (271).

⁷ This is where job titles, and associated ANZSCO level, do not match the skill level of tasks undertaken. For example, cooks being classed as chefs and restaurant/retail workers having the title manager.

- 43 I propose that the SMC targets people who can fill medium- to long-term labour market gaps that would be hard, or take time, to fill domestically, even under the right conditions (including pay, i.e. recruiting people from offshore should not be used to drive down wages). Targeting people with a level of human capital that cannot be readily replaced translates to a medium to high skill level. This approach is consistent with:
- 43.1 the SMC objective of supporting New Zealand's economic growth;
 - 43.2 the principles of the Immigration Rebalance of focusing on training and employing New Zealanders in the first instance, by reducing reliance on (long-term) low-skilled migrant labour and incentivising employers to improve wages and conditions and lift productivity; and
 - 43.3 the objective of avoiding growing a pool onshore of lower skilled people, who are less likely to adapt to labour market changes and more vulnerable to economic shocks than higher-skilled people/those with transferable skills.
- 44 In addition to skill level and labour market need, I have also considered how changes to the status quo compare against the following criteria:
- 44.1 **Certainty:** Changes to the SMC should improve certainty for migrant workers and their families. Certainty is a key part of both attracting migrants and treating them well. It includes being transparent from the outset who is unlikely to gain residence so that potential migrants are able to make informed decisions.
 - 44.2 **Alignment:** Settings across the Immigration Rebalance should set a consistent direction for immigration policy settings and avoid duplication. The settings already in place for the Green List (direct and two-year residence pathway) and the Highly Paid (twice median wage) pathway should generally be the most generous given their intended role in attraction.
 - 44.3 **Managing immigration risk:** Settings should appropriately manage the risk of gaming and/or immigration fraud, which are drivers of exploitation and poor conditions for both migrants and domestic workers.
 - 44.4 **Operational efficiency:** Changes to the SMC should simplify processes wherever possible, to support faster decision-making, minimise queues and wait times, and prevent unnecessary complexity.

I propose to introduce a simplified points-based system that offers a balanced approach to facilitating residence for skilled migrants

- 45 I propose to introduce a new simplified points system that strikes the right balance between simplicity and certainty for migrants, and a meaningful skills assessment.

- 46 The proposed points system aims to provide a broad range of ways for skill to be recognised, while having a clearer, tighter eligibility threshold. The eligibility threshold is set at equivalent to six years, meaning that it would take at least six years for someone in the domestic workforce to gain that level or education, training and/or work experience. The model also limits the ability for people to collect more than three points for time working in New Zealand.
- 47 Under the simplified points system, all migrants must have a job, or a job offer in New Zealand.⁸ This acts as a light labour market test. The wage threshold will remain the same as under the current SMC points system, i.e.:
- 47.1 at least median wage for occupations classified as skilled (ANZSCO Level 1-3); and
- 47.2 at least 1.5 times the median wage for occupations classified as unskilled (ANZSCO Level 4-5).^{9 10}
- 48 Applicants must have at least six points to be eligible. This is made up from:
- 48.1 three to six points based on either income, qualifications, or New Zealand professional registration. People can choose the skill category that offers the most points based on their circumstances; and
- 48.2 where people meet the minimum skill threshold, an additional one point per year of work in New Zealand in a skilled job, up to a maximum of three points.

Figure 2: Proposed Simplified points system

Points: 6 points

Claim from one skill category				+ Skilled work in NZ*			
High Income		OR	Qualification		OR	NZ Professional Registration	
3 x Median Wage	6		Level 10 (PHD)	6		NZ Professional Registration (≥6 years training/work experience)	6
<i>Migrants earning 2 x Median Wage already have a two year pathway to residence under the Highly Paid Residence Visa</i>			Level 9 (Master's)	5		NZ Professional Registration (≥5 years training/work experience)	5
			Level 8 (Honours, Post-grad Diploma)	4		NZ Professional Registration (≥4 years training/work experience)	4
1.5 x Median Wage	3		Level 7 Degree (Bachelor's degree)	3		NZ Professional Registration (≥3 years training/work experience)	3
						3 years	3
						2 years	2
						1 year	1

*Skilled work means ANZSCO 1-3 occupations at 1 x median wage or ANZSCO 4-5 occupations at 1.5 x median wage

⁸ Previously migrants who met the points threshold could come in on a job search visa. This is now largely redundant, because technology has improved the ability for people to job hunt from offshore and people can come on visitor visas to seek work. Immigration New Zealand has advised that job search visa applications are often low quality and among the most difficult to assess.

⁹ As per current settings, applicants must also have a minimum standard of English language skills; and meet age, health, character, and national security requirements (as must accompanying family).

¹⁰ ANZSCO (Australian and New Zealand Standard Classification of Occupations) classifies occupations into five skill levels and defines a minimum qualification or work experience required to do the work. Levels 1-3 are classified as skilled, and Levels 4-5 unskilled.

- 49 For example:
- 49.1 A registered teacher could claim e.g. three points (TBC) for registration, so would become eligible for residence under the SMC after three years working in New Zealand. A teacher with a Master's degree could claim five points for their qualification, meaning that they would be eligible after one year.
 - 49.2 A carpenter who registers as a licenced building practitioner could claim three points so would be eligible after three years working in New Zealand. If not registered, they would need to earn at least 1.5 times median wage or hold a separate qualification to be eligible.
 - 49.3 A chartered accountant could claim e.g. five points (TBC) for registration, meaning they would be eligible for residence after one year (or earlier if earning three times median wage).
 - 49.4 A chef could become eligible after three years if they earned more than 1.5 times median wage (or if they held an independent qualification). (As set out below, chefs will require special consideration as part of the next stage.)
- 50 There is a direct to residence pathway for the highest skilled people in each category, e.g. earning three times the median wage, holding a PhD or professional registration requiring at least six years' qualifications/work experience. At the other end, people have up to three years to earn additional work-based points. This means that only migrants with existing human capital, as recognised through income, qualifications, or professional registration, will be eligible.
- 51 MBIE officials will work with relevant agencies and industry representatives to define the professional registrations that will be eligible for the SMC and the number of points associated with each registration (i.e. combining formal qualifications and experience required).¹¹ Similarly, further work will be undertaken to refine the points attributed to qualifications. I intend to report back to Cabinet in January on this.

Some occupations will generally not be eligible

- 52 The SMC focuses on individual skills and characteristics, rather than specific occupations (unlike the Green List), so it cannot be said definitively who will miss out. However, for some occupations it will be more difficult to meet the points threshold:

¹¹ There are around 50 occupations in New Zealand where someone is required by law to hold registration to do the job, and several more where registration regimes are available but not mandatory, e.g. carpenters, accountants, and engineers. Most of these registrations take between three to five years for someone to be granted registration through a combination of qualifications, apprenticeships, and work experience.

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- 52.1 People in most ANZSCO Level 1 (professional) roles would be eligible, with varying degrees of time required working in New Zealand, because they require degrees.
- 52.2 ANZSCO level 4-5 occupations would need to meet 1.5 times median wage to be eligible. This is the case under the current points system.
- 52.3 The biggest impact is likely to be on ANZSCO level 2 to 3 occupations, which generally require a NZQF level 4-6 certificate or diploma. This is because no points are awarded for qualifications below a Bachelor's degree (in part to remove previous issues of gaming). This change will particularly affect people in occupations where there is no eligible professional registration available, including some trades. Some priority ANZSCO 2-3 roles are already included on the Green List, e.g. Automotive Electrician, Diesel Motor Mechanic, Electrician, Engineering Technicians, Plumbers, and some health sector roles.
- 53 The "high income" skill category, which offers a three-year pathway for people earning 1.5 times median wage, is designed to recognise people who might be highly skilled but do not hold formal qualifications and registration. Alongside the new Highly Paid residence pathway for people earning twice the median wage, this offers a new way for people without any formal qualifications to demonstrate their skill level. (Previously very skilled tradespeople without formal qualifications did not have a pathway to residence through the SMC.)
- 54 **Annex Four** provides an overview of the impact of proposed settings at each ANZSCO skill level.
- 55 Officials will work with agencies and industry to identify specific occupations of concern that fall outside of the SMC requirements and would be hard to fill domestically or through the temporary migrant workforce; and options to address them. This may include:
 - 55.1 the Green List, which offers a pathway to facilitate exceptions, where they are of national significance; or
 - 55.2 allocating points within the SMC for some below-degree level qualifications or professional registrations/certificates that take under three years to achieve. Again I propose that this remain tightly focused, but it might include some in-demand trades; or
 - 55.3 in some cases, there may be value in their industry bodies working with MBIE to develop a recognised registration or certification (e.g. potentially chefs).
- 56 My preference is to keep the SMC settings simple to understand, meaning the Green List is likely to provide the best avenue for critical roles that do not meet the criteria for the SMC. I propose, however, that the Green List remains tightly focused on occupations of critical importance to the New Zealand economy. Any additions would need to be for occupations with relatively large

numbers of migrants that cannot be filled by temporary migrants, or by New Zealanders in the medium term.

- 57 Officials have done an initial assessment of occupations that would miss out and where it might be appropriate to add them to the Green List. The clearest issue is chefs, who have been highly represented under the SMC but would unlikely be eligible unless earning 1.5 times median wage. It's also an occupation that has historically been prone to "job inflation" (cooks claiming to be chefs for residence purposes) and migrant exploitation. Consideration will be given to how to capture skilled chefs as part of developing proposals.
- 58 A small number of other occupations were identified that could be considered, including motor mechanics, telecommunications technicians, and scaffolders, but there is no clear case for inclusion at this stage, and would call into question why these roles should get priority over similar roles (where numbers have historically been lower). Officials will report back on this following the proposed consultation process, which will be important for identifying occupations that may require special consideration.
- 59 The Ministries of Health, Education and Primary Industries have identified some roles that would not be eligible. These tend to be low-paid (below the median-wage threshold for Accredited Employer Work Visas) and require limited formal qualifications, including e.g. teacher aides. Officials will continue to engage with agencies on critical and immediate shortages and how immigration levers could play a facilitative role, including through e.g. the Green List.

A range of other options for the SMC were considered

60 I also considered:

- 60.1 A time-based system, which provides a pathway to residence for anyone that is able to be employed in New Zealand for a period of time, demonstrating a labour market need for that role. This option would be the least restrictive and minimises or eliminates the number of people that are onshore and well settled without a pathway to residence. However, it would limit our ability to manage residence numbers, without constraining temporary work visas. It would also potentially put off higher-skilled migrants because of the time required before gaining residence.
- 60.2 An income-based system, which uses an income threshold, e.g. 1.5 times median wage, as the only proxy for skill. This is the most restrictive option and would lead to lowest number of people eligible for residence. It does not recognise occupations that may be highly-skilled but are not comparatively well paid (early career academics and researchers, qualified trades, teachers, some health sector workers such as physiotherapists, social workers, medical lab technicians and nurses). It may also embed or reflect structural pay issues (e.g. pay parity/discrepancies across gender and ethnicity lines).

61 Officials also considered overseas work experience, an important measure of human capital, as a skill proxy under the simplified points system. However, it was not included because experience under the current system shows verifying overseas work experience is complex, time-consuming and often impossible. However, overseas work experience can be recognised indirectly where a professional body has assessed it as part of a professional registration, or as part of meeting the income threshold.

I propose to publicly consult on the long-term direction of the SMC

62 I propose to undertake targeted public consultation on the proposed simplified points system. Over the past two years of the pandemic, only limited consultation has been possible on many immigration settings due to their urgency. Returning to normal levels of consultation for the SMC review is important for ensuring continued public trust in the immigration system, and to understand if we are likely to miss out on high-value occupations under the core proposal.

63 I am seeking agreement to targeted public consultation on the proposed option. Consultation will include:

63.1 targeted engagement with relevant peak bodies, employer groups, unions, and migrant representative groups

63.2 light public consultation using MBIE's online channels.

64 Consultation will be particularly important to inform migrants and stakeholders about the direction of change; identify any additional issues or risks; and (as above) to inform whether any changes might be needed for specific occupations of concern where most people would miss out.

65 I will report back to Cabinet in early 2023 with outcomes from consultation and final design of the proposed SMC.

66 I am also seeking Cabinet agreement to authorise the Minister of Immigration to make final decisions on the design of the consultation material.

I also propose to include two discrete policy settings in targeted public consultation

i. Higher salary thresholds for occupations with demonstrated immigration risks

67 In the context of the Rebalance and the AEWV, Ministers considered the option of applying a higher salary threshold for specific occupations that were identified as presenting immigration and labour market risks. Key risks related to occupations that:

67.1 do not generally require skills developed through formal education, training, or registration, and can usually be provided through on-the-job training and career development;

67.2 have a high potential for exploitation of migrants; and

67.3 are prone to “job inflation” or “wage inflation” where an applicant claims to be in a more skilled occupation, or to be earning a higher wage to get more favourable immigration treatment.¹²

68 I propose to implement this higher salary threshold at residence by treating these occupations the same as ANZSCO 4-5 occupations for the purpose of residence. The alternative would be to restrict these occupations at the temporary work visa stage, which would further constrain sectors that have been hardest hit by the border closures. This would ensure that employers look to the domestic labour market in the first instance and prevent these roles being used as an easy path to residence, while allowing employers to recruit in the short term from offshore where genuine but not persistent shortages exist.

69 I also propose that MBIE implements a monitoring framework, to identify and monitor these occupations, and to ensure that if other occupations develop into new high-risk pathways, these can be assessed and if necessary, appropriately managed.

70 The preliminary occupations agreed as part of earlier work were Café or Restaurant Manager, Cook, Hospitality, Retail and Service Managers not elsewhere classified, Retail Manager (General), and Retail Supervisor. Chefs were considered, but not included as additional qualifications criteria were able to be applied instead. Officials are reviewing the framework that identified this list to ensure that it is based on robust intelligence and evidence, and to support future consideration of additional occupations. This analysis will be included in the Cabinet report back following consultation.

ii. Extending the stand-down requirement above median wage

71 The introduction of the median wage income threshold under the AEWV and the 2021 Resident Visa has significantly reduced the pool of people that are onshore without a pathway to residence. There is, however, still a gap between residence and temporary settings, which leads to poor outcomes for people who are able to remain indefinitely but are not eligible for residence:

71.1 The longer people live in New Zealand, the more well-settled they become, and they lose ties to their homeland, which can make returning home difficult. They effectively become de facto residents in New Zealand, but without the rights that go along with it.

71.2 Temporary visas are tied to the purpose they are issued. So, despite being well settled, if a migrant on a work visa is injured and is no longer able to work, or they lose their job, they lose the basis for their visa and need to leave the country. This can create situations of significant insecurity and vulnerability to exploitation.

¹² An applicant may for example claim to be a retail manager (skill level 2) when they are actually a retail supervisor (skill level 4). A retail manager has responsibility for budgets, price setting and oversight of recruitment, where a retail supervisor may be the ‘manager on duty’ but does not have the same level of responsibility.

- 71.3 Temporary migrants don't have access to the same benefits and government support as New Zealanders, such as access to social security benefits, and subsidised tertiary education and student loans for them and their children. This can result in children who may have grown up in New Zealand but would need to pay international student fees to undertake tertiary education. If their parents are not eligible for residence, these migrants are less likely to be able to shoulder that financial burden.
- 72 As set out above, the 2021 Resident Visa granted residence to almost all migrants onshore with a relevant work visa who were well settled without a pathway to residence, effectively presenting us with a clean slate to prevent these poor outcomes from occurring again.
- 73 I propose to retain a 12-month stand-down period already agreed for those paid below median wage; and to extend it to those paid above median wage. The stand-down means that people have to leave New Zealand for a period following an agreed maximum period on an AEWV, e.g. three years. People on a recognised pathway to residence would not be affected (such as those in a Green List role).
- 74 The alternatives are to either:
- 74.1 extend residence to anyone that is eligible to get a work visa in New Zealand, which, as set out above, could result in unmanageably high immigration flows, or
- 74.2 allow people to remain indefinitely on a temporary work visa, a situation which directly led to the need for the 2021 Resident Visa, and over 200,000 people gaining residence in one go.
- 75 If a stand-down period is introduced, it will be critical to clearly communicate it to prospective migrants to enable them to make informed decisions from the outset.

I propose to re-open the SMC in the interim under current systems

- 76 It will take time to carry out consultation, report back to Cabinet for final decisions, and then implement a new system. Officials advise that this is at least a six-month process from final Cabinet decisions in late 2022/early 2023, which would mean transitioning to new settings in mid-2023.
- 77 As there is significant public interest in the reopening of the SMC, and I consider it valuable to have an SMC pathway operating as the new system is developed, I propose to reopen the category in the interim under a modified status quo. We have also publicly signalled that we intend to reopen the category in 2022.
- 78 Officials expect that the initial volume of new applications for the SMC will be low, because of the impact of the 2021 Resident Visa granting residence to most people onshore who would ordinarily apply for residence under the

SMC. Other pathways that are already open, such as the Green List, will account for most offshore applications. Most other migrants offshore would likely need to spend some time in New Zealand before becoming eligible.

- 79 There is, however, an existing pool of around 4,000 applicants that have already submitted an Expression of Interest (EOI)¹³ for the SMC, and significant uncertainty as to how many will result in an application:
- 79.1 most offshore applicants will no longer have a job offer, and without a job offer many will not be able to meet points threshold to apply
 - 79.2 most onshore applicants will have subsequently applied for the 2021 Resident Visa, as well as an expression of interest under SMC and so will apply for residence under whichever is processed first. People most likely to benefit from the reopening are those who were on visas ineligible for the 2021 Resident Visa, e.g. students.
- 80 I propose to increase the points threshold to 180 points, to better align it with the proposed long-term direction of the category, which sets a clear skill threshold, and ensure that the queue does not fill with large numbers of lower-skilled applications. This increase remains appropriate in the current tight labour market. It will enable the high-skilled residents to apply, but avoid again growing a pool of lower-skilled applications who we do not want to retain permanently. Announcements on the direction of the future SMC should also give increased certainty to prospective migrants about their future eligibility to enable them to make informed decisions.
- 81 However, I also consider it important to allow those who have already submitted an expression of interest, or who have made plans to come to New Zealand on assumptions based on the current points system, to have an opportunity to apply at the current points level.
- 82 As such, following Cabinet's agreement I propose to announce in October that:
- 82.1 draws from the SMC EOI pool will be resumed. People who have already submitted EOIs will have an opportunity to update their application, or to withdraw their existing EOI and request a refund. New migrants will also have an opportunity to submit an EOI.
 - 82.2 Immigration New Zealand will carry out the first draw three to four weeks following the announcement (i.e. early November). Existing and new EOIs submitted before the first draw would need to meet the current points threshold of 160 points.
 - 82.3 The points threshold will increase to 180 points for expressions of interest submitted after the first draw.

¹³ The SMC is a two-stage process where potential applicants first submit an EOI into the EOI pool indicating what points they can claim, and Immigration New Zealand then draws EOIs meeting the point threshold applicable at the time and invites them to apply for residence under the SMC.

- 82.4 Ahead of transitioning to new SMC settings, the EOI pool will be closed to new applications. Exact timeframes for this will be agreed and advised closer to that time.
- 82.5 Eligible migrants also have the option of working in New Zealand on an Accredited Employer Work Visa and applying for residence when the new Skilled Migrant Category settings are in place.
- 83 Actual application numbers are highly uncertain. There is some risk that we will see a surge in applications ahead of the first draw; and a risk of receiving many applications that have poor-quality evidence and/or do not meet the points requirements, which would be time-consuming and labour-intensive to process. Immigration New Zealand has advised that this may be seen as a last opportunity for people outside New Zealand without a job offer to gain residence in New Zealand (which involves meeting a high threshold).
- 84 I expect these risks to be mitigated by:
- 84.1 the onshore pool of potential applicants being much smaller than it would have been prior to the 2021 Resident Visa;
- 84.2 global migration continuing to be slow due to risk, cost, and uncertainty;
- 84.3 the limited 3-4 week window to submit an EOI that will be eligible at 160 points;
- 84.4 the cost to submit an EOI (between \$500 to \$600 NZD) acting as a disincentive to applications that are unlikely to be eligible.

Managing Numbers

I propose to shift from a planning range to processing actual demand

- 85 As set out above, under the New Zealand Residence Programme the number of SMC visa approvals was managed under a planning range. Cabinet would agree to an overall number of resident class visas across all categories, e.g. 80-90,000 people over two years (including principal applicants and family members).¹⁴ This approach had the benefit of maintaining a stable processing environment and enabling Immigration New Zealand to predictably commit sufficient processing resource to deliver the agreed number of approvals.
- 86 The planning range was set at a level that was lower than the number of applications that were actually being submitted, e.g. as above, only 40 per cent of eligible applications were approved in 2019. This resulted in a large backlog of applications, and long wait times for decisions. In 2018, Cabinet agreed to move away from planning ranges beginning in 2020, but COVID impacts meant that a new approach was not implemented.

¹⁴ The residence categories are Skilled/Business (60 per cent), of which the SMC makes up the majority; International/Humanitarian (30 to 32 per cent); and Family (seven to eight per cent).

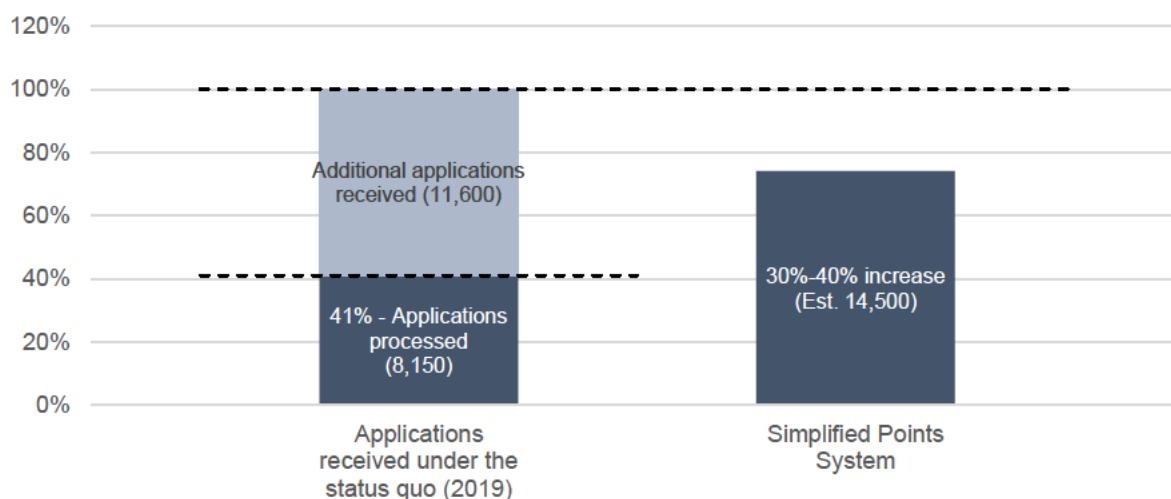
- 87 There are good reasons to manage overall levels of migration:
- 87.1 It maintains tension in the labour market to encourage employers to lift wages and conditions so they can retain and attract workers.
 - 87.2 It helps population growth to remain within absorptive capacity, and avoid putting unsustainable pressure on New Zealand's long-term housing, infrastructure and social services.
 - 87.3 It helps maintain public confidence and social license for the immigration system.
- 88 However, limiting the number of skilled residence visa approvals through a planning range only creates the illusion of directly controlling net migration levels, as most SMC visas are granted to people already onshore on a work or student visa (94 per cent in 2019). While limiting the number of residence places doesn't directly influence the number of people arriving onshore, residence can influence the number of temporary work visa holders arriving onshore, by tightening or loosening residence settings.
- 89 Most impacts are indirect but can lead to potential growth of the onshore temporary migrant workforce, and an increase in infrastructure pressures:
- 89.1 too low a threshold for residence has long-term, upstream impacts by indirectly incentivising uptake of temporary work visas;
 - 89.2 granting residence in occupations with high rates of employee exits due to poor wages and conditions can result in people exiting those roles when they gain residence, and additional temporary work visas being granted to backfill these newly vacated roles.
- 90 I propose that Immigration New Zealand shifts to processing demand that arises. Overall application numbers should be limited by setting an appropriate skill level and requiring all SMC applicants to have a current job or a job offer, rather than setting an overall planning range as a processing constraint.

This approach allows more residence approvals annually, even with a tighter skill threshold

- 91 This change is only possible because of the tighter skill threshold proposed and the tightening of settings across the Immigration Rebalance. If we returned to 2019 levels of demand for SMC, officials estimate that the simplified points system would result in around 26 per cent fewer applications being submitted. However, the change would result in a higher number of approvals. Officials estimate approximately 14,500 of the 19,750 applications submitted would be eligible across the Green List, Highly Paid (twice median wage) pathway and a simplified points system (compared to 8,150 actually approved).

92 The table below shows the relative impact of the proposed options on eligibility, using 2019 data. Estimates do not provide a reliable estimate of actual future application numbers, unless we assume a return to pre-COVID migration flows, but they provide a good indication of how restrictive the options are relative to each other. We expect fewer applications in the first few years of the SMC reopening, because of the impact of the 2021 Resident Visa in granting residence to most of the temporary migrant workforce who were onshore in 2021.

Figure 3: Preliminary Options Analysis: Potential number of applications under simplified points system compared to status quo (Based on 2019)



- Includes Greenlist occupations and 2 x median wage
- Based on applications not people (There are an average of 2.2 people per application)
- Based on how many principal applicants would have been eligible from the 2019 stock of visas and applications approved. Actual numbers are expected to be significantly lower, particularly in the first few years following reopening of the border.

93 I propose that Immigration New Zealand will adjust its resources based on forecasting, and that MBIE will develop a monitoring framework that includes a transparent set of metrics with agreed tolerance thresholds. We will still monitor numbers, looking at both our temporary workforce and recent residents, as well as considering who is being facilitated to move to New Zealand (for example, skills or occupations), and will set indicative ranges, or tolerances for key metrics.

94 Exceeding these tolerances would require officials to investigate and consider the causes of changes in migration and processing patterns and determine whether a policy or operational response is needed, such as a change to eligibility criteria, streamlining of processes or systems, or redeploying or increasing processing resources.

95 Changes in immigration patterns could also contribute to broader, whole-of-government consideration of population pressures, as indicated in the Productivity Commission’s recent final immigration inquiry report and its discussion of absorptive capacity.

- 96 I will include a full set of proposed metrics when I report back to Cabinet post consultation.
- 97 This paper considers only the Business/Skilled residence stream. I am intending to direct officials to review partnership settings separately, including considering application volumes within the stream at that time.

Implementation

- 98 Officials advise that implementing a new SMC system will take approximately six months, following Cabinet’s agreement to the final design. This allows for ICT changes needed to design and build a new system, as well as building processes and training staff. In practice, this would mean Cabinet decisions by January 2023 (or as early as Cabinet meets), to allow implementation of new SMC settings in July 2023. These timeframes are subject to Cabinet decisions in late September/early October on the proposed consultation.
- 99 Interim reopening of the category under status quo settings will take approximately a month following Cabinet’s agreement. However, there are people who have already submitted EOIs and paid the associated fee, and in some cases have been waiting for the category to reopen for over two years.
- 100 To ensure we treat these applicants fairly, I propose to allow three to four weeks from announcements before resuming draws from the EOI pool, so that submissions can be updated or withdrawn and a refund requested.

Timeframe	Milestone/Activity	
	Interim Reopening	Transition to new SMC
October 2022	Announcement of reopening of SMC: <ul style="list-style-type: none"> • people invited to update or withdraw their EOI • public consultation on future settings announced 	
Early November 2022	Category reopens under existing settings	Public consultation on future settings
November 2022		Submissions analysis and preparation of final advice
December 2022		
January 2023		Report back to Cabinet
July 2023 (or six months after decisions)	Operation under existing SMC settings closes (timing TBC)	New SMC begins operations

Financial Implications

- 101 Immigration New Zealand has signalled that it will need additional budget for ICT and system implementation for new policy settings, and development of online applications, given the high rate of system changes across the COVID response and the Immigration Rebalance.
- 102 These costs are expected to be fee and levy funded. Immigration New Zealand is carrying out further analysis on likely costs. I may seek agreement to funding arrangements when reporting back to Cabinet.

Legislative Implications

- 103 There are no legislative implications of these proposals.

Population Implications

- 104 The proposals are intended to ensure that employers are looking to the domestic labour market in the first instance, and training and developing the existing workforce where possible to minimise displacement. It also considers the effect of a downturn on population groups that already face unequal labour market outcomes, including Māori, youth, older workers, disabled workers, Pacific peoples, former refugees, recent migrants and ethnic communities, and women.
- 105 According to MBIE analysis people who are displaced tend to be on lower incomes, with data showing that the median monthly earnings from the previous job (in March 2021 dollars) was about \$3,400 (just above the adult minimum wage). Workers in the manufacturing sector have consistently experienced the highest rates of displacement. Construction, retail trade, accommodation and food service workers are also more likely to experience displacement.
- 106 **Māori:** The proposals do not actively promote Māori interests, but they do prevent Māori from being disproportionately impacted by poor outcomes resulting from immigration settings. Māori are disproportionately likely to face economic displacement and have tended to be displaced at higher rates than Pacific, Asian and Pākehā workers. Tāne Māori are affected in higher numbers than wāhine Māori (reflecting their higher rates of employment).
- 107 As employers, the proposals are unlikely to disproportionately impact on Māori owned businesses or Māori employers, given their diverse spread across the economy: A 2021 BERL report notes that the Māori asset base has diversified beyond the primary sectors of agricultural, fishing and forestry (which makes up 34 per cent of the total asset base) to real estate services, manufacturing, transportation, construction and others (66 per cent).
- 108 Consultation will include engagement with iwi representatives and Māori groups, particularly where they have economic and business interests and employ migrant and/or Māori workers.

- 109 **Women:** The proposed simplified points system considers gender considerations. It was preferred over a system using income, because at higher remuneration levels a simple wage threshold for visa categories is more likely to embed structural, gendered-based distortions in the labour market. These include that men earn on average 9.1 per cent more than women across all roles; and many occupations that are traditionally women-dominated continue to be paid less than male dominated occupations.
- 110 Instead, the proposed simplified points system recognises and awards points for a range of skill proxies and skilled work experience in New Zealand. Although it is not possible to accurately predict who will miss out under the simplified points model, some assumptions can be made based on available information:
- 110.1 41 per cent of principal applicants under the SMC in 2018 were women, and 46 per cent in 2019.
- 110.2 The vast majority of women applying as principal applicants were working in ANZSCO level 1 roles, which generally require a degree-level qualification and have a clear pathway to residence under the proposals.
- 110.3 Broadly speaking, the occupations most likely to be impacted by a shift to a tighter qualification requirement under the simplified points model will be trades and technician roles, which tend to have higher representations of men.
- 110.4 Women are highly represented in care worker roles, some of which may not be eligible for the SMC. These roles are currently covered by the care worker sector agreement, which includes a path to residence for the highest skilled carers, and we will continue to monitor trends.
- 111 **Pacific Peoples:** Pacific migrants who migrate to reside in New Zealand largely come through the international/humanitarian residence stream visa categories such as the Samoan Quota and Pacific Access Category. Approximately 20 percent of residence applications from Pacific Island countries are through the SMC, primarily from Fiji. Electrician (General), Diesel Motor Mechanic, and Secondary School Teacher are the top three occupations under which migrants from the Pacific have previously been approved residence via the SMC, all of which continue to have a pathway to residence. Consultation will include engagement with Pacific migrant representative groups.
- 112 **Disability:** All migrants must be of an acceptable standard of health to ensure that they will not impose significant costs or demand on health or special education services during their time in New Zealand. Health criteria are more stringent for residence than they are for temporary visas. Given this, residence settings in general disadvantage some migrants with disabilities, depending on the potential long-term health costs to New Zealand. I consider that this is an appropriate general setting, to protect our ability to deliver health, disability and special education services to people already in

New Zealand. The Ministry of Health and Immigration New Zealand have recently reviewed some aspects of the health instructions and lifted the acceptable standard of health funding threshold, and MBIE is planning to begin a review of the partnership and family policy in 2023.

- 113 **Ethnic Communities:** The simplified points system aims for broad representation providing a range of ways to demonstrate skill level, compared to e.g. an income-based model, given some pay discrepancies along ethnic lines. As identified by the Ministry for Ethnic Communities, migrants from non-western countries are disproportionately affected by English language requirements, difficulties in finding employment in New Zealand from offshore, and difficulties having their qualifications assessed for equivalence to New Zealand qualifications. These impacts are likely to persist, but it is not clear that they can be addressed through SMC without undermining policy objectives. English language skills have been shown to improve settlement and long-term employment outcomes for migrants in New Zealand; equivalency of qualifications is a key proxy for assessing formal skills; and requiring a job offer is a crucial part of ensuring that there is a demonstrated labour market need. Although removing these requirements may reduce a barrier to applying for SMC, it may also lead to poor long-term outcomes.

Regulatory Impact Statement

- 114 This paper does not require a Regulatory Impact Assessment as it has no direct legislative implications.

Climate Implications

- 115 There are no direct climate implications of these proposals.

Human Rights

- 116 This paper is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

- 117 The following agencies have been consulted in the development of proposals: Ministry of Education, Ministry for Ethnic Communities, Ministry of Health, Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development, New Zealand Qualifications Authority, Ministry for Pacific Peoples, Ministry for Primary Industries, Ministry of Social Development, Te Puni Kōkiri, The Treasury, and Ministry for Women. MBIE teams were also consulted as follows: Immigration New Zealand, Tourism Policy, Digital Policy, Skills and Employment Policy, and Accident Compensation Policy.
- 118 All agencies were supportive of the proposed simplified points-based model, and almost universally advised against the income-based option on its own. Many emphasised the value of greater certainty for both employers and migrants provided by the proposed model. The Ministry for Primary Industries noted concern with the use of ANZSCO as a blunt tool to classify occupations,

both in terms of responding to emerging skills and roles in emerging industries and due to its limited ability recognise all skill sets, particularly those gained on the job. In the short term this is mitigated by informed guidance provided to immigration officers on job matching. Confidential advice to Government

- 119 The Ministries of Health, Education and Primary Industries raised concerns about specific occupations missing out on SMC under the proposed new settings. This includes roles that are below median range (which would not be eligible for temporary work visas) and for which most training is on-the-job.
- 120 Officials have undertaken analysis of available immigration data for relevant roles, to better understand the specifics of the issues raised. Among the roles identified as least likely to have people eligible for residence (e.g. low wage, minimal training requirements), almost all had seen very low numbers of people (and sometimes no people) coming through either temporary or residence visa pathways in the past ten years. The scale of labour market demand for these roles is not clear, and nor is whether immigration settings could play an appropriate role in resolving any shortages. The SMC is unlikely to be the appropriate tool to address these specific concerns, i.e. it is difficult to see how the points system could be amended to cater for these roles without significantly undermining its policy objectives and resulting in large numbers of people becoming eligible for residence. Officials will continue to engage with agencies on critical and immediate shortages and how immigration levers could play a facilitative role in the future, including through e.g. the Green List.
- 121 Given the scale and scope of change currently occurring across the immigration system, the Treasury suggested allowing other changes to bed in further before resetting the SMC. However, implementing the new settings as soon as possible is important to align with the wider Immigration Rebalance programme and reduce the issues seen pre-COVID, including large queues and uncertainty for migrants.
- 122 Several agencies explicitly indicated support for the planned public consultation processes and recommended reaching out to specific groups, which have been noted for consultation planning purposes.

Communications

- 123 I intend to announce these changes soon after decisions are taken. Following announcements, I intend to direct Immigration New Zealand to proactively contact people with existing EOIs, advising them they have three to four weeks to update or withdraw their submission. This will allow us to publicly signal the reopening of the SMC and provide certainty to migrants, while giving migrants with existing EOIs sufficient time to withdraw their submissions and request a refund or update their applications.

Proactive Release

124 This paper will be proactively released after announcements are made, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Immigration recommends that the Committee:

Consult on a simplified points system

- 1 **note** that temporary work visas are an appropriate response to immediate labour market needs and residence more appropriately responds to medium- to long-term labour market needs;
- 2 **note** that the Skilled Migrant Category has the objective of supporting New Zealand's economic growth by granting residence to people who have skills to fill identified long-term needs, and who can deploy those skills in New Zealand;
- 3 **note** that following the Rebalance, the Skilled Migrant Category caters to a smaller group of people than it did in previous years:
 - 3.1 The Green List provides a straight-to-residence and two-year work-to-residence prioritised residence pathway for migrants in specific highly skilled, hard-to-fill occupations of high national importance;
 - 3.2 The Highly Paid residence pathway, which provides a two-year work-to-residence pathway for migrants paid at least twice the median wage;
- 4 **note** that existing Skilled Migrant Category settings were resulting in sub-optimal outcomes for migrants and the immigration system;
- 5 **agree** that the objectives Skilled Migrant Category should remain unchanged;
- 6 **agree** that the Skilled Migrant Category should focus on people with skills that would be hard, or take time, to fill domestically;
- 7 **agree** that the Minister of Immigration undertake targeted public consultation on the proposed future direction for the Skilled Migrant Category;
- 8 **agree** to consult on a simplified points system with a clear skill threshold as the preferred option, where applicants must claim at least six points, equivalent to six years, based on:
 - 8.1 points for high pay, OR formal tertiary qualifications at Bachelor's level or above, OR have a skilled occupation with a registration regime; and
 - 8.2 for people who meet the skill threshold, one point available per year worked in New Zealand in a skilled job, up to a maximum of 3 points;

- 9 **note** that under the proposed system, there will continue to be a gap between the threshold for temporary and residence visas;
- 10 **delegate** authority to the Minister of Immigration to finalise and publicly release consultation material;
- 11 **invite** the Minister of Immigration to report back to Cabinet in early 2023 on:
- 11.1 the outcome of public consultation;
 - 11.2 final proposals for the future design of the Skilled Migrant Category; and
 - 11.3 proposals for potential additions to the Green List to address any critical gaps;

Establish a monitoring framework for occupations where there is high immigration risk

- 12 **agree in principle**, subject to a report back by the Minister of Immigration, that eligibility for residence should include additional requirements for occupations where:
- 12.1 there is clear evidence of immigration risk;
 - 12.2 roles should be able to be filled from the domestic labour force with limited training;
 - 12.3 there are either a large number of applications, or a significant increase in application numbers without a clear labour market rationale for these roles to be filled from offshore;
- 13 **agree** that additional requirements will be applied to residence visas rather than to temporary work visas in the near term;
- 14 **note** that further work is being done to robustly identify areas of immigration risk, but preliminary assessment indicates that these occupations are likely to include Café or Restaurant Manager; Cook; Hospitality, Retail and Service Managers not elsewhere classified; Retail Manager (General); and Retail Supervisor;

Establish a stand-down period for temporary work visas

- 15 **note** that a stand-down period is based on the policy intent that:
- 15.1 the number of people eligible for temporary work visas, but not eligible for residence should be as small as possible while meeting wider economic and social objectives;
 - 15.2 where people are eligible for a temporary work visa but have no realistic pathway to residence, they should not be allowed to remain in New Zealand indefinitely;

IN CONFIDENCE

- 16 **agree** that the stand-down period should be extended to include people above the median wage threshold, to prevent the creation of a future cohort of people that are well settled with no realistic pathway to residence;
- 17 **agree** that public consultation on the future settings of the Skilled Migrant Category include consideration of a stand-down period for temporary work visa holders;
- 18 **invite** the Minister of Immigration to report back to Cabinet on an approach to include a stand-down period as part of future Skilled Migrant Category settings;

Reopen the Skilled Migrant Category in the interim

- 19 **note** that the Skilled migrant category is a two-stage process involving:
 - 19.1 migrants submitting an Expression of Interest (EOI) into the EOI pool; and
 - 19.2 Immigration New Zealand periodically drawing applications from the EOI pool that meet the point threshold and inviting them to apply for residence under the Skilled Migrant Category;
- 20 **note** that the issuing of new invitations to apply has been paused since April 2020;
- 21 **note** that implementation of a new system is expected to take at least six months following Cabinet agreement to the final design;
- 22 **note** that we expect fewer applications in the first few years of the Skilled Migrant Category reopening than in previous years as:
 - 22.1 in previous years most Skilled Migrant Category applications were from people that were already living, and working or studying in New Zealand on a temporary visa;
 - 22.2 the 2021 Resident Visa has granted residence to most people onshore that would otherwise have applied for residence under the Skilled Migrant Category;
- 23 **note** that there are currently an estimated 4,000 applications remaining in the EOI pool, but it is unclear how many of these will result in applications;
- 24 **agree** that the Skilled Migrant Category should reopen under existing policy settings, with:
 - 24.1 the first draw at a threshold of 160 points, for both existing and new expressions of interest
 - 24.2 subsequent draws at a threshold of 180 points, to bring the interim settings more closely in line with the proposed longer-term direction

- 25 **agree** that announcements regarding the interim reopening will be made in October;
- 26 **agree** that people will be allowed a window of time following announcements to update their Expressions of Interest, or withdraw them and request a refund, prior to the first draw from the pool;

Shift away from a planning range

- 27 **note** that before the COVID border closure, overall residence numbers were managed through a Cabinet agreed planning range;
- 28 **note** that in recent years the planning range was set lower than the number of applications submitted for residence, which led to large queues and uncertainty for migrants;
- 29 **note** that restricting residence numbers through a planning range does not directly manage net migration levels;
- 30 **agree** that Immigration New Zealand transition away from a pre-set planning range and instead:
- 30.1 relies on an appropriately set skill threshold to manage demand from migrants;
 - 30.2 allocates resourcing based on forecasting to ensure timely processing of applications;
 - 30.3 actively monitors key metrics and investigates the underlying cause and appropriate response when metrics fall outside pre-set tolerance thresholds;
- 31 **note** that this approach means more people will be approved for residence under the SMC than previously, even if fewer people are eligible;
- 32 **authorise** the Minister of Immigration to agree the detailed monitoring framework that would trigger a response to changes in Skilled Migrant Category applications.

Authorised for lodgement

Hon Michael Wood

Minister of Immigration