



COVERSHEET

Minister	Hon Erica Stanford	Portfolio	Immigration
Title of Cabinet paper	AEVV Review – Phase Two: Proposals for consultation	Date to be published	7 October 2024

List of documents that have been proactively released

Date	Title	Author
August 2024	AEVV Review – Phase Two: Proposals for consultation	Office of the Minister of Immigration
21 August 2024	Accredited Employer Work Visa Phase Two: Proposals for Consultation ECO-24-MIN-0164 Minute	Cabinet Office

Information redacted

YES / NO (please select)

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Some information has been withheld for the reason of confidential advice to Government.

In Confidence

Office of the Minister of Immigration
Cabinet Economic Policy Committee

AEWV Review – Phase two: Proposals for consultation

Proposal

- 1 This paper:
 - 1.1 updates Cabinet on the second phase of the Accredited Employer Work Visa (AEWV) review;
 - 1.2 seeks agreement to three discrete changes in the short term; and
 - 1.3 discusses a package of proposals for changes to the AEWV for targeted consultation in September and October, ahead of final Cabinet decisions in December.

Relation to government priorities

- 2 The proposals in this paper aim to maximise immigration’s contribution to the New Zealand economy, while managing risks to border integrity and pressures on key infrastructure. They directly relate to the following Government coalition commitments:
 - 2.1 Remove median wage requirements from the AEWV;
 - 2.2 Confidential advice to Government
 - 2.3 Improve the AEWV to focus the immigration system on attracting the workers and skills New Zealand needs;
 - 2.4 Ensure Immigration New Zealand (INZ) is engaged in proper risk management and verification to ensure migrants are filling genuine workforce needs; and
 - 2.5 Commit to enforcement and action to ensure those found responsible for the abuse of migrant workers face appropriate consequences.

Executive Summary

- 3 The AEWV is the main temporary work visa policy in our immigration system. 2023 and early 2024 saw record high levels of net migration alongside increasing reports of migrant exploitation, which led to the first suite of changes to the AEWV (phase one) announced in April this year.

4 Ahead of bringing a further paper back to Cabinet to enable final decisions on the review in December, I am seeking agreement to progress three interim changes. These will help us both move quickly on agreed commitments and respond to urgent issues raised by sectors and employers.

5 I am seeking Cabinet's agreement to:

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[Redacted]

5.2 Increase the maximum duration of work and visitor visas for partner of a New Zealand citizen and residence class visa holders from two to three years; and

5.3 Create short-term exemptions to the skills requirement for the AEWV for migrant workers in a limited number of roles and sectors to avoid significant impacts on their workforces while longer-term changes to the AEWV are being considered.

6 As referred to in my recent immigration priorities paper, I have already introduced a time-limited pathway through the Specific Purpose or Event Work Visa for experienced seasonal workers, until further work on a new and fit-for-purpose seasonal pathway is complete. I am also progressing the removal of the ability for licensed immigration advisors (LIAs) to engage with the Ministry of Social Development (MSD) on the employer's behalf as part of the current labour market test requirements.

7 In the context of annual net migration easing and the economy continuing to soften, work in the second phase of the AEWV review must align with the Government's wider immigration priorities and commitments on housing, infrastructure investment, education, health, trade, employment and other areas. I have agreed that the second phase includes a comprehensive review of the three gateways under the AEWV, alongside our overarching objectives to focus the work.

8 Officials will conduct targeted stakeholder consultation on the package of proposals throughout September and October. Targeted consultation will seek views on a differentiated model of accreditation that would streamline the AEWV process for good employers while focusing resource on higher-risk employers, changes to the job check, and an enhanced compliance function across the AEWV. Through this review, I will also be considering whether sector and/or region-specific settings are needed to enable employers in certain sectors or regions to continue to recruit entry-level labour and a fit-for-purpose immigration pathway for seasonal work.

¹ The Australia and New Zealand Standard Classification of Occupations.

- 9 Informed by feedback received and further advice, I will report back to Cabinet in December 2024 with final proposals for the second phase of the AEWV review. Implementation on final proposals is planned to begin from early 2025.

Background

- 10 The AEWV is the main temporary work visa policy designed to facilitate the flow of workers into New Zealand where genuine skill or labour shortages exist, while also ensuring that New Zealanders are first in line for jobs and managing the risks of migrant exploitation. There are three steps in the AEWV process: the employer gateway (accreditation), the job gateway (job check), and the migrant gateway (work visa).
- 11 While New Zealand has always relied heavily on migration for labour, skills, and economic growth, the levels of net migration seen in 2023 and early 2024, alongside increasing reports of migrant exploitation, led to the first suite of changes to the AEWV agreed by Cabinet in March, and announced in April this year [CAB-24-MIN-0096 refers]. These changes were made in the context of the median wage not working as intended and were largely focused on reducing the proportion of lower-skilled labour entering New Zealand by introducing a minimum English language requirement for lower-skilled roles and a minimum qualifications and experience requirement.²

Early indications are that the April changes are impacting both the skills mix and overall visa volumes

- 12 There has been a shift in the ANZSCO skill level of occupations for applications at the job check and AEWV stage. While the volume of applications for all skill levels has been trending downward this year, applications for lower-skilled roles (ANZSCO skill level 4 and 5) have been declining significantly post 7 April 2024.³
- 13 The reintroduction of settings tied to ANZSCO skill levels has also led to a noticeable increase in role inflation⁴ which has resulted in a higher proportion of job checks being declined.⁵ This is because employers have incorrectly identified their roles as ANZSCO 1-3 when in fact the roles are skill level 4 and 5 and the employer has not engaged Work and Income or advertised for the correct period.

² Applicants must have at least 3 years' relevant work experience, or a relevant qualification at level 4 or above of the New Zealand Qualifications and Credentials Framework (NZQCF).

³ From January to March 2024, INZ received an average of 1,243 job check applications and 2,406 AEWV applications per month for skill level 4-5 roles. From 7 April to June 2024, average job check and AEWV applications per month for these roles had dropped to 398 and 736 applications respectively. In comparison, job check applications for skill level 1-3 roles remained relatively stable at 1,635 with a slight drop in AEWV applications to 1,665.

⁴ Where an employer or worker claims to be undertaking a role classified higher in ANZSCO than the role they are actually doing e.g., cooks applying as a chef, café workers as café/restaurant managers, dairy farm workers as dairy cattle farmers/herd managers, retail assistants as retail managers, and builder's labourers as carpenters.

⁵ Since 7 April, 6 percent of job check applications have been declined and 8 percent withdrawn, compared to 0 percent (0.3 percent) declined and 2 percent withdrawn prior to 7 April 2024.

The latest net migration figures show annual net migration easing...

- 14 The latest release from Stats NZ shows that annual net migration is now easing, continuing to decline from the record annual high of 136,600 in the year ended October 2023 to 73,300 (provisional) for the year ended June 2024. This is primarily being driven by an increase in departures of both New Zealand and non-New Zealand citizens, while arrivals of non-New Zealand citizens remain high.

...and the economy continues to soften

- 15 The New Zealand economy is currently in a weak position. Persistently high inflation has resulted in the Reserve Bank running tight monetary policy in order to cool the economy and reduce inflation to 2 percent. While the rate of inflation is heading down, the Reserve Bank has indicated it will need to maintain this tight monetary policy for the foreseeable future.
- 16 One of the keys to reducing inflation has been the need to ease the labour market (which had been tight through 2021 to 2023 but is now loosening). The most recent forecasts from the Reserve Bank have unemployment forecast to rise from the current 4.3 percent to 5.1 percent in mid-late 2025. Cabinet also approved nine Government Targets in 2024, one of which is for there to be 50,000 fewer people on the Jobseeker Support benefit by 2030.

This work must also align with the Government's wider priorities

- 17 As the main temporary visa product, the AEWV must allow migrants to continue to play a crucial role in the delivery of the Government's agenda across a range of portfolios.
- 18 As a government, we have an objective to reduce the number of people receiving Jobseeker support by 50,000 by 2030 as well as to significantly increase our exports. Immigration plays a key part in New Zealand's economy and migrant workers play critical roles by filling shortages in the very sectors that are struggling to increase their capacity, like healthcare and education. However, this needs to be balanced with prioritising New Zealanders for jobs and the pressure that high net migration places on our absorptive capacity.
- 19 Through this work, I want the AEWV to support an immigration system which integrates effectively with other portfolios to follow through on Government commitments on housing, infrastructure investment, education, health, trade, employment, and other areas.

Changes I am progressing in the interim

- 20 Ahead of bringing a further paper back to Cabinet to enable final decisions on the review in December, I am either progressing or seeking agreement to progress interim changes, to make quick progress on agreed commitments or respond to urgent issues raised by sectors and employers.

Confidential advice to Government

[Redacted]

[Redacted]

[Redacted]

Extending temporary visa durations for partners of NZ citizens and residents

24 In response to forthcoming fee and levy increases from October [ECO-24-MIN-0040 refers], I am also proposing to increase the maximum visa duration from two years to three years for work and visitor visas for partners of New Zealand citizen or residence class visa holders, where the couple have been living together for at least 12 months. This change will provide couples with additional time to save for residence application fees and will provide greater alignment with the visa durations provided to partners of temporary migrants.

Confidential advice to Government

[Redacted]

Short-term exemptions to the minimum skills and experience threshold

- 25 Our next phase of AEWV changes will not be implemented in time for a small number of sectors with sector agreements that have two-year visas due to expire in the coming months. A large number of two-year visas were issued under the care workforce sector agreement and tourism and hospitality wage exemption and will expire in the next 12 months. These visa holders will not necessarily be able to meet the qualification or experience requirements to extend their visa for another year, and this will have adverse impacts in these sectors.
- 26 In addition, the meat and seafood processing sector agreements were set up in recognition that some low-skilled or entry level labour may be needed in these sectors, and the new experience requirements are likely to significantly impact this pathway. This could also impact our special relationship with the Pacific, as many workers in these roles are from Pacific countries.
- 27 While recent changes I have made to provide a more streamlined pathway for seasonal workers will be beneficial and to address these immediate issues as further work on right-sizing AEWV settings continues, I propose we introduce some in interim exemptions to the skills requirement for the AEWV for:
- 27.1 migrants recruited under the 2024/25 cap for the meat and seafood processing sectors;
 - 27.2 migrants looking to extend their existing AEWV for the same role under the tourism and hospitality wage exemption, if their current visa expires on or before 31 March 2025; and
 - 27.3 migrants looking to extend their existing AEWV for the same role under the Care Workforce sector agreement, where that role pays at least \$26.16 per hour and their current visa was issued between 4 July 2022 and 23 November 2023.
- 28 As referred to in my recent immigration priorities paper, I have already introduced a time-limited pathway through the Specific Purpose or Event Work Visa for experienced seasonal workers and am also progressing the removal of the ability for LIAs to engage with MSD on the employer's behalf as part of the current labour market test requirements.

Objectives of this second phase of the AEWV review

- 29 I have agreed that this second phase of the AEWV review would include a comprehensive review of the three gateways under the AEWV.
- 30 I have also set the follow overarching objectives for the work to be focused on:
- 30.1 Objective 1: Increase the proportion of higher-skilled workers while managing overall net migration;
 - 30.2 Objective 2: Reduce risk in the system;

- 30.3 Objective 3: Lower compliance costs for good employers and improve system efficiencies while maintaining appropriate checks and balances;
- 30.4 Objective 4: Support regional and economic growth by ensuring that New Zealand has access to the skills it needs; and
- 30.5 Objective 5: Encourage employers to genuinely look to hire New Zealanders first, while still providing access migrant labour where needed.⁸

31 In light of these objectives, the proposals in this paper are intended to ensure the immigration system is as streamlined, simple to understand, and light-touch as is feasible for trusted employers with more resources focused on higher-risk employers, and differentiated settings that reflect regional and sector differences.

Major proposals

32 Targeted consultation will seek views from stakeholders on the following proposals.

Accreditation

33 Employer accreditation is the first step in the AEWV process and protects the integrity of the system by setting the standards that employers need to meet to employ migrants. It also assesses if employers are operating a viable and genuine business and checks there has been no recent non-compliance with immigration, employment and business standards. Where non-compliance is found, INZ can suspend or revoke accreditation for an employer, preventing them from accessing further migrant workers through the system.

34 In line with the objective of lowering compliance costs while maintaining appropriate checks and balances, the changes I am proposing to consult on are focussed on streamlining the AEWV process for good and low-risk employers.

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⁸ Particularly in regions and industries where fundamental limitations on labour availability exist.

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Job Check

37 The Job Check is the second step in the AEWV system and assesses whether the role identified by the employer is genuine, and that the employer has made genuine attempts to recruit domestically (referred to as the “labour market test”).

38 The current Job Check also confirms that the employer intends to pay the median wage for the role (unless covered by a sector agreement or wage exemption) and will take reasonable steps to ensure AEWV applicants meet qualification and skill requirements, including the minimum qualifications and experience requirement.

39 I am proposing to remove the median wage threshold from the AEWV, in line with the Government commitment under the National ACT coalition agreement. Confidential advice to Government
[Redacted]

40 I have also been considering options for strengthening the labour market test, which currently involves an advertising requirement and engagement with the MSD for lower-skilled roles. To date, the April 2024 change requiring employers to engage with MSD for ANZSCO level 4 and 5 vacancies has resulted in low placement rates for Jobseekers into AEWV-advertised roles.⁹ Through the upcoming consultation process, I would like to continue exploring options to better match suitable and available New Zealanders to vacant roles.

41 Confidential advice to Government
[Redacted]

Compliance and System assurance

42 While the proposals for new accreditation types are likely to involve increased checking up-front to provide more streamlined processes for good employers, up-front controls in the AEWV can never manage 100 percent of risk. The

⁹ MSD operational data shows that as at 24 July 2024, 3,005 roles were listed and 68 clients were placed. This is a placement rate of 2.3 percent (similar to placement rates under a similar process for the previous Essential Skills Visa) compared to the 53.3 percent for non-immigration related positions over the same period.

¹⁰ Confidential advice to Government
[Redacted]

system will continue to rely on a level of post-decision assurance and compliance responses to detect non-compliance and remove employers who break the rules.

43 My officials are continuing to do further work on right-sizing the back-end assurance and compliance functions as this work progresses and I expect to be able to report back on this in December. I have already identified some areas where additional policy or operational controls could help to improve compliance that I would like to take out for consultation.

44 Confidential advice to Government [Redacted]

45 Confidential advice to Government [Redacted]

46 Confidential advice to Government [Redacted]

47 Confidential advice to Government [Redacted]

Initial thinking on sector and/or regional settings

48 The settings I have discussed to this point are intended to apply across the system, but I am aware that specific settings may have a larger impact in some sectors and/or regions. I propose considering whether sector/region

Confidential advice to Government [Redacted]

specific settings are needed to enable employers in certain sectors or regions to continue to recruit entry-level labour. This work would:

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49 To ensure all relevant perspectives are being considered, I will engage with the Minister and Associate Ministers of Agriculture, Rural Communities, and Social Development and Employment on specific rural/regional aspects of the AEWV review, as that work progresses.

Specific arrangements for seasonal work

50 I will also be looking at immigration pathways for seasonal migrant workers, as sectors have long been raising challenges with the main temporary work visa pathways, noting they are not fit-for-purpose for this cohort of workers.

Next steps for the review

51 Officials are planning to conduct targeted stakeholder consultation on the package of proposals throughout September and October. This will likely involve online or in-person discussions with a range of peak bodies, employer groups, and migrant representative groups during the consultation period. Smaller scale follow-up meetings can also take place, where needed.

52 Following this and further detailed design work, I intend to bring final proposals back to Cabinet for agreement in December 2024. Implementation is likely to be phased from early 2025, with more specific timing estimates dependent on the final package of changes agreed.

Implementation

53 INZ officials have estimate that implementation timeframes for the interim changes in this paper are as follows:

Interim changes	Implementation timing
Confidential advice to	Confidential advice to Government
Increasing visa duration for partners of NZ citizens and residents	By early October
Short-term exemptions from skills/experience requirements in certain cases	September

Cost-of-living Implications

54 If implemented, some of these proposals may increase the cost for higher-risk employers to engage with the immigration system, but further work is needed on the detailed design of the final proposals before impacts can be finalised. This will be considered further as part of the stakeholder consultation process.

Financial Implications

55 The cumulative impact of these changes may affect resourcing for INZ. [REDACTED]
Confidential advice to Government [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Legislative Implications

56 Some of the discrete interim changes proposed in this paper will require amendments to immigration instructions. Subject to Cabinet’s agreement, I will certify new instructions in line with the decisions taken.

57 I will be in a position to report back to Cabinet in December with a better estimation of the legislative implications of this second phase of work. [REDACTED]
Confidential advice to Government [REDACTED]
[REDACTED]

Impact Analysis

58 This proposal does not require a Regulatory Impact Assessment as it has no direct legislative implications. However, I will consider whether a Regulatory Impact Assessment is needed for the upcoming Cabinet paper in December. There are no direct climate implications of this proposal.

Population Implications

59 The overall population implications of the phase two proposals will be informed by stakeholder engagement, as proposals are developed and detailed design is undertaken.

Human Rights

60 The proposals in this paper do not have direct implications for the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

- 61 External resources have not been used in the development of the proposals in this paper. Any use of external resource for future work, including any external advisory groups, will be consistent with the Governments ongoing fiscal sustainability programme.

Consultation

- 62 The following agencies and departments have been consulted on and/or informed of the proposal in this paper: The Treasury, Ministry for Primary Industries, Ministry of Social Development, Ministry of Transport, Ministry of Education, Oranga Tamariki – Ministry for Children, New Zealand Transport Agency, Ministry for Ethnic Communities, Te Puni Kokiri, Ministry of Housing and Urban Development, New Zealand Qualifications Authority, Tertiary Education Commission, Ministry for Pacific Peoples, Ministry of Health, Ministry for Women, Whaikaha – Ministry for Disabled People, Department of Prime Minister and Cabinet (Policy Advisory Group) and the Accident Compensation Corporation.
- 63 A number of agencies noted the risk of introducing more complexity into the system as a result of some of the proposals (e.g. additional accreditation types, regional and/or sector-specific settings). In that context, they also emphasised the importance of teasing out the costs and benefits as part of the cumulative impact of final proposals and consideration of what system best attracts migrant workers with the mix of skills and experience needed for labour shortages.
- 64 To inform final Cabinet decisions in December, I have asked officials to consider the likely scale of cumulative impacts on migration volumes, a sense of their likely impacts across different skill types, and (if impacts are expected to be moderate or significant) some description of the expected impacts for absorptive capacity as part of their work, where feasible.

Communications and proactive release

- 65 I intend to socialise the main proposals through the targeted stakeholder engagement process and communicate the discrete interim changes as final decisions are taken (either by Cabinet or myself as the Minister of Immigration).
- 66 This paper will be proactively released subject to redactions as appropriate under the Official Information Act 1982 after announcements are made.

Recommendations

The Minister of Immigration recommends that the Committee:

- 1 Note the record high levels of net migration alongside increasing reports of migrant exploitation led to the first suite of changes to the AEWV announced in April this year;

- 2 Note this second phase of the AEWV review must align with the Government's wider immigration priorities and allow migrants to continue to play a crucial role in the delivery of the Government's commitments across a range of portfolios;
- 3 Note in the interim I have progressed a number of discrete changes to advance Government priorities;
- Confidential advice to Government
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- Confidential advice to Government
[Redacted]
- 6 Agree to increase the maximum duration of work and visitor visas for partners of New Zealand citizens and residence class visa holders from two to three years, for couples who have been living together for at least 12 months;
- 7 Agree to introduce some interim exemptions to the skills requirement for the AEWV for:
 - 7.1 migrants recruited under the 2024/25 cap for the meat and seafood processing sectors;
 - 7.2 migrants looking to extend their existing AEWV for the same role under the tourism and hospitality wage exemption, if their current visa expires on or before 31 March 2025; and
 - 7.3 migrants looking to extend their existing AEWV for the same role under the Care Workforce sector agreement, where that role pays \$26.16 per hour and their current visa was issued between 4 July 2022 and 23 November 2023;
- 8 Note I am also progressing the following changes:
 - 8.1 An interim and time-limited pathway through the Specific Purpose or Event Work Visa for experienced seasonal workers; and
 - 8.2 Removal of the ability for licensed immigration advisors to engage with the Ministry of Social Development on the employer's behalf as part of the Job Check's current labour market test process;
- 9 Note officials estimate that implementation timeframes for these interim changes are between one and four months of final decisions being taken;
- 10 Authorise the Minister of Immigration to make further policy decisions as required to give effect to the decisions made on interim changes in this paper;

- 11 Note I have set the follow overarching objectives for this second phase of the AEWV review to be focused on:
- 11.1 Objective 1: Increase the proportion of higher-skilled workers while managing overall net migration;
 - 11.2 Objective 2: Reduce risk in the system;
 - 11.3 Objective 3: Lower compliance costs for good employers and improve system efficiencies while maintaining appropriate checks and balances;
 - 11.4 Objective 4: Support regional and economic growth by ensuring that New Zealand has access to the skills it needs; and
 - 11.5 Objective 5: Encourage employers to genuinely look to hire New Zealanders first, while still providing access migrant labour where needed.
- 12 Note that in light of these objectives, the proposals in this paper are intended to ensure the immigration system is as streamlined, simple to understand and low-compliance as possible for employers and migrants, while providing regulatory certainty and ensuring risks are appropriately managed;
- 13 Note officials are planning to conduct targeted stakeholder consultation on the package of proposals throughout September and October;
- 14 Note targeted consultation will seek views from stakeholders on the following proposals:
- 14.1 A differentiated and graduated model of accreditation focused on streamlining the AEWV process for good employers, Confidential [redacted] while focusing more resources on higher-risk employers;
 - 14.2 A strengthened labour market test, which includes:
 - 14.2.1 Removal of the median wage Confidential advice to [redacted] Government
 - 14.2.2 Options for the role of the Ministry of Social Development; and
 - 14.3 An enhanced compliance function across the AEWV;
- 15 Note that through this review, I will be considering whether sector/region specific settings can be used to enable employers in certain sectors or regions to continue to recruit entry-level lower-skilled labour;
- 16 Note I will engage with the Minister and Associate Ministers of Agriculture, Rural Communities, and Social Development and Employment on specific rural/regional aspects of the AEWV review;

17 Note I will also consider a fit-for-purpose immigration pathway for seasonal work;

18 Confidential advice to Government
[Redacted]

19 Invite the Minister of Immigration to report back to Cabinet in December 2024 with final proposals for the second phase of the AEWV review.

Authorised for lodgement

Hon Erica Stanford

Minister of Immigration