

AIDE MEMOIRE

Composition of the Skilled Migrant Category – updated slide pack

Date:	25 May 2016	Priority:	Medium
Security Classification:	In Confidence	Tracker number:	MBIE 3194 15-16 T2016/953

Information for Ministers

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Hon Michael Woodhouse Minister of Immigration	Hon Craig Foss Associate Minister of Immigration

Contact for telephone discussion (if required)

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The following departments/agencies have been consulted

<input type="checkbox"/> Treasury	<input type="checkbox"/> MoJ	<input type="checkbox"/> NZTE	<input type="checkbox"/> MSD	<input type="checkbox"/> TEC	<input checked="" type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> MPI	<input type="checkbox"/> MfE	<input type="checkbox"/> DIA	<input type="checkbox"/> TPK	<input type="checkbox"/> MoH
<input type="checkbox"/> Other:		N/A			

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:

In Confidence



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Purpose

1. This aide memoire provides information on, and possible policy implications of, changes in the composition of the migrants in the Skilled Migrant Category (SMC). An updated slide pack containing detailed statistical information on changes in the composition and characteristics of migrants gaining residence under the SMC is attached as Annex One.

Context

2. On 10 December 2015, you received joint advice outlining a package of possible adjustments to current immigration settings to improve the long-term contribution of immigration to the labour market (MBIE 0699 15-16 and T2015/2946). On 3 February 2016, the Ministers of Finance, Tertiary Education, Skills and Employment and Immigration met to discuss the joint advice, and requested further information on trends and changes in the skill levels of migrants under the SMC. Ministers expressed an interest in having a further conversation about the skill composition of SMC in the context of resetting the New Zealand Residence Programme (NZRP).
3. A slide pack of information on the composition of SMC was provided to Ministers on 5 May 2016 (MBIE 2866 15-16 and T2016/728). The Minister for Tertiary Education, Skills and Employment has requested that a small number of additional pieces of information be included in the slide pack. We have therefore provided an updated slide pack and reissued the covering aide memoire.
4. The key changes in the slide pack are:
 - slide five has been updated to show the proportion of first-time temporary visa holders that transition to residence as SMC principal applicants
 - slide seven has been added to show changes to the average age and regional distribution of skilled migrants, and
 - appendix three has been updated to show the income differentials between domestic and international graduates represented as percentages rather than dollar amounts.
5. We also note that further research on the transitions to work and residence, and the labour market outcomes, of former international students is currently being undertaken by the Ministry of Business, Innovation and Employment. This will provide more data on recent cohorts of international students.

Key findings on the skill composition of migrants gaining residence under the Skilled Migrant Category

6. There is no single agreed proxy for measuring skills in an immigration context. Internationally, countries including New Zealand, use a mix of proxies including salary, education, work experience, skill level of specific occupations, and to a lesser extent English language ability. The statistical analysis attached to this note describes the current skill composition of principal applicants under the SMC, as well as changes that have occurred over time, using:
- Australia and New Zealand Standard Classification of Occupations (ANZSCO) commensurate level of skill
 - specific occupations and industries migrants are working in, and
 - median earnings.
7. The key findings are:
- Using the broadest level of occupational skill classification (ANZSCO), overall the skill levels of occupations have improved slightly over the last five years
 - There has been a small increase in the proportion of skill level 1 occupations (professionals and managers), a larger increase in the proportion of skill level 2 occupations (associate professionals and technicians), and a decrease in skill level 3 occupations (trades and other workers);
 - Looking at specific occupations:
 - SMC continues to be effective in attracting migrants in higher skilled occupations (e.g. nurses, IT professionals, civil engineers are all in the top 10 occupations);
 - However, there has been strong growth in SMC migrants working in occupations that are associated with lower wages (e.g. chefs, retail managers, café and restaurant managers are three of the top six occupations in SMC);
 - Looking at industries:
 - SMC migrants are more significantly represented in the industry sectors of professional, scientific and technical services, IT and Health care /social assistance than in other sectors;
 - Overall, across the economy, recent SMC migrants are taking a slightly smaller share of jobs across industry sectors in the five years from 2009/10 to 2014/15;
 - The main sector that went against the overall trend of a declining share of SMC migrants and saw an increase in the share of SMC migrants was accommodation and food services (with retail trade, agriculture and health sectors seeing minor gains in share as well);
 - Looking at median earnings, overall median incomes for SMC migrants have gone down over time:
 - Recent SMC migrants (resident in last five years) working in lower paid industries generally earn less than similarly-skilled New Zealanders in the same industry. For example, in the retail trade sector their median earnings were \$43,200, compared to skilled New Zealanders' full time earnings of \$52,200 (year to March 2015);

- However, in higher-wage sectors, recent SMC migrants' earnings are similar to skilled New Zealanders. For example, in the professional, scientific and technical services sector, recent SMC migrants had median annual earnings of \$72,600 compared to skilled full time New Zealanders of \$73,000 (March 2015).

Policy implications for discussion

The current skill composition of SMC may not be consistent with the Government's aims for a highly skilled and highly paid workforce

8. We consider that on balance the current skill composition of SMC migrants does not fully reflect the government's wider objectives to lift skills levels and incomes. While there are still highly-skilled and highly-paid migrants coming through the SMC there is also a tail of lower-skilled and lower-paid migrants.
9. Overall the median incomes of SMC migrants are lower now than when SMC was introduced in 2003. We have seen an increase in the share of jobs held by SMC migrants in lower-paid industries such as accommodation and retail. Three of the top six SMC occupations are chefs, café and restaurant managers and retail managers.
10. We consider that the SMC should focus on migrants that fill higher-skilled and higher-paid jobs. In our view the current SMC settings, the points system and the definition of what is a skilled job, are not as effective as they could be in assessing skills. The current policy requires migrants to meet a certain base level of skill (assessed through points for a job, qualifications, age and work experience etc) but selection and approval are then heavily weighted towards migrants who have a 'skilled' job here (detailed information on the current point system is contained in the slides). The broad ANZSCO skill levels (1-3) are relied upon to assess whether the job is skilled.
11. The current focus on migrants who have a job here may also work to the detriment of more highly qualified and experienced people who would like to migrate here but who do not currently have a job. The evidence suggests migrants approved from offshore earn more in the medium term than other migrants.
12. These issues could be partly addressed by adjusting the proxies used to measure and assess skills under the SMC, and the points associated with it. Exploring the feasibility of introducing other proxies (e.g salary) or adjusting the way ANZSCO is used could help shift the composition of SMC migrants towards higher-skilled and higher-wage industries and occupations. We also think that the points system and selection mechanisms could be better calibrated to provide more opportunities for highly-skilled migrants who do not have a job here. Consultation would be required, but we consider that there is value in exploring these changes.

Current and projected growth in SMC applications could impact on the future NZRP

13. The current NZRP expires on 30 June 2015. Cabinet will need to make decisions on the overall numbers in the planning range and the proportions allocated to the different migrant streams. The Minister of Immigration has indicated that he intends to maintain the planning range at 45,000 to 50,000 per year and keep the stream proportions the same.
14. The SMC is a key component feeding into New Zealand's overall residence numbers. The planning range for the skilled/business stream (which includes entrepreneurs, investors and SMC migrants and their dependants) is 60 per cent of the NZRP, equating to 26,900 to 29,975 migrants per annum. The SMC (covering principal applicant and their partners and dependent children) constitutes the bulk of this stream and just on half of the NZRP.

15. Most SMC migrants (86 per cent in 2014/15) transition to residence onshore having previously held temporary visas (student and work). The statistical analysis (slide four) shows the recent increases in student, study to work and Essential Skills work visas and provides a possible scenario for how this might affect the SMC and NZRP. For example, we are projecting that 67 percent more study to work visas will be approved this year than were approved in 2014/15. Approximately 40 percent of study to work holders transition to residence within three years.
16. If we assume that these trends continue then the SMC will place increasing pressure on the upper planning range of the NZRP in coming years, due to ongoing increases in temporary visa holders who are likely to seek to transition to residence. The numbers transitioning will depend on economic conditions as most of these migrants will be seeking to secure a 'skilled' job. The projected numbers in the slide pack also assume that no changes are made to SMC policy settings.
17. In order to manage the demand from SMC within the proposed NZRP planning range (and within existing policy settings), Immigration New Zealand could stop selecting Expressions of Interest (EOIs) with job offers and lower points¹. However, as noted above the SMC points system may not be calibrated correctly to ensure that highly-skilled and highly-paid migrants are prioritised². Alternatively, queues could develop if there are not enough residence places available in a particular year. Both of these scenarios would have negative consequences for some employers.
18. In our view a better and more long-term solution, as noted in the section above, would be to adjust the proxies used to measure and assess skills under the SMC, and the points associated with it. The aim would be to become more selective and targeted towards higher-skilled and higher-paid migrants. Such changes would also help to manage future pressures on the NZRP. Consultation would be required to ensure that the impacts on businesses are well understood.

Next steps

19. You are meeting on 31 May 2016 to discuss the implications of the attached SMC information (including possible consequences for options in developing the planning range for the NZRP). If Ministers agree to explore adjustments to SMC, Cabinet agreement in principle could be sought as part of the NZRP paper.

Annexes

Annex One: Changes in the composition of the Skilled Migrant Category [attached].

¹ The selection of SMC applications that score below 140 points (EOIs above 140 points must be selected irrespective of the NZRP) is closely linked to the size of the NZRP i.e. they are selected in sufficient numbers to meet the NZRP.

² Migrants with lower-skilled jobs could secure selection over higher-qualified/skilled migrants who don't have a job offer, or skilled migrants with job offers who may not hold formal or recognised qualifications (eg in IT sector). For example, a 50 year old Chief Technology Officer recruited from offshore with a job offer for \$120,000 and 25 years of industry experience, who holds a diploma qualification, would only be eligible for 135 points.



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



THE TREASURY
Kaitiaki Takekōwhiri

Changes in the composition of the Skilled Migrant Category

Statistical analysis of the skills of migrants gaining residence under the Skilled Migrant Category

25 May 2016



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Skilled Migrant Category – Introduction

This brief looks at the current profile of the migrants gaining residence through the Skilled Migrant Category (SMC), and the different pathways that migrants follow to reside in New Zealand (e.g. offshore/onshore, temporary work visas and international students).

New Zealand's SMC aims to attract and retain highly skilled migrants by providing a pathway to permanent residence. There is no generally agreed proxy for measuring 'high skills' in an immigration context. Most countries use a mix of proxies such as work experience, education level, specific occupations, salary, and to a lesser extent, language ability.

The brief provides a statistical analysis of SMC migrants (principal applicants, and not their families) in terms of:

- Broad-based commensurate level of skill associated to occupations under *Australia and New Zealand Standard Classification of Occupations – ANZSCO* [refer box below],
- The specific occupations/industry sectors that migrants are working in, and
- The median earnings of different types of SMC migrants and across different industry sectors.

The analysis looks at the current skill and employment outcomes of SMC migrants, as well as changes over time.

Data used in the analysis

- Data on SMC migrants used in this brief has been developed by MBIE Research and Evaluation Unit, using both the Integrated Data Infrastructure (IDI), managed by Statistics New Zealand, as well as administrative information extracted from Immigration New Zealand records.
- The **data used in this brief primarily covers the period 2009/10** (from this date the data on skills classification is most reliable) to the most recent period, 2014/15.
- Data on international students has been developed from the data available via the Ministry of Education, including the Education Counts website

S 9(2)(b)(iv)

ANZSCO - defining and classifying skills

Since 2008 immigration New Zealand has defined 'skilled employment' by using a broad-based commensurate level of skill associated to occupations in *Australia New Zealand Standard Classification of Occupation (ANZSCO)*, primarily used in the analysis of labour market statistics.

ANZSCO occupations are classified in terms of the ability of individuals to competently perform the various tasks normally associated with a job into five broad skill categories, with skill level based on:

- level or amount of required formal education and training
- on-the-job training
- relevant work experience.

For immigration purposes ANZSCO skill levels 1-3 are all defined as 'skilled employment', grouping together 'highly skilled' (Level 1 managerial and professional roles) with 'skilled' (Level 2 and 3 roles in clerical and administrative jobs, technicians and trades, service/retail managers, community and personal services). ANZSCO Levels 4 and 5 cover lower skilled occupations and do not qualify for SMC (e.g. carers, receptionists, road and rail drivers, process workers, sales workers and cleaners, etc).

ANZSCO commensurate level of skills provide an objective and consistent classification of skills. It is not an accurate description of the actual level of skills required for a particular job and/or the skills of a person employed in a particular job. It cannot easily differentiate between more senior and junior roles (particularly in managerial positions) and can be subject to gaming in terms of 'job title' inflation.

Skilled Migrant Category – Summary

The Skilled Migrant Category (SMC) policy continues to be effective in ensuring New Zealand successfully secures skilled migrants that can supplement the domestic labour market.

Using the broadest measure of classification [Australia and New Zealand Standard Classification of Occupations - ANZSCO], the skill level of the occupations of SMC migrants have improved over the last five years. [Pages 8 and 9]

The SMC policy has successfully attracted some high-skilled migrants (e.g. professionals such as civil engineers, nurses, ICT programmers). However, the last five years has also seen a growth in SMC migrants working in occupations/industries that are associated with lower wages (for example, chefs, ICT support technicians, retail managers, café and restaurant managers). [Page 10]

There are significant differences in the earnings of SMC migrants, depending on the industry sector in which migrants are working, with some SMC migrants earning less than skilled New Zealanders in some of the lower-paid sectors, and their pathway to residence (if they had previously held a temporary work visa, a student visa, or were recruited from offshore with no previous visa). [Page 13]

s 9(2)(f)(iv)

Example: Earnings differences of SMC Migrants [Appendix 2, page 18]
Recent skilled migrants in lower-wage industries tend to earn less than equivalent skilled New Zealanders: in the retail trade sector, median earnings for SMC migrants was \$43,200 per year, compared to skilled New Zealanders of \$52,200 (year to March 2015). However, in higher-wage sectors, SMC migrants earnings are similar to skilled New Zealanders (e.g. in the professional, scientific and technical services sector recent SMC migrants earned \$72,600 compared to skilled New Zealanders who earned \$73,000 (March 2015).
The median earnings of SMC migrants recruited from offshore (no previous visa held) are consistently higher across all industry sectors, compared with those who were already in New Zealand at the time of SMC approval (i.e. on temporary work or student visas).

The structure of the points-based SMC policy [Appendix 1: Page 17] may be favouring workers and for new international students on temporary work visas who have a job offer, over offshore professionals seeking to emigrate to New Zealand. There has been an increase in the proportion of former international students transitioning to residence under the SMC (43% of recent SMC migrants had previously held a student visa in 2014/15 compared to 32% in 2008/09).

The forecast growth in international students and temporary workers is expected to increase the pressure on the SMC planning range over the next few years. It would be timely to examine how the SMC policy could be modified to enable it to continue to provide pathways for international students and temporary workers, while at the same time, ensuring there are places available for high-skilled professionals wanting to migrate to New Zealand. [Page 4]

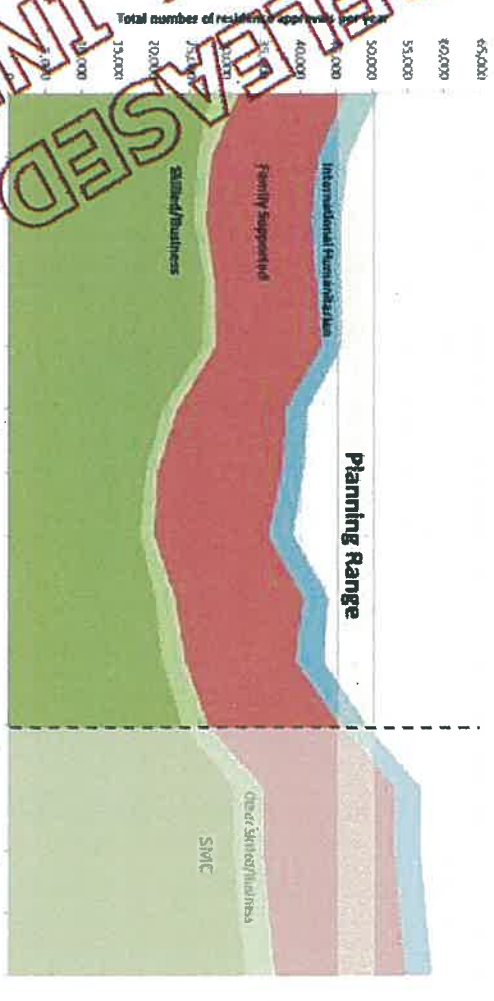
SMC and the New Zealand Residence Programme (NZRP)

Rising SMC numbers could place future pressure on the NZRP

The New Zealand Residence Programme sets the planning range for total residence numbers across the various immigration streams (currently 90,000-100,000 over two years). The Skilled/Business Stream (i.e. Investor migrants, entrepreneurs, SMC) has a cap of 60 percent of that range, equating to between 26,900 and 29,975 people per annum. The SMC (covering principal applicant, their partners and dependent children) constitutes the bulk of this stream and just on half the NZRP.

The SMC is expected to place increasing pressure on the upper planning range of the NZRP in coming years, due to ongoing increases in temporary visa holders who are likely to seek to transition to residence. Most SMC migrants (86 per cent in 2014/15) are currently in New Zealand when they transition to residence having previously held temporary visas (student and work). The graph (*Number of people approved, 2005/06-2015/16 by selected temporary policies*) shows recent trends in tertiary students, study to work and Essential Skills temporary visas (which have high transition rates to residence). For example, we are projecting that 67 percent more study to work visas will be approved this year than were approved in 2014/15.

The graph (*Annual residence visa approvals*) shows one possible scenario regarding the impact that the current growth in SMC and temporary visa holders could have on the NZRP in coming years. The scenario uses a conservative estimate of 5% growth in international student numbers (and tertiary student visas), with no change in other migrant streams. It also assumes that no changes are made to SMC policy settings or operational processes. The numbers transitioning will also depend on economic conditions and the availability of 'skilled' jobs.



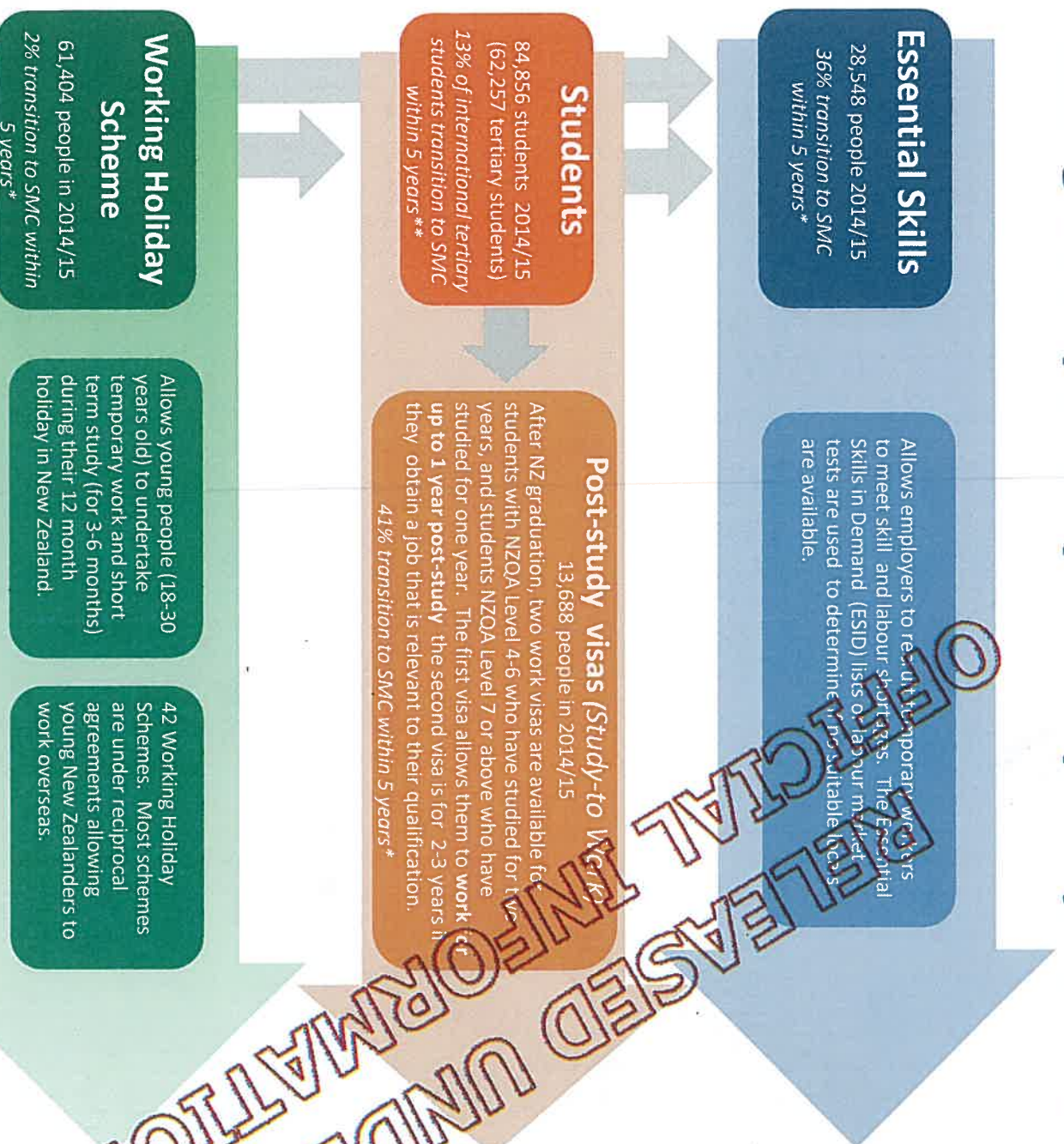
Number of people approved, 2005/06-2015/16* by selected temporary policies



* 2015/16 estimated from numbers of people approved in May



Immigration pathways – Temporary work to NZ residence



* Transition rates are measured from first visa held to approval as an SMC principal applicant. The percentage is estimated from transition rates of previous cohorts from 2007/08 to 2011/12. ** Transition rates vary by nationality e.g. 25-30% of Indian students transition compared to 10% of Chinese students. Data source: MBIE, Migration Trends and Outlook 2014/15, Appendix, Temporary Visa Holders, Table 19

Skilled Migrant Category (SMC)
10,621 people² 2014/15
(21,165 including dependants)

Policy aim is to select migrants with technical, specialist or management expertise that can help grow New Zealand's economy.

Residence is determined through a points-based system, with points awarded primarily for a skilled job/job offer and qualifications, as well as age (55 years is the maximum), work experience, and bonus points if the job/job offer is outside Auckland or an area of skills shortage or future growth (ICT, creative industry or biotech), and if the partner has skilled job and/or qualifications.

[Refer Appendix One for SMC points system]

9,190 SMC migrants in 2014/15 were already in New Zealand (onshore) at the time of approval, (86% of all SMC migrants).

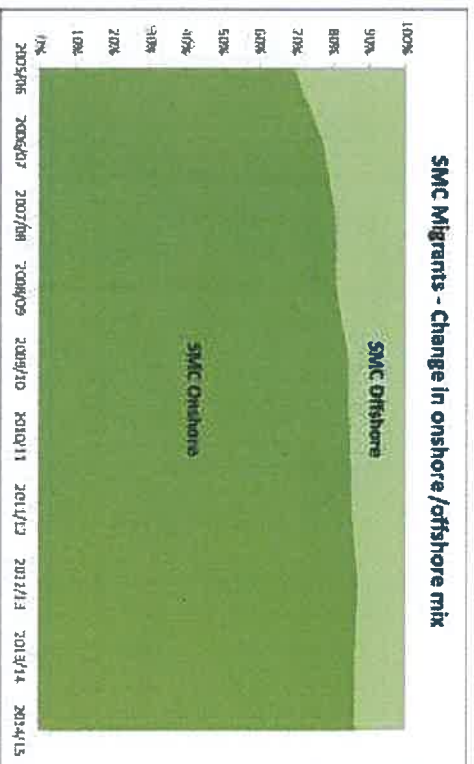
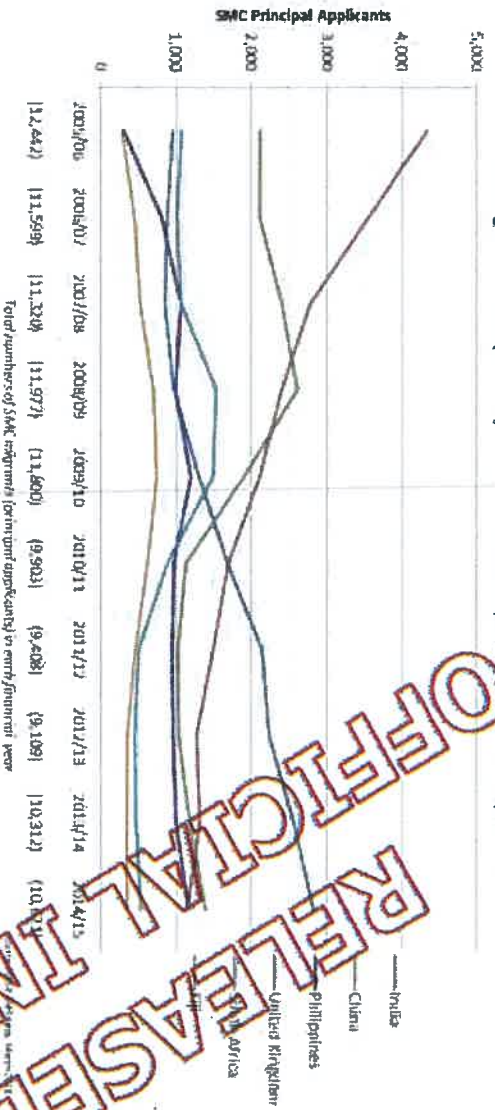
- SMC migrants previously held the following visa(s) in 2014/15 (compared with 2008/09):
- 52% **Essential Skills Visa** (2008/09, 52%)
 - 13% **Student Visa** (2008/09, 32%)
 - 37% **Study-to-Work Visa** (2008/09, 25%)
 - 13% **Working Holiday Scheme Visa** (2008/09, 7%)

NB: Migrants can move between visas, so numbers add to more than 100%

² SMC Migrants refers to 'principal applicants' only throughout this analysis.

Changes in country of origin for SMC

SMC migrants from primary source countries, 2004/05 to 2014/15

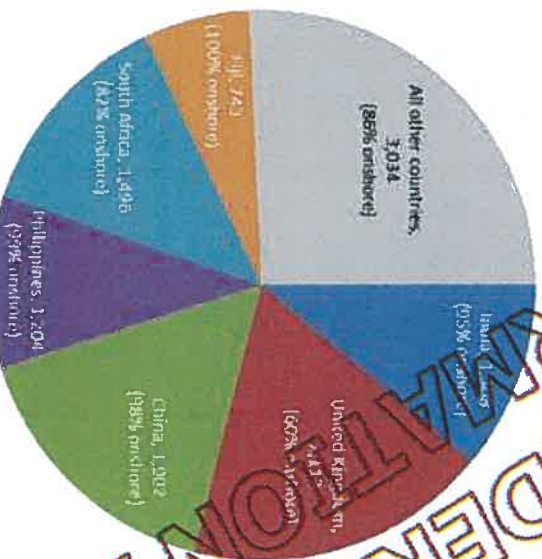


In 2004/05, nearly three-quarters of SMC migrants (principal applicants only) came from these six countries. The contribution of these six countries has remained broadly similar over the years to 2014/15, dropping slightly to 70% of all SMC migrants approved in five years.

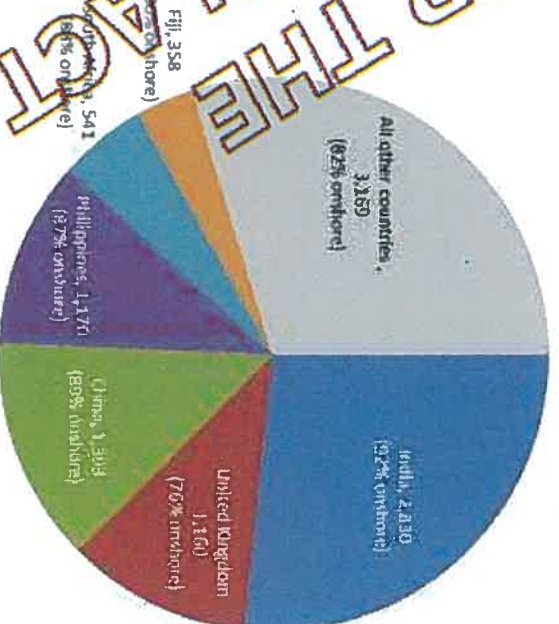
Total SMC migrants have fluctuated between 9,100 and 12,400 over the years 2004/05 to 2014/15.

In 2009/10, there were 11,800 SMC migrants (principal applicants only), with many onshore (85%) at the time of their application on an existing temporary work visa (eg Essential Skills, Working Holiday Scheme or Study-to-Work visas). In 2014/15, of the 10,621 SMC migrants, 86% were onshore, compared to 76% onshore in 2004/05.

2009/10 SMC Migrants - Primary source countries (and proportion SMC migrants onshore)



2014/15 SMC Migrants - Primary source countries (and proportion SMC migrants onshore)



Sources: MBIE AMS data, March 2016 and Migration Trends and Outlook 2014/15 (Table 19)

Changes in age and regional distribution of SMC

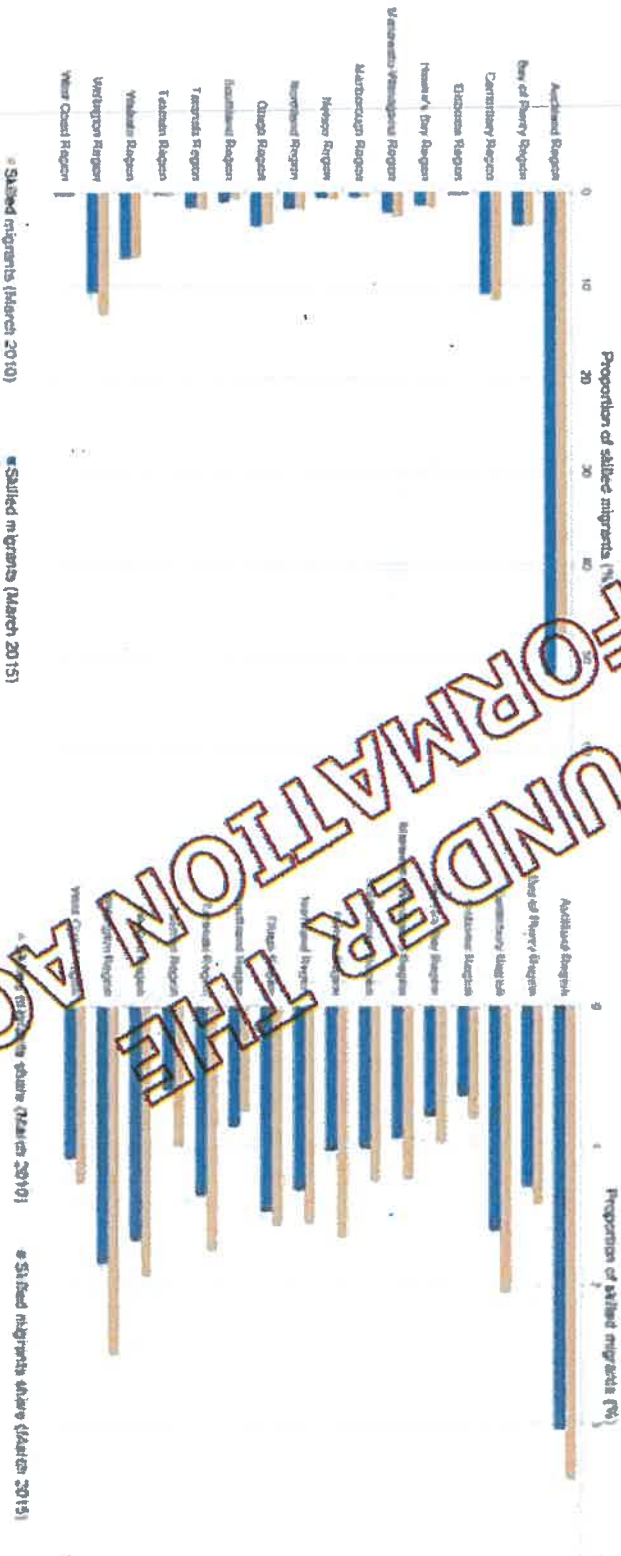
The average age of SMC migrants (principal applicants) has fallen slightly since 2008/09. This reflects the increased proportion of former students in SMC since that time. SMC migrants who had previously held a student visa were on average younger than those migrants who had held an Essential Skills visa only, or had not previously held a work or student visa.

In 2015, more than half of all SMC migrants (principal applicants) were employed in Auckland. The proportion of jobs in Auckland has increased slightly since 2010. The proportions for most other regions dropped or stayed roughly the same over that same time.

(We have seen an increase in SMC migrants with jobs in Canterbury over the past year, largely in construction jobs).

There has also been a decrease in SMC migrants share of total employment in almost all regions (including Auckland) since 2010. This is likely to be a result of fewer SMC visas being approved during the period following the GFC as well as an increase in total employment.

Skilled migrants* employment by region 2010 and 2015 **Skilled migrants* share of jobs by region 2010 and 2015**



* All migrants who had previously been granted a skilled residence visa (in any year) and who earned salary and wages in 2010 or 2015 in each region. Sources: MBE AMS data, and Statistics NZ. (DI) accessed by MBE in May 2015

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Changes in the ANZSCO skill level mix

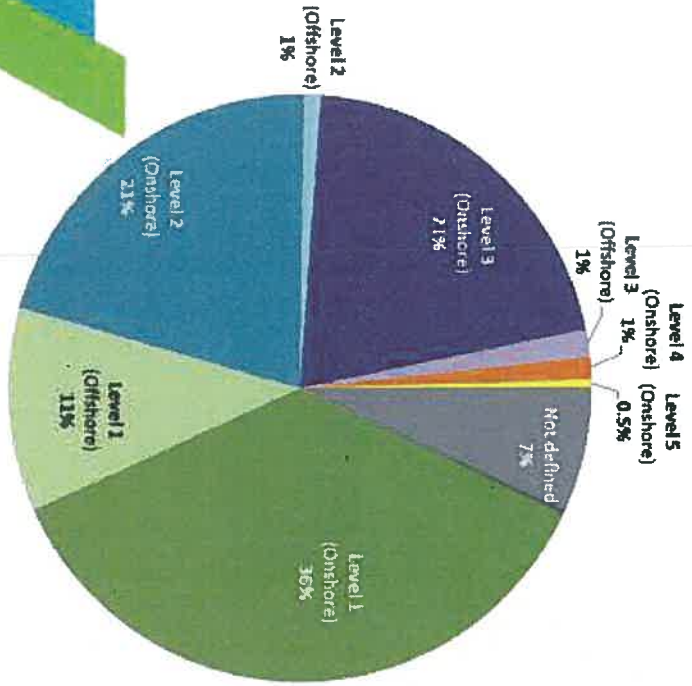
Using the ANZSCO commensurate level of skill there has been an overall increase in the skill levels of the occupations of migrants approved for residence under the SMC between 2009/10 and 2014/15. Since 2009/10, the numbers of SMC migrants with:

- ANZSCO Level 1 jobs (eg managers and professionals) increased from 47%, to 51% in 2014/15
- ANZSCO Level 2 jobs (eg clerical and administrative jobs, technicians and trades, service/retail managers, community and personal services etc) increased from 22% to 30% of SMC approvals in 2014/15, and
- There has also been a decrease in SMC approvals for jobs at ANZSCO skill level 3 (mainly trade jobs) and below.

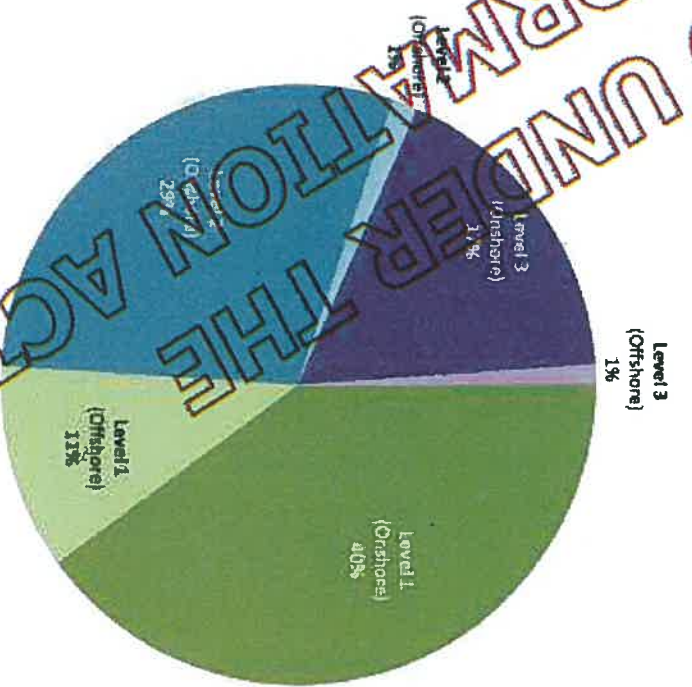
The majority of SMC migrants are onshore (often on temporary work visas) at the time of their application. SMC migrants applying from offshore tend to be at ANZSCO Skill Level 1 (e.g. managers and professionals) jobs.

While this ANZSCO assessment appears to show a general rise in the proportion of SMC migrants engaged in skilled employment, as noted earlier, it is not an accurate description of the actual level of skills required for a particular job and/or the skills of a person employed in a particular job. Accordingly, it is necessary to consider other proxies for skills, such as, types of occupations/industries and salary/wages, to better understand the changes in overall skill mix of SMC migrants.

ANZSCO Skill Level of approved SMC migrants - 2009/10
(11,800 onshore and offshore SMC principal migrants)



ANZSCO Skill Level of approved SMC migrants - 2014/15
(10,621 onshore and offshore SMC principal migrants)



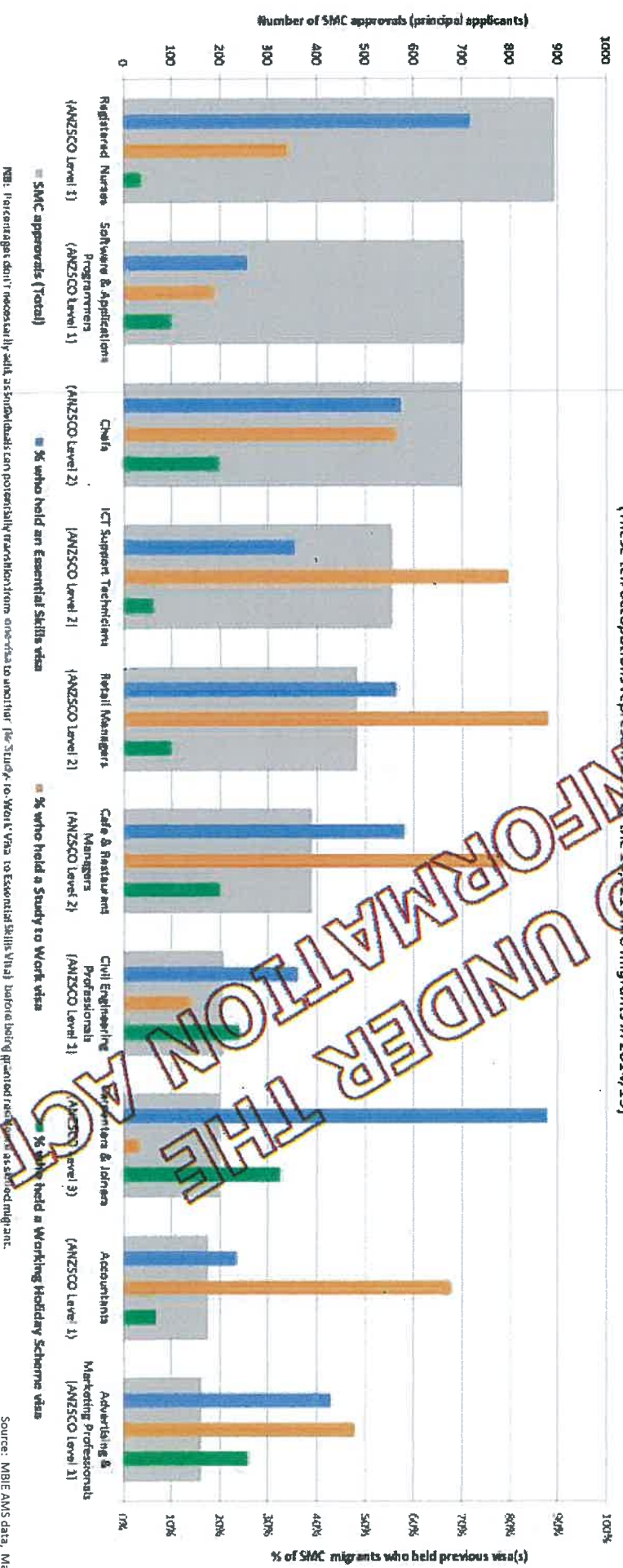
Importance of previous visas in filling some jobs under SMC

Across the broad-based skill level measures (ANZSCO) we have seen some changes in the proportion of SMC migrants holding previous visas:

- At **ANZSCO Skill Level 1** (professional and managerial jobs), 31% of SMC migrants had once held a student visa in 2014/15 (compared to 20% in 2009/10), while SMC migrants who had previously held an Essential Skills visa declined to 44% in 2014/15 (compared with 52% in 2009/10).
- At the lower **ANZSCO Skill Level 2** (eg clerical and administrative, ICT technicians, retail and hospitality managers), 71% of SMC migrants had previously held a student visa in 2014/15 (compared to 49% in 2009/10). This compares to about half of SMC migrants having previously held an Essential Skills visa (51% in 2014/15, down from 65% of SMC in 2009/10).
- In the trades, construction, office occupations (**ANZSCO Skill Level 3**), SMC migrants more generally have held an Essential Skills visa – 78% of SMC at this level in 2014/15. And, 28% of SMC migrants had previously held a student visa (up from 13% in 2009/10).

The 'Top 10' occupations in 2014/15 (representing 39% of all SMC approvals) highlights the growing importance of the student and temporary work pathways in some of the main occupations approved under the SMC policy. Overall in 2014/15, 37% of SMC migrants had previously held a study to work visa and 52% had held an Essential Skills visa. But, in some occupations, the levels of previously held visas are significantly higher (as illustrated in graph below, i.e. retail manager, ICT support technicians, carpenters and joiners etc).

'Top 10' Occupations of SMC migrants and their previous visa(s) 2014/15
(These ten occupations represent 39% of the 19,211 SMC migrants in 2014/15)



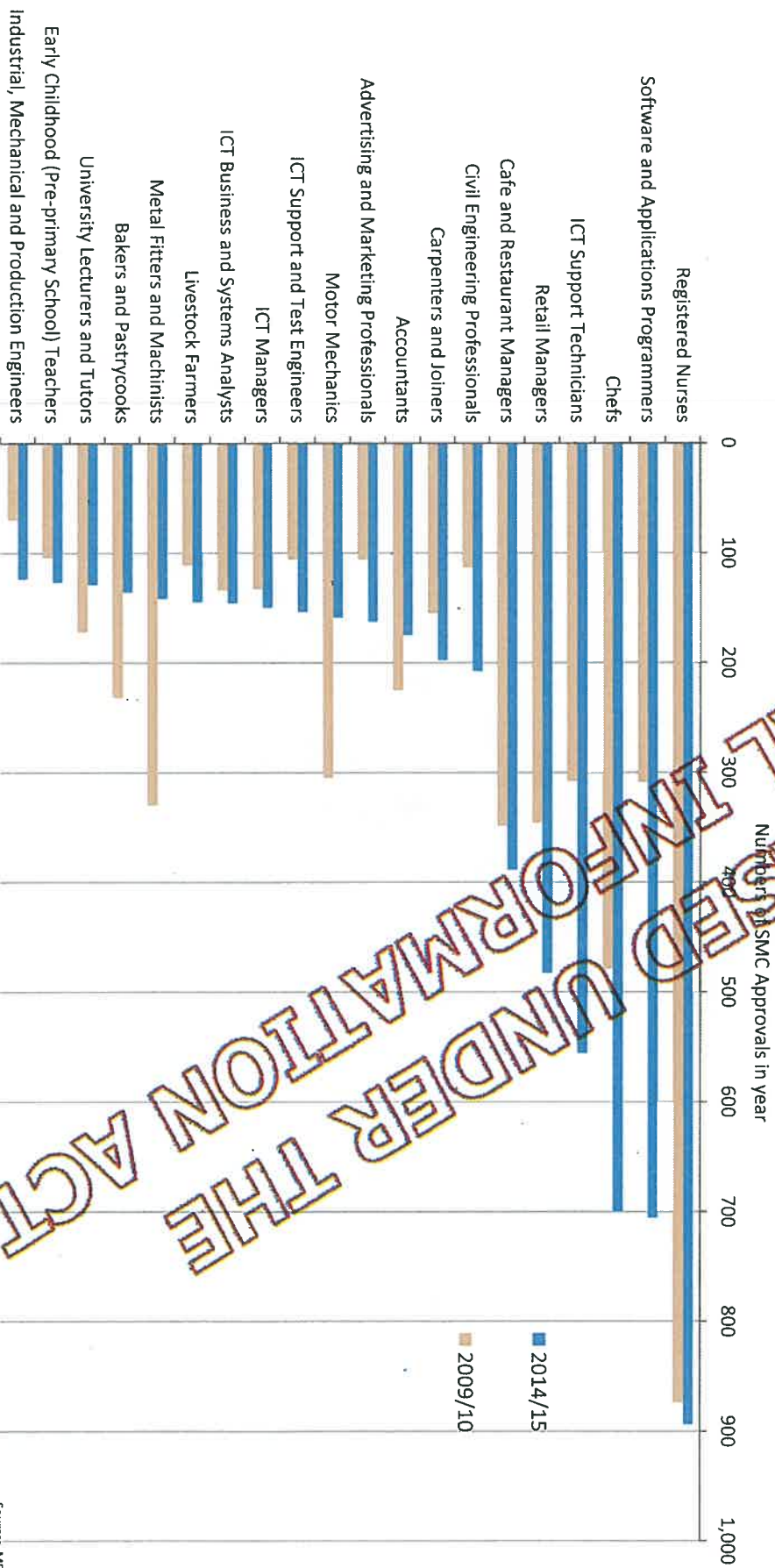
NOTE: Percentages don't necessarily add to 100% as individuals can potentially register from one visa to another (ie Study to Work Visa to Essential Skills Visa) before being granted a permanent resident visa.

Source: MIEE AWIS data, March 2016

Growth in SMC migrants in some lower paid occupations

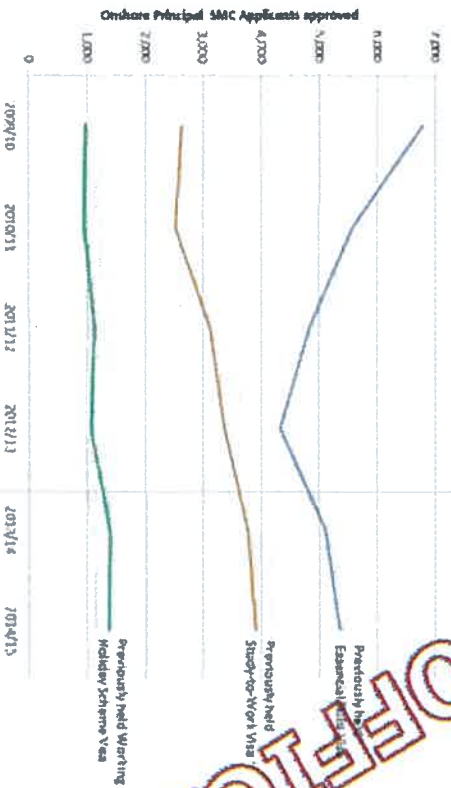
- The 'Top 20' Occupations accounted for over half of all SMC approvals in 2014/15 (55% of SMC principal migrants), compared to 2009/10 when the 'Top 20' occupations accounted for 45% of all SMC approvals.
- Many of the same occupations have remained in the 'Top 20' over the five year period, although their relative position in the rankings have moved slightly and the proportion of overall SMC approvals has altered. For example, software and application programmers have moved from No.6 ranking to No.2 (3% of all SMC migrants in 2009/10 to 7% in 2014/15).
- However, we have also seen a growth in SMC migrants in occupations that are characterised by lower wages, such as retail managers, café and restaurant managers, ICT support technicians, etc. For example, chefs have decreased from the No.2 ranked occupation in 2009/10 to No. 3 in 2014/15, but they comprised 7% of all SMC migrants in 2014/15 (compared with 4% in 2009/10).

'Top 20' Occupations of SMC Migrants in 2014/15 (compared with 2009/10)



Pathways from study and temporary work grow for onshore migrants

SMC Migrants (onshore) pathways, 2008/09 – 2014/15

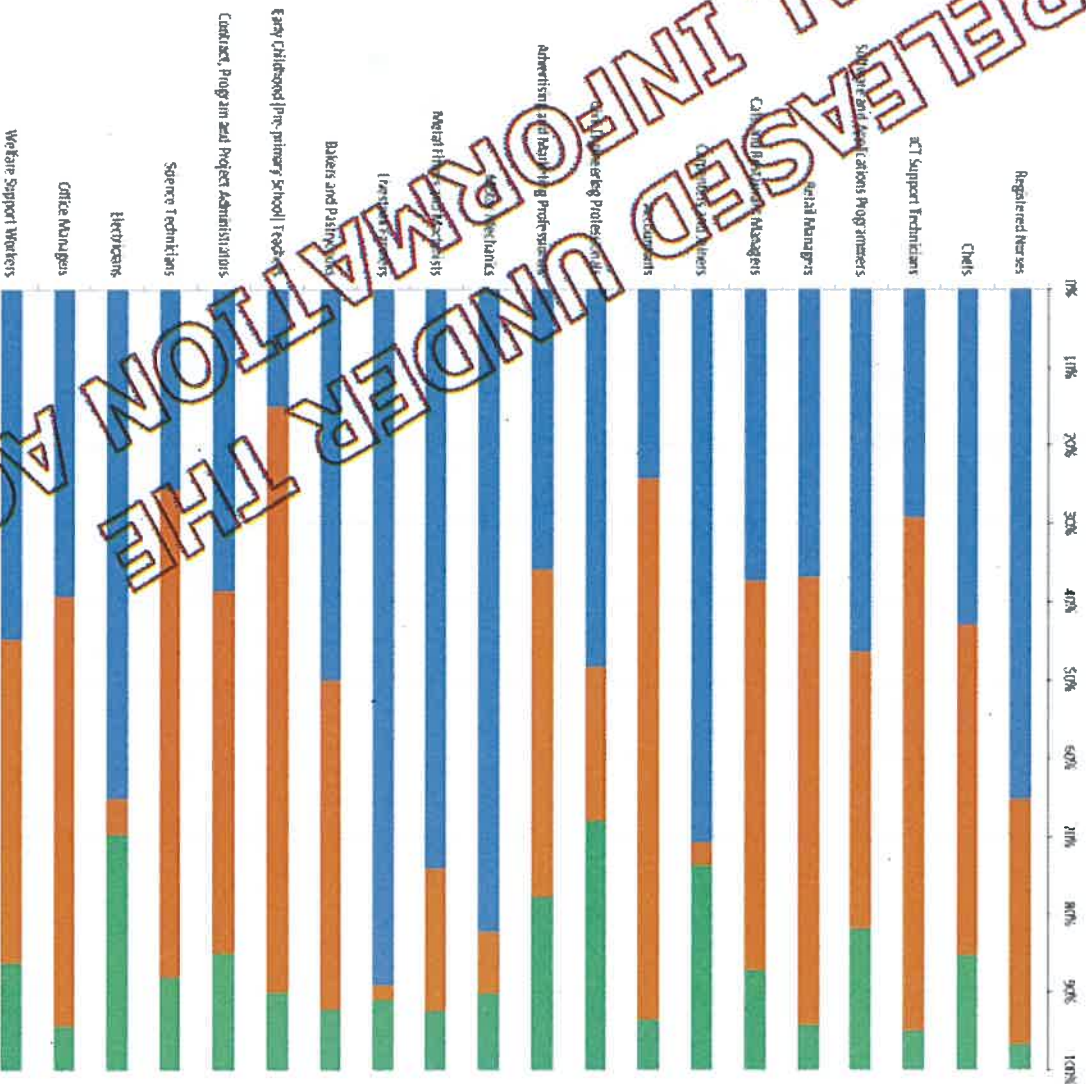


The vast majority of migrants who applied successfully as SMC migrants were already in New Zealand, usually on a visa that had enabled them to work. In 2014/15, 87% of SMC migrants (or 9,190 people) were onshore at time of application (a proportion that has remained relatively stable since 2009/10).

Many of the onshore SMC migrants, particularly those in jobs characterised by lower wages, held either a Study-to-Work visa and/or Essential Skills visa. For example, 89% of onshore SMC *Retail Managers* migrants (5th ranked SMC occupation), had previously held a Study-to-Work visa, and 57% had held an Essential Skills visa in 2014/15.

As migrants can hold different types of temporary visas prior to getting residence, it is possible that SMC migrants have held more than one type of visa. In 2014/15, for example, 91% of onshore SMC migrants *Carpenters and Joiners* had held an Essential Skills and a third had held a Working Holiday Scheme visa.

Top 20¹ SMC Migrant (onshore) 2014/15, by previous visa(s) held
Ranked from largest SMC occupation (top to bottom)



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Hon. Steven Joyce

¹Percentage for necessary, which may be potentially a combination of visas in order to obtain a Working Holiday visa to Study to Earn in SMC before approval for permanent residence at SMC migrant.

SMC migrants share of jobs across most industries has declined

SMC migrants share of jobs by industry, 2010 and 2015



- Overall, the share of wage/salary jobs held by recent SMC migrants across industry sectors has seen a slight decline in the five years from 2009/10 to 2014/15.
- SMC migrants were employed in 2% of all jobs in 2015 (March), compared to 2.3 % in 2010 (March).
- This small drop in SMC migrants share primarily reflects the increased numbers of jobs across many parts of the economy associated with improved economic conditions and growth, as well as a slight decline in SMC numbers in the most recent period.
- The main sector that went against the overall trend of a declining share of SMC migrants, and saw an increase in the share of SMC migrants in their industry sector was *accommodation and food services* (with *retail trade and health care /social assistance* seeing minor gains in share as well).
- SMC migrants, as would be expected, are more significantly represented in the industry sectors of *professional, scientific and technical services, IT and health care /social assistance*.

Note: This graph shows SMC migrants have a much lower percentage share of wage /salary jobs by industry compared to the graphs (8 and 9) in the December 2015 briefing *Improving the long-term contribution of immigration to the labour market* (MBIE 0699 15-66/T2015-2946). Those graphs included all recent migrants (migrating to New Zealand in last five years), both permanent and temporary migrants, showing that one in ten of wage and salary jobs was held by a recent migrant at March 2014.

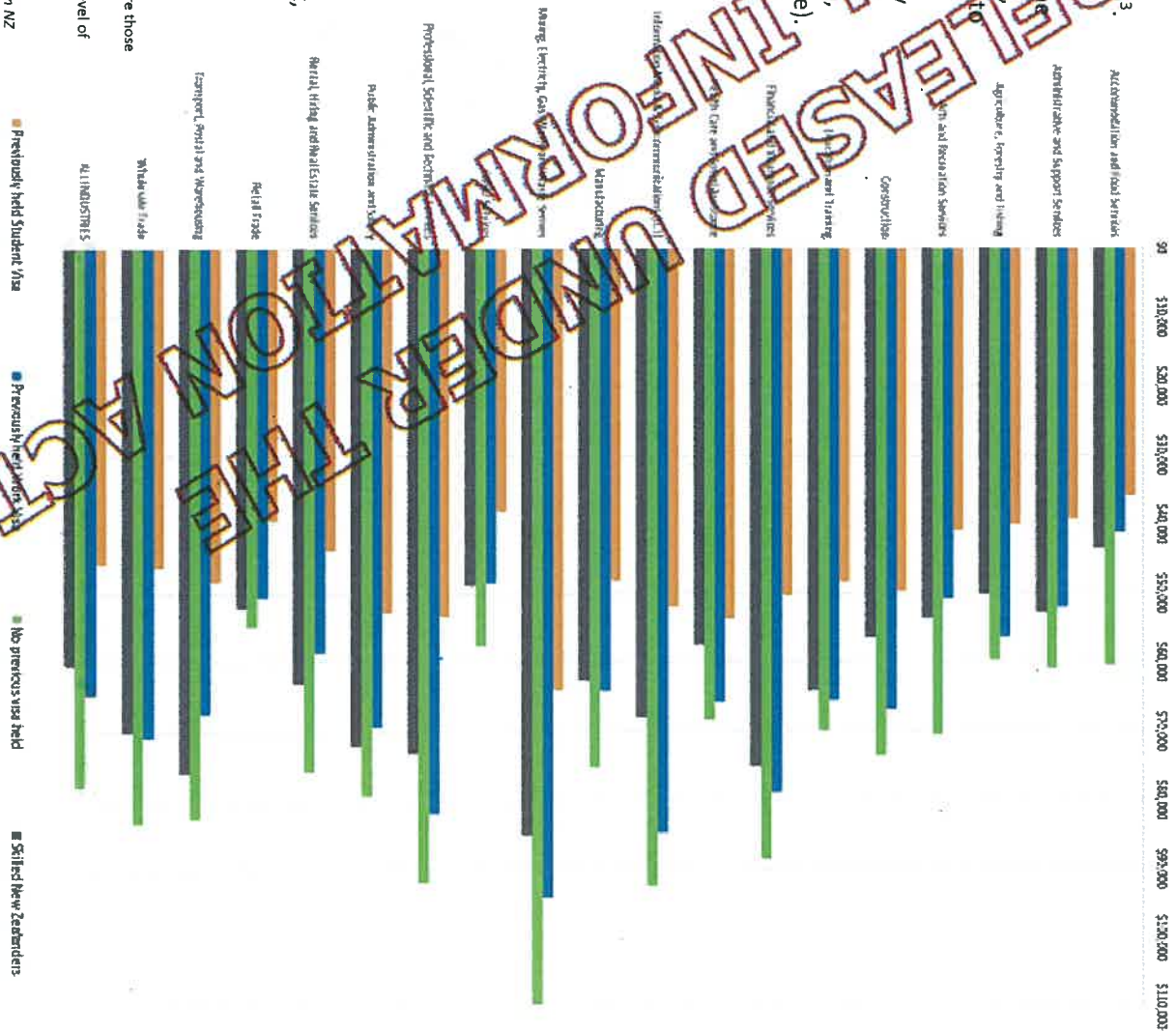


Source: Stats NZ, accessed by MBIE in March 2016

SMC migrants earnings vary across industry sectors and pathway

- The median annual earnings for all recent SMC migrants is \$57,700 (year ended March 2015), with former students earning \$45,700 and former temporary workers earning \$64,800¹. This compares to the annualised earnings for full-time, skilled workers² of \$60,400 and all workers of \$46,000, across sectors as at March 2015³.
- Some key SMC occupational groups (eg. chefs, café and restaurant managers, bakers etc) are concentrated in the *Accommodation and food services* sector. The median earnings for SMC migrants in this industry was \$38,000 pa (March 2015), compared with SMC migrants in *Health care* of \$62,200 pa (March 2015). Refer to **Appendix 2** for further details of median earnings, by pathway and industry.
- Not only is there variation in the median income of SMC migrants across industry sectors, there is also variation between SMC migrants who had previously held a student visa, a work visa (eg Essential Skills visa or Working Holiday Scheme visa), and those who had not previously held a visa (mainly migrants recruited offshore).
- For example, as outlined in the graph, in the year ended March 2015, earnings in key SMC sectors were:
 - *Accommodation and food services* – small difference in median earnings of \$5,300 between former students (\$35,800 pa) and former work visa holders (\$41,100 pa), while those with no previous visa had median earnings of \$60,400 pa
 - *ICT* – larger median earnings gap of \$32,800 between former students (\$51,800) and former work visa holders (\$84,600), while those with no previous visa in ICT sector had median earnings of \$92,400 pa
 - *Health care and social assistance* – (registered nurses were the No.1 SMC migrant occupation in 2014/15) former students earned \$53,500 pa, compared with former temporary workers earnings of \$65,700 pa (those with no previous visa earned marginally more at \$68,300 pa).
- Lower earnings of SMC former students across industry sectors is likely to reflect, in part, a lower level of labour market experience. However, previous MBE research found lower income for former students (compared to other SMC pathways), even controlling for other factors, such as, age and country/region origin⁴.

SMC Median Annual Earnings (end-March 2015) by industry and previous visa held¹
Annual median earnings for skilled, fulltime, New Zealand workers (ANZSCO Skill Levels 1, 2 and 3) are shown in black

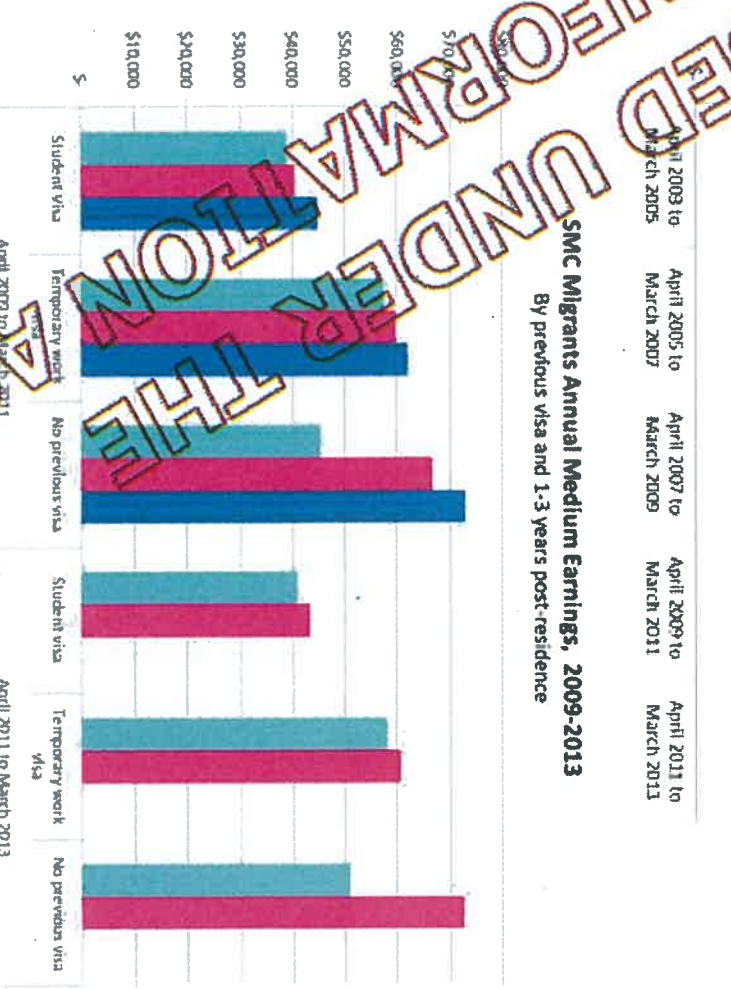
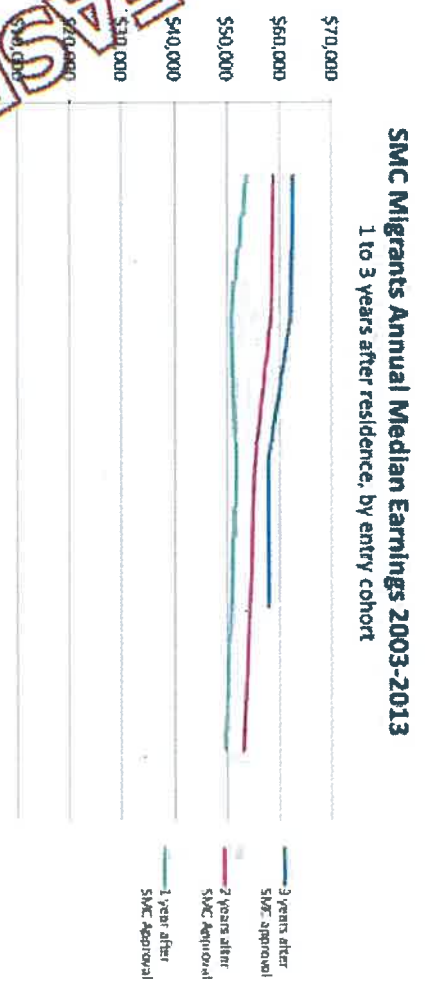
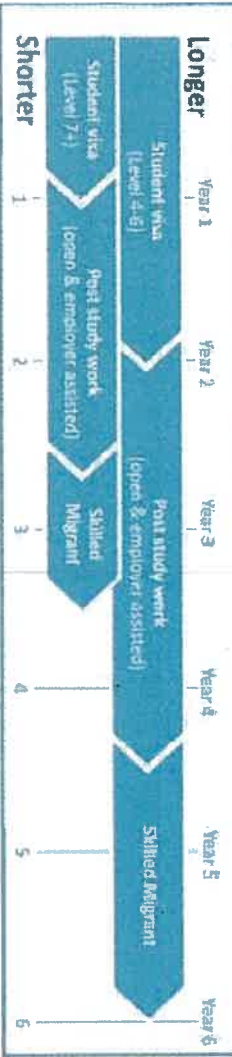


1 Statistics NZ, IDI accessed by MBE in March 2016. Recent SMC migrants are those who gained residence 0-5 years before end-March 2015 (reference point).
 2 Skilled New Zealand workers are full-time workers with occupation skill level of ANZSCO Levels 1, 2 and 3
 3 Income Survey data accessed April 2016.
 4 MBE (2015) Labour market integration and retention of skilled migrants in NZ

Wage gap for different types of SMC migrants over time

- Over the period 2003-2013, earnings of SMC migrants have declined by 10% (measuring earnings two years after SMC residence approval), with migrants who previously held a *work visa* declining by 12% and those with a *student visa* declining by 6%, while those who has *no previous visa* earned 5% more.
- SMC migrants with *no previous visa* (ie who are generally recruited offshore), start working life in New Zealand on lower earnings than SMC migrants who had previously held a temporary work visa. However, SMC migrants with *no previous visa* had the greatest gain in earnings after they gained NZ labour market experience.
- The median annual earnings of SMC migrants in the two years after approval in the 2011-2013 period was:
 - \$43,400 pa SMC migrants who had held a *student visa*
 - \$60,600 pa SMC migrants who had held a *temporary work visa*
 - \$72,700 pa for those who had *never held a previous visa*. These migrants tend to be recruited offshore, and offshore SMC migrants primarily work in higher paid professional/ manager occupations (ANZSCO Skill Level 1).
- The pattern of relative earnings across the different SMC migrants, and the earnings increased post-SMC approval (as per graph 2009-2013), is similar in earlier periods (2003-2009).
- SMC migrants who are former international students earned lower median earnings across all industry sectors compared with other categories of SMC migrants, to some extent reflecting their lower work experience.
- The gap in earnings between SMC former students and other SMC migrants remains at 3-years' post-residence, (and with the typical pathway of international students to SMC residence, many students will have been working 6-8 years in New Zealand at that point in time).

Typical student pathways to residence



Note: 3 year wage/salary outcomes are not available for all of the April 2011 - March 2013 entry cohort
 Source: Statistics NZ, IDI accessed by MBE in March 2016

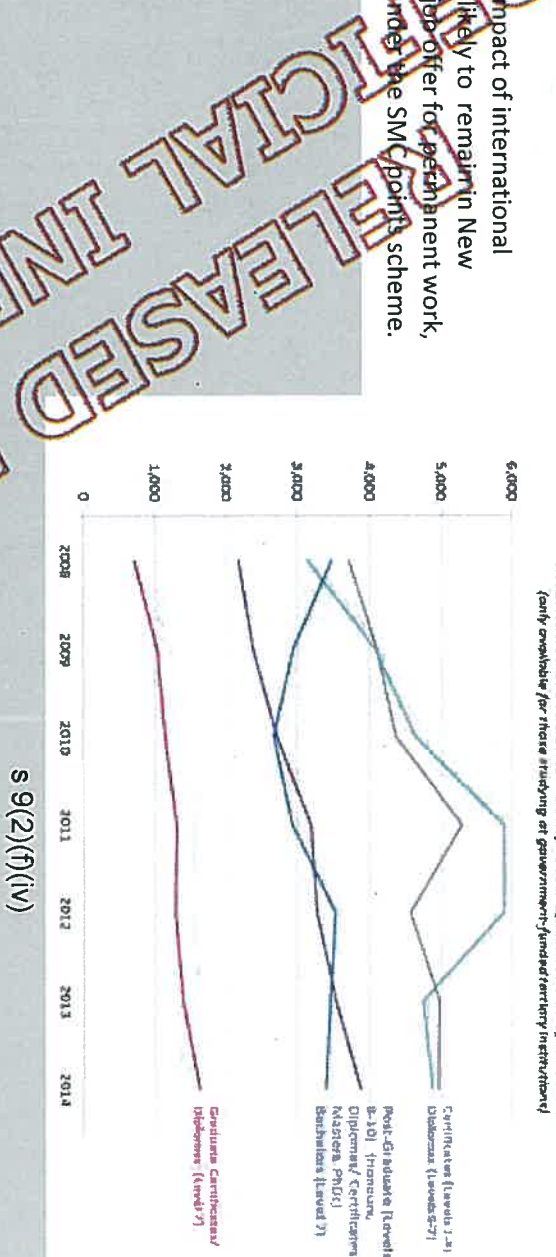
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Impact on SMC migrants flows through student pathway

Increasing numbers of international students qualifying

Current enrolments can provide a longer term signal of likely impact of international students on SMC migrants flows. Many of these students are likely to remain in New Zealand on Study-to-Work visas, and if successful in gaining a job offer for permanent work, they are then likely meet the criteria for automatic selection under the SMC points scheme.

S 9(2)(f)(iv)



S 9(2)(f)(iv)

Appendix 1: Skilled Migrant Category – Points

Skilled Migrant Category Points System

Minimum standard of English of International English Language Testing System (IELTS) 6.5, maximum age of 55 years, plus health and character requirements.

Selection is via an Expression of Interest points-based approach. Applicants with 100 points can submit an Expression of Interest to be considered in pool. Selection from the pool is made fortnightly, in numbers that will meet the New Zealand Residence Programme target range (currently 26,900 – 29,975 for Business/Skilled stream annually within an overall Residence Programme of 45,000-50,000 approved places for New Zealand residence [approximately 25,000 places for SMC applicants]). Applicants with 140 or more points are automatically selected from the pool and invited to apply for New Zealand residence, and selection of other applicants based on their points ranking.

Skilled employment

Permanent, full time employment with job listed in *Australian and New Zealand Standard Classification of Occupations* [ANZSCO] levels 1, 2 and 3, plus occupational registration if this is prerequisite to undertake employment in specific areas (eg plumber, medical, financial advisor, lawyer, teacher etc);

Offer of skilled employment, or currently in skilled employment in New Zealand for less than 12 months

Currently in skilled employment in New Zealand for more than 12 months

Bonus points for skilled employment ...

In an identified future growth area (eg biotech, ICT, creative industries).

In an area of absolute skills shortage

In a region outside Auckland

Work experience in 'skilled employment'

2 years

4 years

6 years

8 years

10 years.

Bonus points for work experience

Work experience in New Zealand of:

- 1 year
- 2 years
- 3 or more years

Work experience in an identified future growth area of:

- 2–5 years
- 6 or more years

Work experience in an area of absolute skills shortage of:

- 2 – 5 years
- 6 or more years

Qualifications

Level 6 to 6 qualification (eg trade qualification, diploma)

Level 7 or 8 qualification (eg bachelor degree or with honours)

Level 9 or 10 post-graduate qualification (eg masters degree, PhD)

Bonus points for qualifications

Full-time student in New Zealand completing a qualification for

- 2 years, completing a Bachelor degree (Level 7)
- 1 year, completing a post-graduate qualification (Levels 8, 9 or 10)
- 2 years, completing a NZ post-graduate qualification (Levels 9 or 10)

Qualification in an identified future growth area

Qualification in an area of absolute skill shortage

Age

20 - 29 years

30 - 39 years

40 - 44 years

45 - 49 years

50 - 55 years.

Close family/Partner

Close family in New Zealand

Partner has skilled employment or job offer

Partner holds a recognised Level 4-6 qualification

Partner holds a recognised Level 7 or greater qualification.

Points

30

25

20

10

5

10

20

10

20



Appendix 2: Median earnings – differences by industry and pathway

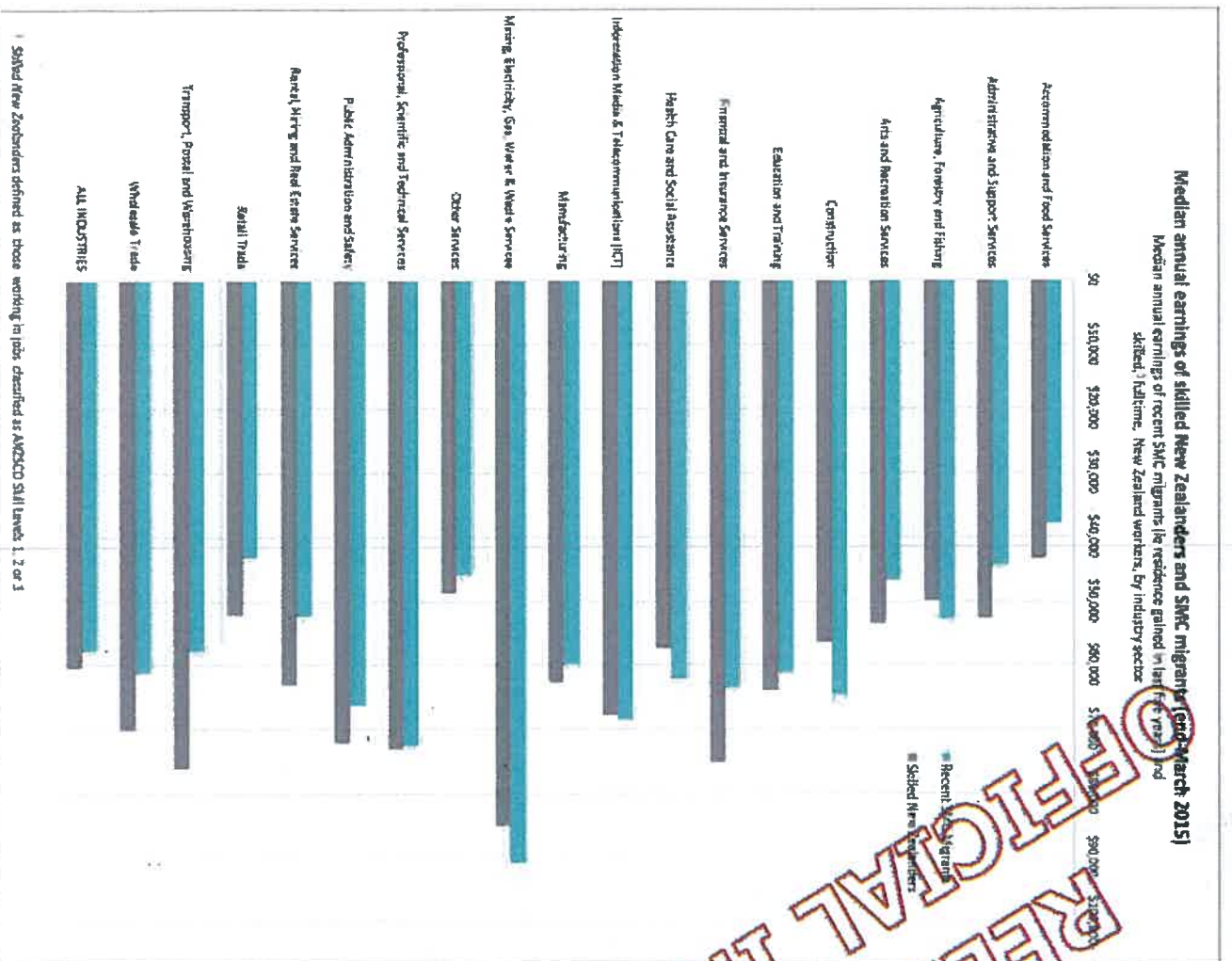


Table 1: Median annual earnings by industry sector for Recent SMC Migrants (by previous visa held) and Skilled, fulltime New Zealanders (ie jobs with ANZSCO Skill levels 1, 2 or 3), March 2015

Industry Sector	Pathway of recent SMC migrants			All recent SMC migrants (\$)	Skilled New Zealanders (\$)
	Previously held a Student Visa (\$)	Previously held a Work Visa (\$)	No previous visa held (\$)		
Accommodation and food services	35,762	41,140	60,435	38,037	43,440
Administrative and support services	39,132	51,924	60,828	44,492	52,806
Agriculture, forestry and fishing	39,947	56,309	59,630	52,859	50,039
Arts and recreation services	40,866	50,772	70,374	46,757	53,541
Construction	49,673	66,731	73,389	64,634	56,354
Education and training	48,320	65,486	69,876	61,110	64,049
Financial and insurance services	50,138	78,765	88,571	63,585	75,057
Health care and social assistance	53,484	65,710	68,292	62,186	57,294
Information media and telecommunications (ICT)	51,813	84,591	92,358	68,482	67,777
Manufacturing	48,086	64,031	75,093	59,841	62,616
Mining, electricity, gas, water & waste services	63,867	94,134	\$109,640	90,840	85,065
Other services	57,093	48,378	57,536	46,022	48,810
Professional, scientific and technical services	47,360	81,893	91,908	72,567	73,056
Public administration and safety	52,743	69,330	79,332	66,213	72,055
Rental, hiring and real estate services	43,787	58,553	75,794	52,420	63,049
Retail trade	39,348	50,585	54,825	43,205	52,180
Transport, postal and warehousing	48,317	67,491	82,647	57,833	76,058
Wholesale trade	46,206	71,003	83,328	61,155	70,054
ALL INDUSTRIES	45,714	64,751	78,085	57,720	60,424

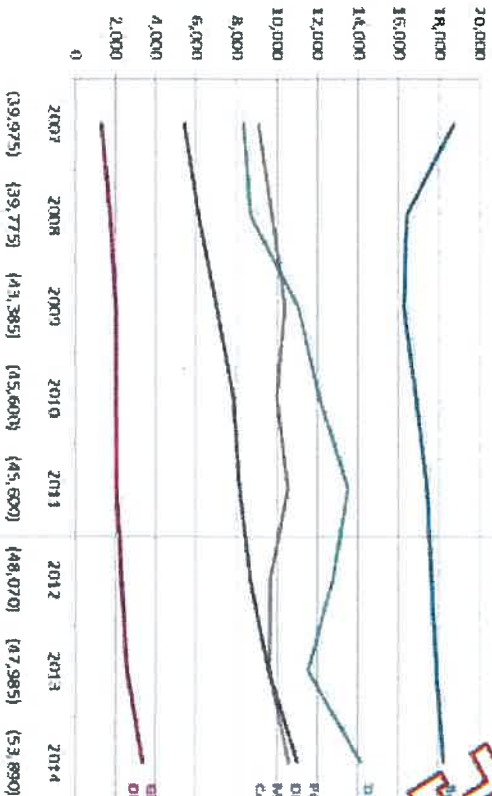
Source: Statistics NZ IDI data for incomes of recent migrants, accessed by MBE in March 2016 and incomes of New Zealand skilled workers from Statistics NZ Income Survey data, accessed by MBE in April 2016

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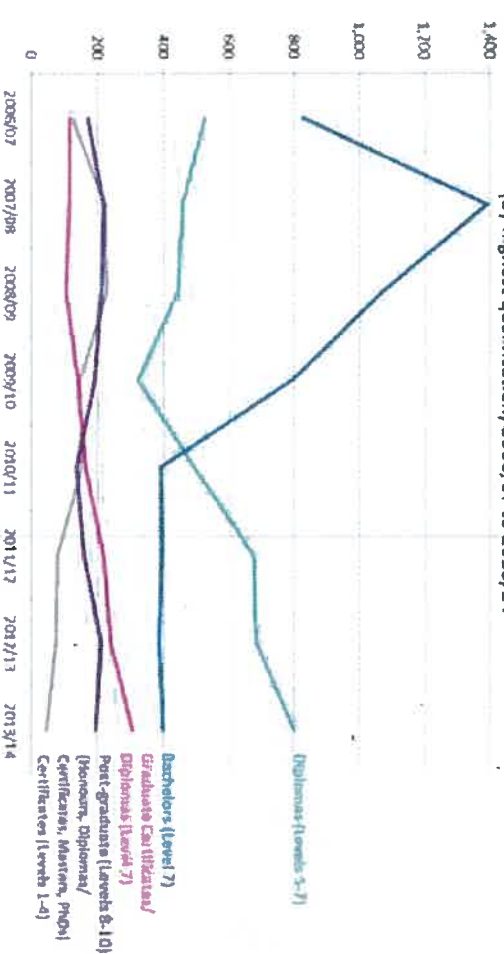
Appendix 4: International students grow

The numbers of international students enrolled at government-funded tertiary institutions have continued to grow - from 39,975 students in 2007 to 53,890 students in 2014. There are approximately 34,600 international students enrolled at non-funded Private Training Establishments (PTEs) in 2014, mainly in ESOL courses (although some students are also likely to be enrolled in other tertiary institutions in the same year).

International student enrolments at funded tertiary institutions 2007-2014

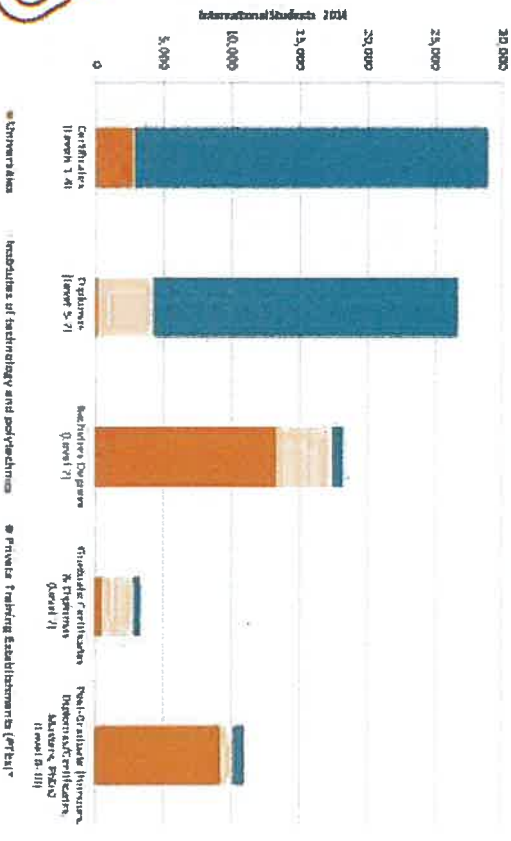


Qualifications of SMC Migrants who were former international students (by highest qualification) 2006/07 to 2013/14

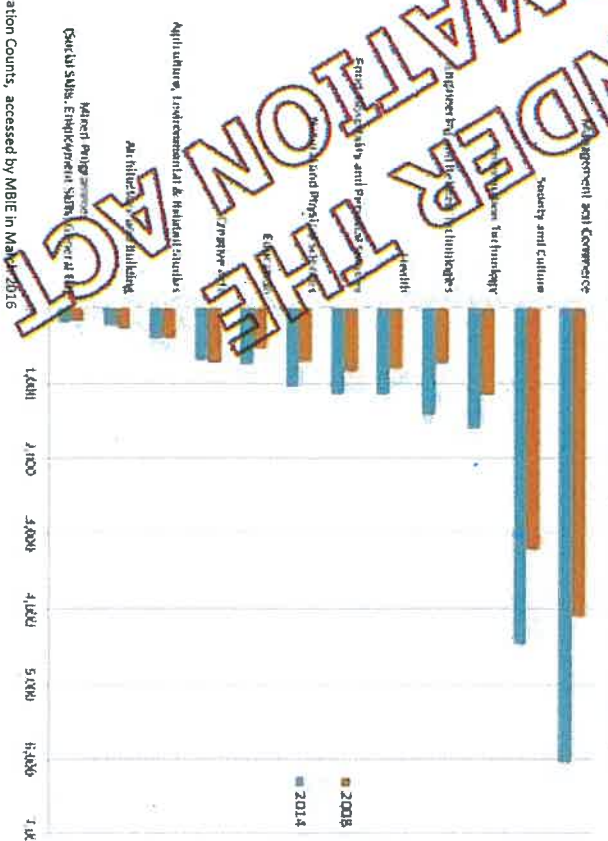


Source: SMC Migrants data and qualifications from , IDI data accessed by MBE in March 2015

Enrolments of International Students at Tertiary Providers, by qualification level, 2014 (covers 85,273 international students)



Changes in field of study (completed qualifications) 2008 and 2014 (only available for international students of government-funded tertiary institutions)



Source: Education Counts, accessed by MBE in March 2015



AIDE MEMOIRE

Composition of the Skilled Migrant Category – statistical analysis

Date:	5 May 2016	Priority:	Medium
Security Classification:	In Confidence	Tracker number:	MBIE 2866 15-16 T2016/728

Information for Ministers	
Hon Bill English Minister of Finance	Hon Steven Joyce Minister of Economic Development Minister for Tertiary Education, Skills and Employment
Hon Michael Woodhouse Minister of Immigration	Hon Craig Foss Associate Minister of Immigration

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Andy Jackson	Manager, Skills and Employment Policy (MBIE)	04 901 3855 s 9(2)(a)	✓
Hayden Fenwick	Manager, Labour Market and Welfare (Treasury)	04 917 6969	
Christine Hyndman	Manager, Immigration Policy (MBIE)	04 901 8575	
Sam Foley	Principal Advisor, Immigration Policy (MBIE)	04 901 8618 N/A	

The following departments/agencies have been consulted					
<input type="checkbox"/> Treasury	<input type="checkbox"/> MoJ	<input type="checkbox"/> NZTE	<input type="checkbox"/> MSD	<input type="checkbox"/> TEC	<input checked="" type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> MPI	<input type="checkbox"/> MfE	<input type="checkbox"/> DIA	<input type="checkbox"/> TPK	<input type="checkbox"/> MoH
		<input type="checkbox"/> Other:	N/A		

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:

In Confidence



AIDE MEMOIRE

Composition of the Skilled Migrant Category – statistical analysis

Date:	5 May 2016	Priority:	Medium
Security Classification:	In Confidence	Tracker number:	MBIE 2866 15/16 T2016/728

Purpose

1. This aide memoire provides information on, and possible policy implications of, changes in the composition of the migrants in the Skilled Migrant Category (SMC). A slide pack containing detailed statistical information on changes in the composition and characteristics of migrants gaining residence under the SMC is attached as Annex One.

Context

2. On 10 December 2015, you received joint advice outlining a package of possible adjustments to current immigration settings to improve the long-term contribution of immigration to the labour market [MBIE 0699 15-16 and T2015/2946 refer].
3. On 3 February 2016, the Ministers of Finance, Economic Development and Immigration met to discuss the joint advice, and requested further information on trends and changes in the skill levels of migrants under the SMC. Ministers expressed an interest in having a further conversation about the skill composition of SMC in the context of resetting the New Zealand Residence Programme (NZRP).

Key findings on the skill composition of migrants gaining residence under the Skilled Migrant Category

4. There is no single agreed proxy for measuring skills in an immigration context. Internationally, countries including New Zealand, use a mix of proxies including salary, education, work experience, skill level of specific occupations, and to a lesser extent English language ability. The statistical analysis attached to this note describes the current skill composition of principal applicants under the SMC, as well as changes that have occurred over time, using:
 - Australia New Zealand Standard Classification of Occupations (ANZSCO) commensurate level of skill
 - specific occupations and industries migrants are working in, and
 - median earnings.
5. The key findings are:
 - Using the broadest level of occupational skill classification (ANZSCO), overall the skill levels of occupations have improved slightly over the last five years:

- There has been a small increase in the proportion of skill level 1 occupations (professionals and managers), a larger increase in the proportion of skill level 2 occupations (associate professionals and technicians), and a decrease in skill level 3 occupations (trades and other workers);
- Looking at specific occupations:
 - SMC continues to be effective in attracting migrants in higher skilled occupations (e.g. nurses, IT professionals, civil engineers are all in the top 10 occupations);
 - However, there has been strong growth in SMC migrants working in occupations that are associated with lower wages (e.g. chefs, retail managers, café and restaurant managers are three of the top six occupations in SMC);
- Looking at industries:
 - SMC migrants are more significantly represented in the industry sectors of professional, scientific and technical services, IT and Health care /social assistance than in other sectors;
 - Overall, across the economy, recent SMC migrants are taking a slightly smaller share of jobs across industry sectors in the five years from 2009/10 to 2014/15;
 - The main sector that went against the overall trend of a declining share of SMC migrants and saw an increase in the share of SMC migrants was accommodation and food services (with retail trade, agriculture and health sectors seeing minor gains in share as well);
- Looking at median earnings, overall median incomes for SMC migrants have gone down over time.
 - Recent SMC migrants (resident in last five years) working in lower paid industries generally earn less than similarly-skilled New Zealanders in the same industry. For example, in the retail trade sector their median earnings were \$43,200, compared to skilled New Zealanders' full time earnings of \$52,200 (year to March 2015);
 - However, in higher-wage sectors, recent SMC migrants' earnings are similar to skilled New Zealanders. For example, in the professional, scientific and technical services sector, recent SMC migrants had median annual earnings of \$72,600 compared to skilled full time New Zealanders of \$73,000 (March 2015).

Policy implications for discussion

The current skill composition of SMC may not be consistent with the Government's aims for a highly skilled and highly paid workforce

6. We consider that on balance the current skill composition of SMC migrants does not fully reflect the government's wider objectives to lift skills levels and incomes. While there are still highly-skilled and highly-paid migrants coming through the SMC there is also a tail of lower-skilled and lower-paid migrants.
7. Overall the median incomes of SMC migrants are lower now than when SMC was introduced in 2003. We have seen an increase in the share of jobs held by SMC migrants in lower-paid industries such as accommodation and retail. Three of the top six SMC occupations are chefs, café and restaurant managers and retail managers.
8. We consider that the SMC should focus on migrants that fill higher-skilled and higher-paid jobs. In our view the current SMC settings, the points system and the definition of what is a

skilled job, are not as effective as they could be in assessing skills. The current policy requires migrants to meet a certain base level of skill (assessed through points for a job, qualifications, age and work experience etc) but selection and approval are then heavily weighted towards migrants who have a 'skilled' job here (detailed information on the current point system is contained in the slides). The broad ANZSCO skill levels (1-3) are relied upon to assess whether the job is skilled.

9. The current focus on migrants who have a job here may also work to the detriment of more highly qualified and experienced people who would like to migrate here but who do not currently have a job. The evidence suggests migrants approved from offshore earn more in the medium term than other migrants.
10. These issues could be partly addressed by adjusting the proxies used to measure and assess skills under the SMC, and the points associated with it. Exploring the feasibility of introducing other proxies (e.g salary) or adjusting the way ANZSCO is used could help shift the composition of SMC migrants towards higher-skilled and higher-wage industries and occupations. We also think that the points system and selection mechanisms could be better calibrated to provide more opportunities for highly-skilled migrants who do not have a job here. Consultation would be required, but we consider that there is value in exploring these changes.

Current and projected growth in SMC applications could impact on the future NZRP

11. The current NZRP expires on 30 June 2015. Cabinet will need to make decisions on the overall numbers in the planning range and the proportions allocated to the different migrant streams. The Minister of Immigration has indicated that he intends to maintain the planning range at 45,000 to 50,000 per year and keep the stream proportions the same.
12. The SMC is a key component feeding into New Zealand's overall residence numbers. The planning range for the skilled/business stream (which includes entrepreneurs, investors and SMC migrants and their dependants) is 60 per cent of the NZRP, equating to 26,900 to 29,975 migrants per annum. The SMC (covering principal applicant and their partners and dependent children) constitutes the bulk of this stream and just on half of the NZRP.
13. Most SMC migrants (86 per cent in 2014/15) transition to residence onshore having previously held temporary visas (student and work). The statistical analysis (slide four) shows the recent increases in student, study to work and Essential Skills work visas and provides a possible scenario for how this might affect the SMC and NZRP. For example, we are projecting that 67 percent more study to work visas will be approved this year than were approved in 2014/15. Approximately 40 percent of study to work holders transition to residence within three years.
14. If we assume that these trends continue then the SMC will place increasing pressure on the upper planning range of the NZRP in coming years, due to ongoing increases in temporary visa holders who are likely to seek to transition to residence. The numbers transitioning will depend on economic conditions as most of these migrants will be seeking to secure a 'skilled' job. The projected numbers in the slide pack also assume that no changes are made to SMC policy settings.
15. In order to manage the demand from SMC within the proposed NZRP planning range (and within existing policy settings), Immigration New Zealand could stop selecting Expressions of Interest (EOIs) with job offers and lower points¹. However, as noted above the SMC points system may not be calibrated correctly to ensure that highly-skilled and highly-paid migrants

¹ The selection of SMC applications that score below 140 points (EOIs above 140 points must be selected irrespective of the NZRP) is closely linked to the size of the NZRP i.e. they are selected in sufficient numbers to meet the NZRP.

are prioritised². Alternatively, queues could develop if there are not enough residence places available in a particular year. Both of these scenarios would have negative consequences for some employers.

16. In our view a better and more long-term solution, as noted in the section above, would be to adjust the proxies used to measure and assess skills under the SMC, and the points associated with it. The aim would be to become more selective and targeted towards higher-skilled and higher-paid migrants. Such changes would also help to manage future pressures on the NZRP. Consultation would be required to ensure that the impacts on businesses are well understood.

Next steps

17. Officials are available to discuss the implications of the attached SMC statistical analysis, (including possible consequences for options in developing the planning range for the NZRP), with Ministers at their regular officials' meetings. If Ministers agree to explore adjustments to SMC, Cabinet agreement in principle could be sought as part of the NZRP paper.

Annexes

Annex One: Changes in the composition of the Skilled Migrant Category [attached].

² Migrants with lower-skilled jobs could secure selection over higher-qualified/skilled migrants who don't have a job offer, or skilled migrants with job offers who may not hold formal or recognised qualifications (eg in IT sector). For example, a 50 year old Chief Technology Officer recruited from offshore with a job offer for \$120,000 and 25 years of industry experience, who holds a diploma qualification, would only be eligible for 135 points.



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



THE TREASURY
Kaitiaki Takekōwhiri

Changes in the composition of the Skilled Migrant Category

Statistical analysis of the skills of migrants gaining residence under the Skilled Migrant Category

5 May 2016



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Skilled Migrant Category – Introduction

This brief looks at the current profile of the migrants gaining residence through the Skilled Migrant Category (SMC), and the different pathways that migrants follow to reside in New Zealand (e.g. offshore/onshore, temporary work visas and international students).

New Zealand's SMC aims to attract and retain highly skilled migrants by providing a pathway to permanent residence. There is no generally agreed proxy for measuring 'high skills' in an immigration context. Most countries use a mix of proxies such as work experience, education level, specific occupations, salary, and to a lesser extent, language ability.

The brief provides a statistical analysis of SMC migrants (principal applicants, and not their families) in terms of :

- Broad-based commensurate level of skill associated to occupations under *Australia and New Zealand Standard Classification of Occupations – ANZSCO* [refer box below],
- The specific occupations/industry sectors that migrants are working in, and
- The median earnings of different types of SMC migrants and across different industry sectors.

The analysis looks at the current skill and employment outcomes of SMC migrants, as well as changes over time.

Data used in the analysis

- Data on SMC migrants used in this brief has been developed by MBE Research and Evaluation Unit, using both the Integrated Data Infrastructure (IDI), managed by Statistics New Zealand, as well as administrative information extracted from Immigration New Zealand records.
- The data used in this brief primarily covers the period 2009/10 (from this date the data on skills classification is most reliable) to the most recent period, 2014/15.
- Data on international students has been developed from the data available via the Ministry of Education, including the Education Counts website

S 9(2)(f)(iv)

ANZSCO – defining and classifying skills

Since 2008 Immigration New Zealand has defined 'skilled employment' by using an broad-based commensurate level of skill associated to occupations in *Australia New Zealand Standard Classification of Occupation (ANZSCO)*, primarily used in the analysis of labour market statistics. ANZSCO occupations are classified in terms of the ability of individuals to competently perform the various tasks normally associated with a job into five broad skill categories, with skill level based on:

- level of attainment of required formal education and training
- on-the-job training
- relevant work experience.

For immigration purposes ANZSCO skill levels 1-3 are all defined as 'skilled employment', grouping together 'highly skilled' (level 1, managerial and professional roles) with 'skilled' (level 2 and 3 roles in clerical and administrative jobs, technicians and trades, service/retail managers, community and personal services). ANZSCO levels 4 and 5 cover lower skilled occupations and do not qualify for SMC (e.g. carers, receptionists, road and rail drivers, process workers, sales workers and cleaners, etc).

ANZSCO commensurate level of skills provide an objective and consistent classification of skills. It is not an accurate description of the actual level of skills required for a particular job and/or the skills of a person employed in a particular job. It cannot easily differentiate between more senior and junior roles (particularly in managerial positions) and can be subject to gaming in terms of 'job title' inflation.



Skilled Migrant Category – Summary

The Skilled Migrant Category (SMC) policy continues to be effective in ensuring New Zealand successfully secures skilled migrants that can supplement the domestic labour market.

Using the **broadest measure of classification** [*Australia and New Zealand Standard Classification of Occupations - ANZSCO*], the **skill level of the occupations of SMC migrants have improved** over the last five years. [Pages 7 and 8]

The SMC policy has successfully attracted some high-skilled migrants (e.g. professionals such as civil engineers, nurses, ICT programmers). However, the last five years has also seen a **growth in SMC migrants working in occupations/industries that are associated with lower wages** (for example, chefs, ICT support technicians, retail managers, café and restaurant managers). [page 9]

There are **significant differences in the earnings of SMC migrants**, depending on the industry sector in which migrants are working, with some SMC migrants earning less than skilled New Zealanders in some of the lower-paid sectors; and their pathway to residence (i.e. if they had previously held a temporary work visa, a student visa, or were recruited from offshore with no previous visa). [Page 12]

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Example: Earnings differences of SMC Migrants [Appendix 2, page 17]
Recent skilled migrants in lower-wage industries tend to earn less than equivalent skilled New Zealanders: in the *retail trade sector*, median earnings for SMC migrants was \$43,200 per year, compared to skilled New Zealanders of \$52,200 (year to March 2015). However, in higher-wage sectors, SMC migrants earnings are similar to skilled New Zealanders (e.g. in the *professional, scientific and technical services* sector recent SMC migrants earned \$72,600 compared to skilled New Zealanders who earned \$73,000 (March 2015).

The median earnings of SMC migrants recruited from offshore (*no previous visa held*) are consistently higher across all industry sectors, compared with those who were already in New Zealand at the time of SMC approval (i.e. on temporary work or student visas).

The structure of the points-based SMC policy [Appendix 1: Page 16] may be favouring workers and former international students on temporary work visas who have a job offer, over offshore professionals seeking to emigrate to New Zealand. There has been an increase in the proportion of former international students transitioning to residence under the SMC (43% of recent SMC migrants had previously held a student visa in 2014/15 compared to 32% in 2008/09).

The **forecast growth in international students and temporary workers** is expected to increase the **pressure on the SMC planning range over the next few years**. It would be timely to examine how the SMC policy could be modified to enable it to continue to provide pathways for international students and temporary workers, while at the same time, ensuring there are places available for high-skilled professionals wanting to migrate to New Zealand. [Page 4]



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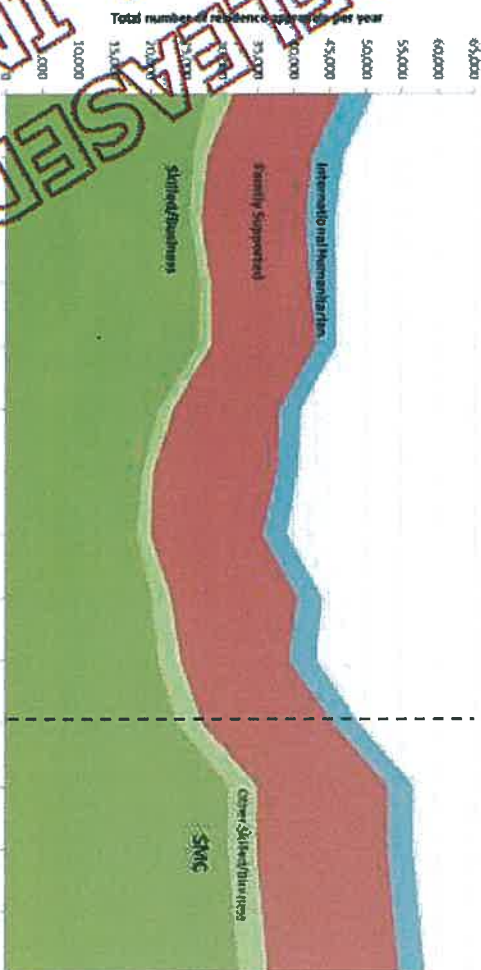
SMC and the New Zealand Residence Programme (NZRP)

Rising SMC numbers could place future pressure on the NZRP

The New Zealand Residence Programme sets the planning range for total residence numbers across the various immigration streams (currently 90,000-100,000 over two years). The Skilled/Business Stream (i.e. Investor/migrants/entrepreneurs, SMC) has a cap of 60 percent of that range, equating to between 26,900 and 29,975 people per annum. The SMC (covering principal applicant, their partners and dependent children) constitutes the bulk of this stream and just on half the NZRP.

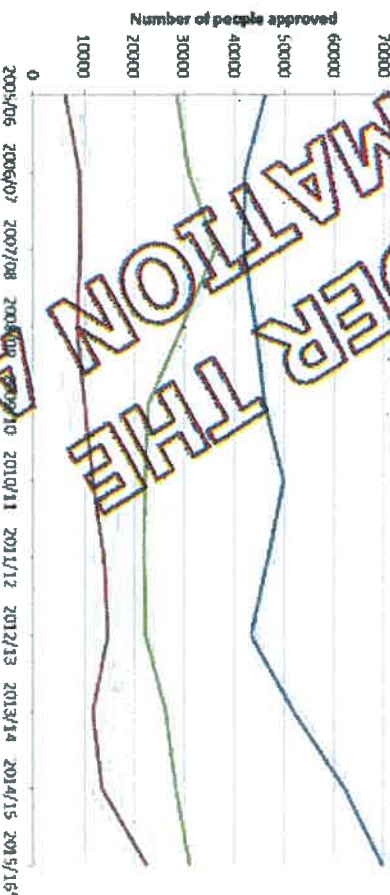
The SMC is expected to place increasing pressure on the upper planning range of the NZRP in coming years, due to ongoing increases in temporary visa holders who are likely to seek to transition to residence. Most SMC migrants (86 per cent in 2014/15) are currently in New Zealand when they transition to residence having previously held temporary visas (student and work). The graph (*Number of people approved, 2005/06-2015/16 by selected temporary policies*) shows recent trends in tertiary students, study to work and Essential Skills temporary visas (which have high transition rates to residence). For example, we are projecting that 67 percent more study to work visas will be approved this year than were approved in 2014/15.

The graph (*Annual residence visa approvals*) shows one possible scenario regarding the impact that the current growth in SMC and temporary visa holders could have on the NZRP in coming years. The scenario uses a conservative estimate of 5% growth in international student numbers (and tertiary student visas), with no change in other migrant streams. It also assumes no that changes are made to SMC policy settings or operational processes. The numbers transitioning will also depend on economic conditions and the availability of 'skilled' jobs.



Estimated from 2015/16 onwards, assuming a 5% growth in tertiary students approved, 36% of tertiary students transitioning to study to work visas and 10% of tertiary students transitioning to SMC. Essential Skills visas and other SMC migrants remain at estimated 2015/16 levels. International Humanitarian and Family Supported numbers estimated 2015/16 levels.

**Number of people approved, 2005/06-2015/16*
by selected temporary policies**



* 2015/16 estimated from numbers of people approved in 1st May

Scenario: Annual residence visa approvals 2005/06 to 2019/20*



THE TREASURY
Kaitiaki Take Kōwhiri Kōwhiri Kōwhiri



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Immigration pathways – Temporary work to NZ residence

Essential Skills
28,548 people 2014/15

Allows employers to recruit temporary workers to meet skill and labour shortages. The Essential Skills in Demand (ESID) lists of labour market tests are used to determine if the suitable jobs are available.

Students
84,856 students 2014/15
62,257 tertiary students

Post-study visas (Study-to Work)
13,688 people in 2014/15

After NZ graduation, two work visas are available for students with NZQA Level 4-6 who have studied for 1-3 years, and students NZQA Level 7 or above who have studied for one year. The first visa allows them to work up to 1 year post-study the second visa is for 2-3 years if they obtain a job that is relevant to their qualification.

Working Holiday Scheme
61,404 people in 2014/15

Allows young people (18-30 years old) to undertake temporary work and short term study (for 3-6 months) during their 12 month holiday in New Zealand.

42 Working Holiday Schemes. Most schemes are under reciprocal agreements allowing young New Zealanders to work overseas.

Skilled Migrant Category (SMC)
10,621 people¹ 2014/15
(21,165 including dependants)

Policy aim is to select migrants with technical, specialist or management expertise that can help grow New Zealand's economy.

Residence is determined through a points-based system, with points awarded primarily for a skilled job/job offer and qualifications, as well as age (55 years is the maximum), work experience, and bonus points if the job/job offer is outside Auckland or an area of skills shortage or future growth (ICT, creative industry or biotech), and if the partner has skilled job and/or qualifications.

[Refer Appendix One for SMC points system]

9,190 SMC migrants in 2014/15 were already in New Zealand (onshore) at the time of approval, (86% of all SMC migrants).
SMC migrants previously held the following visa(s) in 2014/15 (compared with 2008/09):

- 52% Essential Skills Visa (2008/09, 52%)
- 43% Student Visa (2008/09, 32%)
- 37% Study-to-Work Visa (2008/09, 25%)
- 13% Working Holiday Scheme Visa (2008/09, 7%)

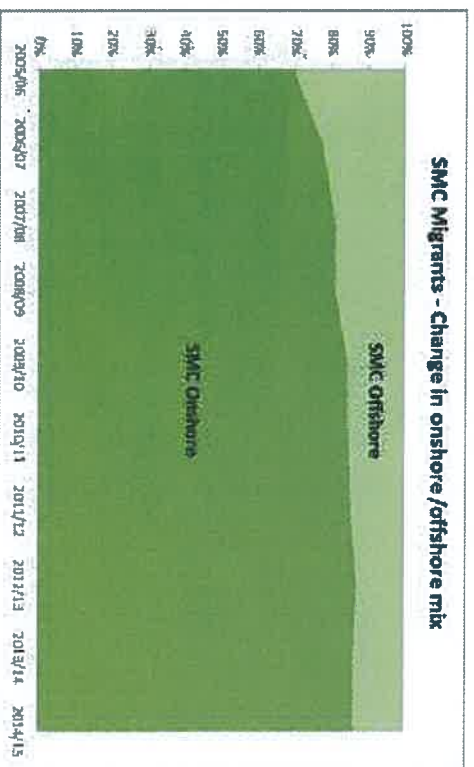
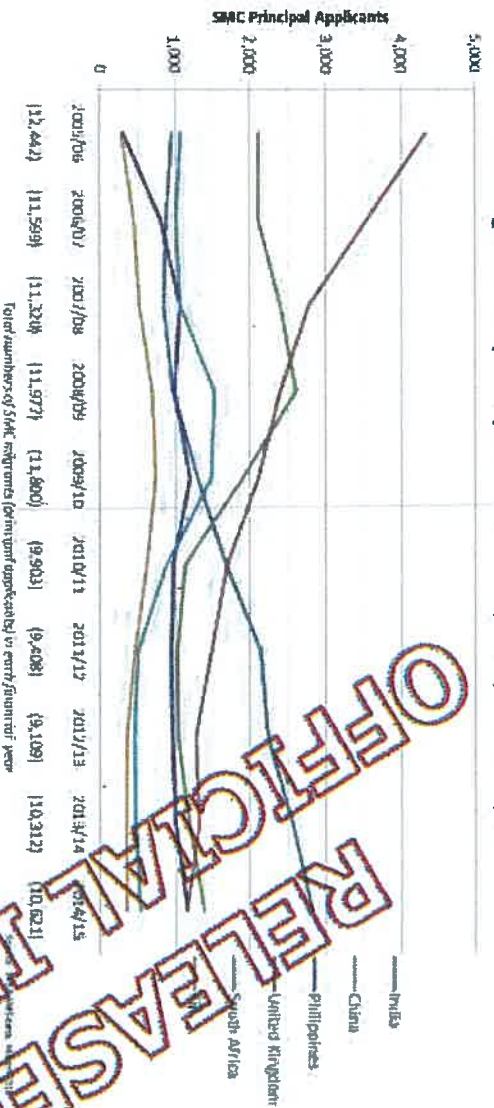
NB: Migrants can move between visas, so numbers add to more than 100%

Data source: MBIE, Migration Trends and Outlook 2014/15, Appendix, Temporary Visa Holders, Table 19

¹ SMC Migrants refers to 'principal applicants' only throughout this analysis.

Changes in country of origin for SMC

SMC migrants from primary source countries, 2004/05 to 2014/15

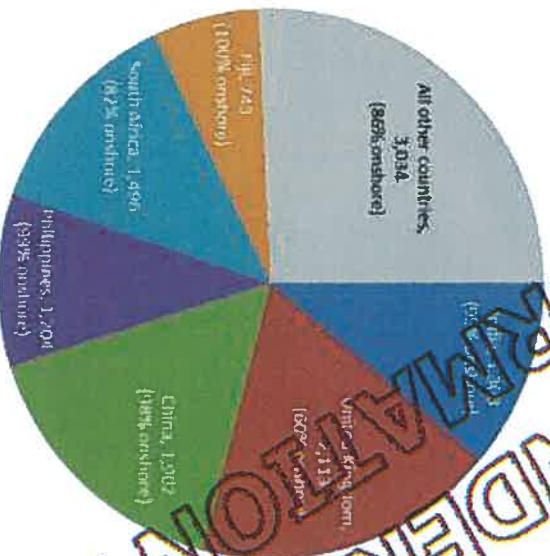


In 2004/05, nearly three-quarters of SMC migrants (principal applicants only) came from these six countries. The contribution of these six countries has remained broadly similar over the years to 2014/15, dropping slightly to 70% of all SMC migrants approved in five years.

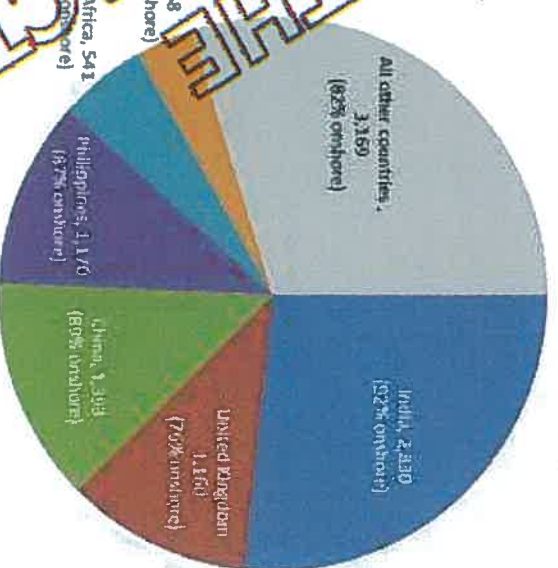
Total SMC migrants have fluctuated between 9,100 and 12,400 over the years 2004/05 to 2014/15.

In 2009/10, there were 11,800 SMC migrants (principal applicants only), with many onshore (85%) at the time of their application on an existing temporary work visa (eg Essential Skills, Working Holiday Scheme or Study-to-Work visas). In 2014/15, of the 10,621 SMC migrants, 86% were onshore, compared to 76% onshore in 2004/05.

2009/10 SMC Migrants - Primary source countries (and proportion SMC migrants onshore)



2014/15 SMC Migrants - Primary source countries (and proportion SMC migrants onshore)



Sources: MBE AMS data, March 2016 and Migration Trends and Outlook 2014/15 (Table 19)

Changes in the ANZSCO skill level mix

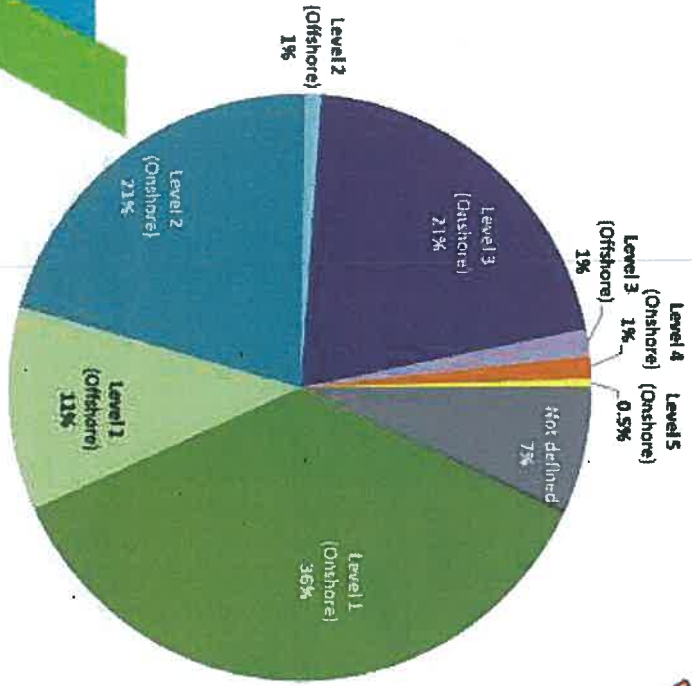
Using the ANZSCO commensurate level of skill there has been an overall increase in the skill levels of the occupations of migrants approved for residence under the SMC between 2009/10 and 2014/15. Since 2009/10, the numbers of SMC migrants with:

- ANZSCO Level 1 jobs (eg managers and professional services) increased from 47%, to 51% in 2014/15
- ANZSCO Level 2 jobs (eg clerical and administrative services, technicians and trades, service/retail managers, community and personal services etc) increased from 22% to 30% of SMC approvals in 2014/15 and
- There has also been a decrease in SMC approvals for jobs at ANZSCO Skill Level 3 (mainly trade jobs) and below.

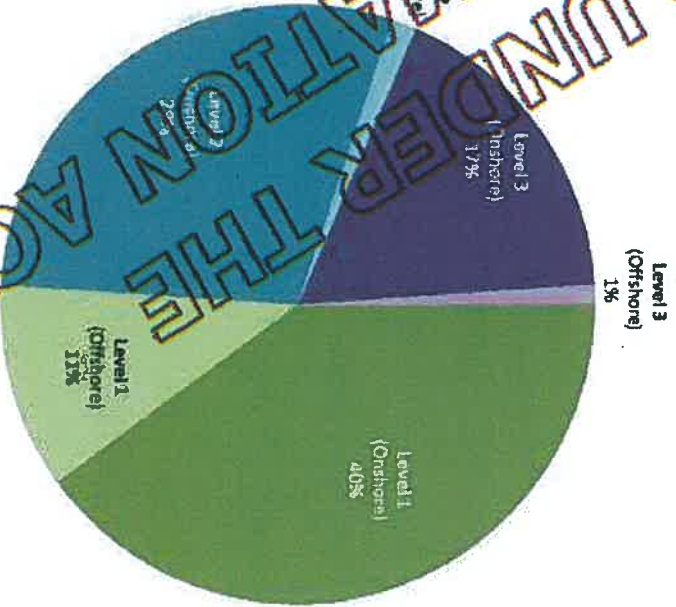
The majority of SMC migrants are onshore (often on temporary work visas) at the time of their application. SMC migrants applying from offshore tend to be at ANZSCO Skill Level 1 (e.g. managers and professionals) jobs.

While this ANZSCO assessment appears to show a general rise in the proportion of SMC migrants engaged in skilled employment, as noted earlier, it is not an accurate description of the actual level of skills required for a particular job and/or the skills of a person employed in a particular job. Accordingly, it is necessary to consider other proxies for skills, such as, types of occupations/industries and salary/wages, to better understand the changes in overall skill mix of SMC migrants.

ANZSCO Skill Level of approved SMC migrants - 2009/10
(11,800 onshore and offshore SMC principal migrants)



ANZSCO Skill Level of approved SMC migrants - 2014/15
(10,621 onshore and offshore SMC principal migrants)



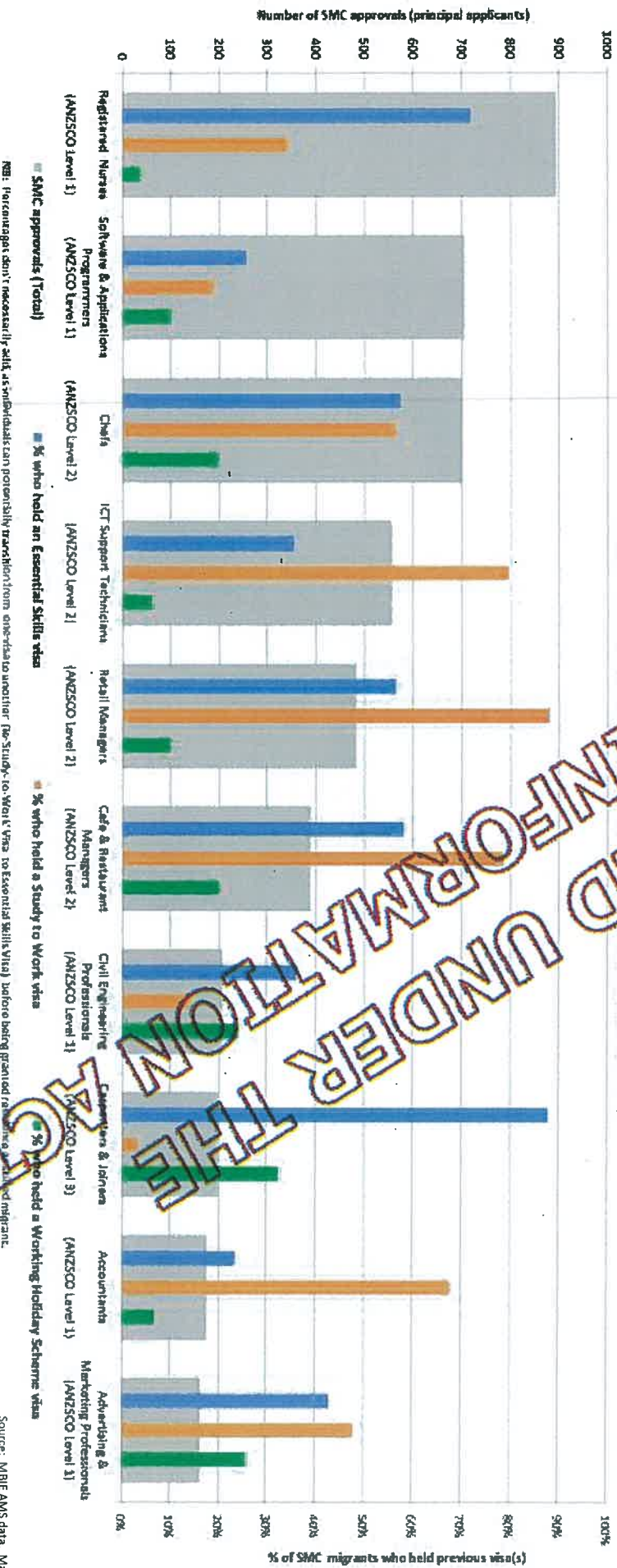
Importance of previous visas in filling some jobs under SMC

Across the broad-based skill level measures (ANZSCO) we have seen some changes in the proportion of SMC migrants holding previous visas:

- At ANZSCO Skill Level 1 (professional and managerial jobs), 31% of SMC migrants had once held a student visa in 2014/15 (compared to 20% in 2009/10), while SMC migrants who had previously held an Essential Skills visa declined to 44% in 2014/15 (compared with 52% in 2009/10).
- At the lower ANZSCO Skill Level 2 (eg clerical and administrative, ICT technicians, retail and hospitality managers), 71% of SMC migrants had previously held a student visa in 2014/15 (compared to 49% in 2009/10). This compares to about half of SMC migrants having previously held an Essential Skills visa (51% in 2014/15, down from 65% of SMC in 2009/10)
- In the trades, construction, office occupations (ANZSCO Skill Level 3), SMC migrants more generally have held an Essential Skills visa – 78% of SMC at this level in 2014/15. And, 28% of SMC migrants had previously held a student visa (up from 13% in 2009/10).

The 'Top 10' occupations in 2014/15 (representing 39% of all SMC approvals) highlight the growing importance of the student and temporary work pathways in some of the main occupations approved under the SMC policy. Overall in 2014/15, 37% of SMC migrants had previously held a study to work visa and 52% had held an Essential Skills visa. But, in some occupations, the levels of previously held visas are significantly higher (as illustrated in graph below, i.e. retail manager, ICT support technicians, carpenters and joiners etc).

Top 10' Occupations of SMC Migrants and their previous visa(s) 2014/15
(These ten occupations represent 39% of the 2022 SMC migrants in 2014/15)



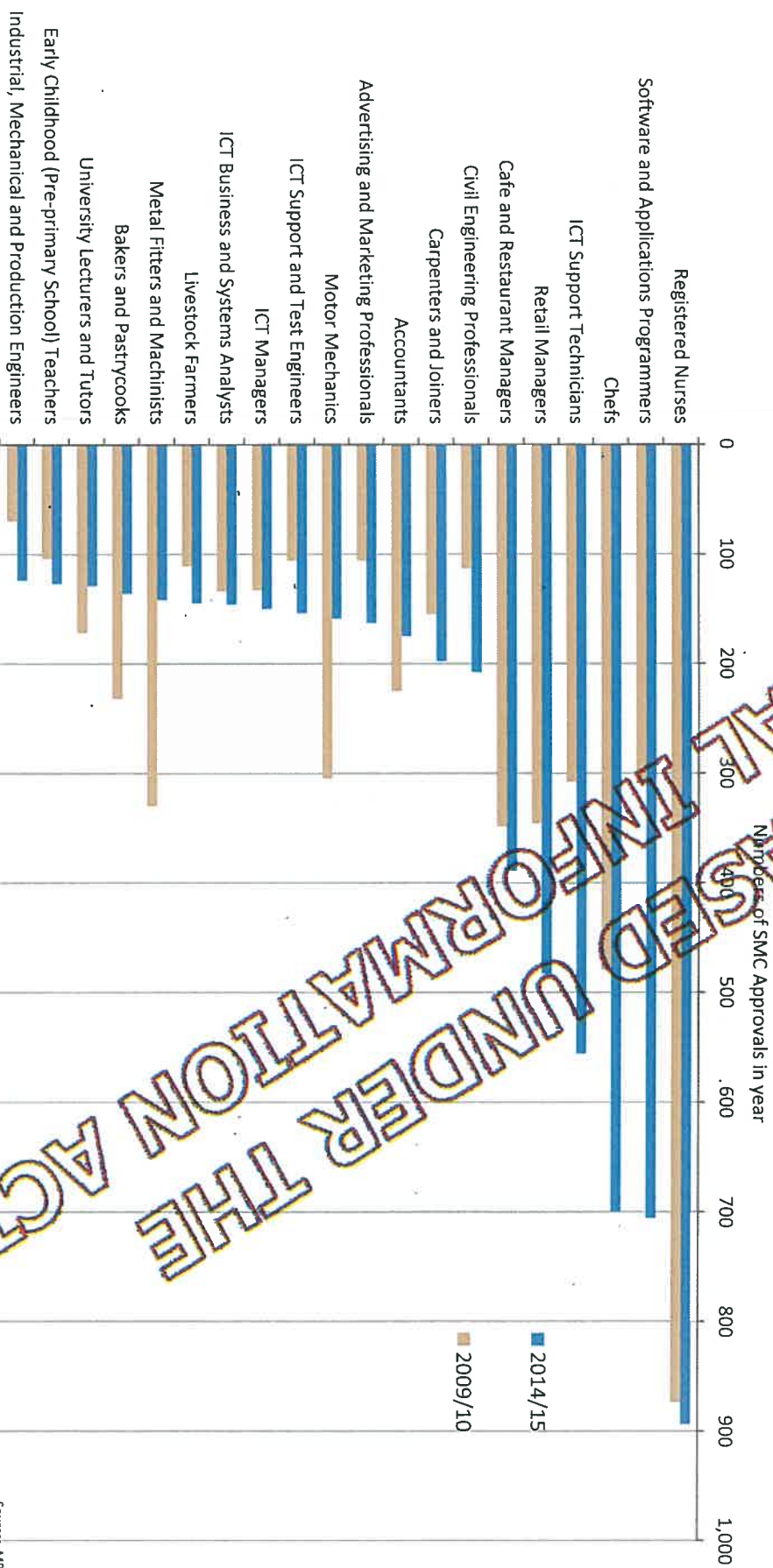
NSB: Visaconquest don't necessarily add, as some migrants can potentially transition from one visa to another (eg Study-to-Work Visa to Essential Skills Visa) before being granted a permanent resident migrant.

Source: MBE AMS data, March 2016

Growth in SMC migrants in some lower paid occupations

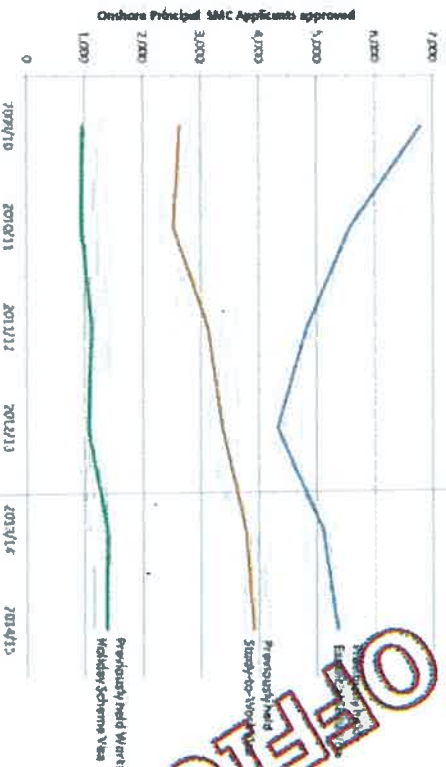
- The 'Top 20' Occupations accounted for over half of all SMC approvals in 2014/15 (55% of SMC principal migrants), compared to 2009/10 when the 'Top 20' occupations accounted for 45% of all SMC approvals.
- Many of the same occupations have remained in the 'Top 20' over the five year period, although their relative position in the rankings have moved slightly and the proportion of overall SMC approvals has altered. For example, software and application programmers have moved from No.6 ranking to No.2 (3% of all SMC migrants in 2009/10 to 7% in 2014/15).
- However, we have also seen a growth in SMC migrants in occupations that are characterised by lower wages, such as retail managers, café and restaurant managers, ICT support technicians, etc. For example, chefs have decreased from the No.2 ranked occupation in 2009/10 to No. 3 in 2014/15, but they comprised 7% of all SMC migrants in 2014/15 (compared with 4% in 2009/10).

'Top 20' Occupations of SMC Migrants in 2014/15 (compared with 2009/10)



Pathways from study and temporary work grow for onshore migrants

SMC Migrants (onshore) pathways, 2008/09 – 2014/15



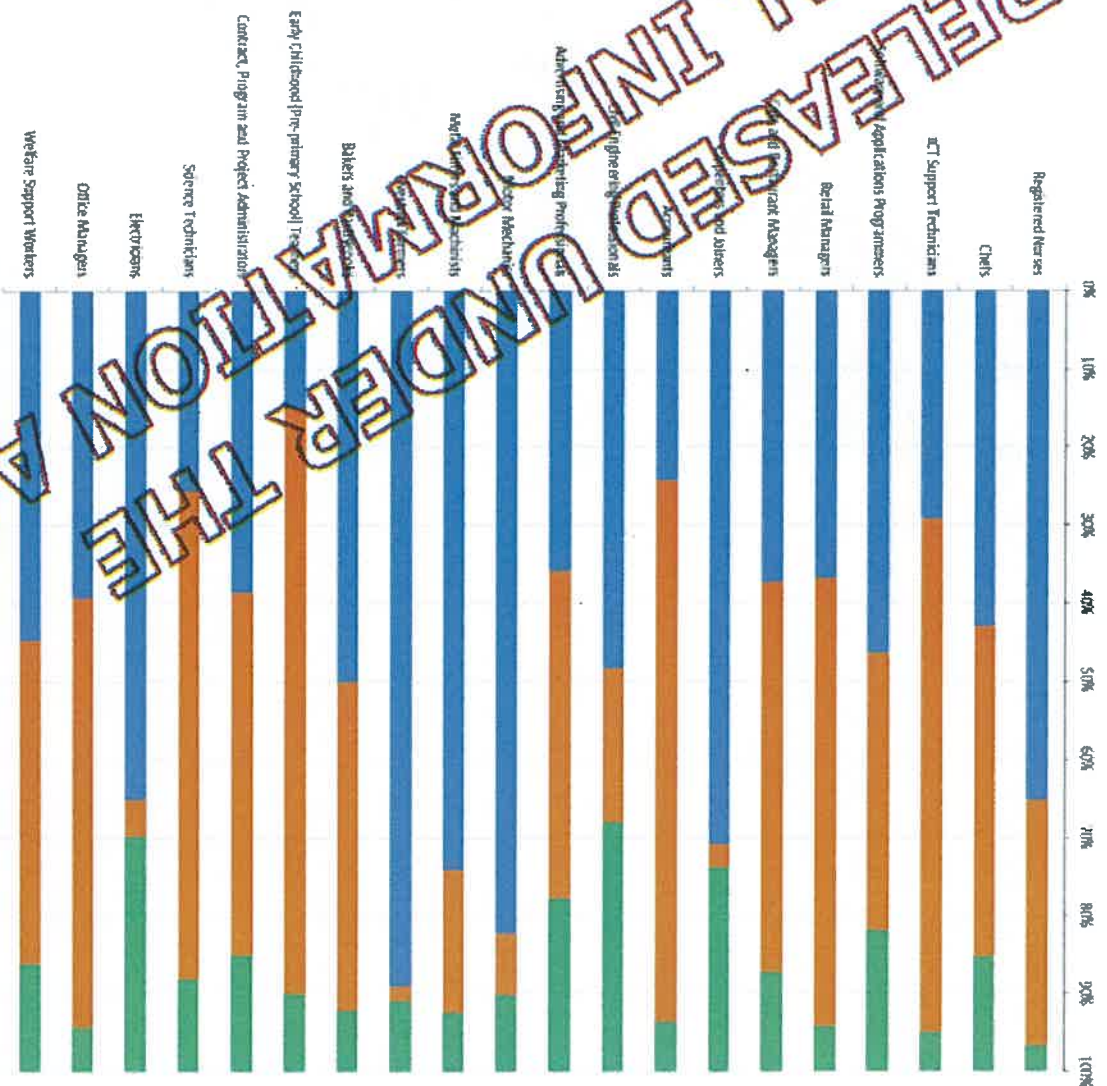
The vast majority of migrants who applied successfully as SMC migrants were already in New Zealand, usually on a visa that had enabled them to work. In 2014/15, 87% of SMC migrants (or 9,190 people) were onshore at time of application (a proportion that has remained relatively stable since 2009/10).

Many of the onshore SMC migrants, particularly those in jobs characterised by lower wages, held either a Study-to-Work visa and/or Essential Skills visa. For example, 89% of onshore SMC *Retail Managers* migrants (5th ranked SMC occupation), had previously held a Study-to-Work visa, and 57% had held an Essential Skills visa in 2014/15.

As migrants can hold different types of temporary visas prior to getting residence, it is possible that SMC migrants have held more than one type of visa. In 2014/15, for example, 91% of onshore SMC migrants *Carpenters* and *Joiners* had held an Essential Skills and a third had held a Working Holiday Scheme visa.

Top 20 SMC Migrant (onshore) 2014/15, by previous visa(s) held

Ranked from largest SMC occupation (top to bottom)



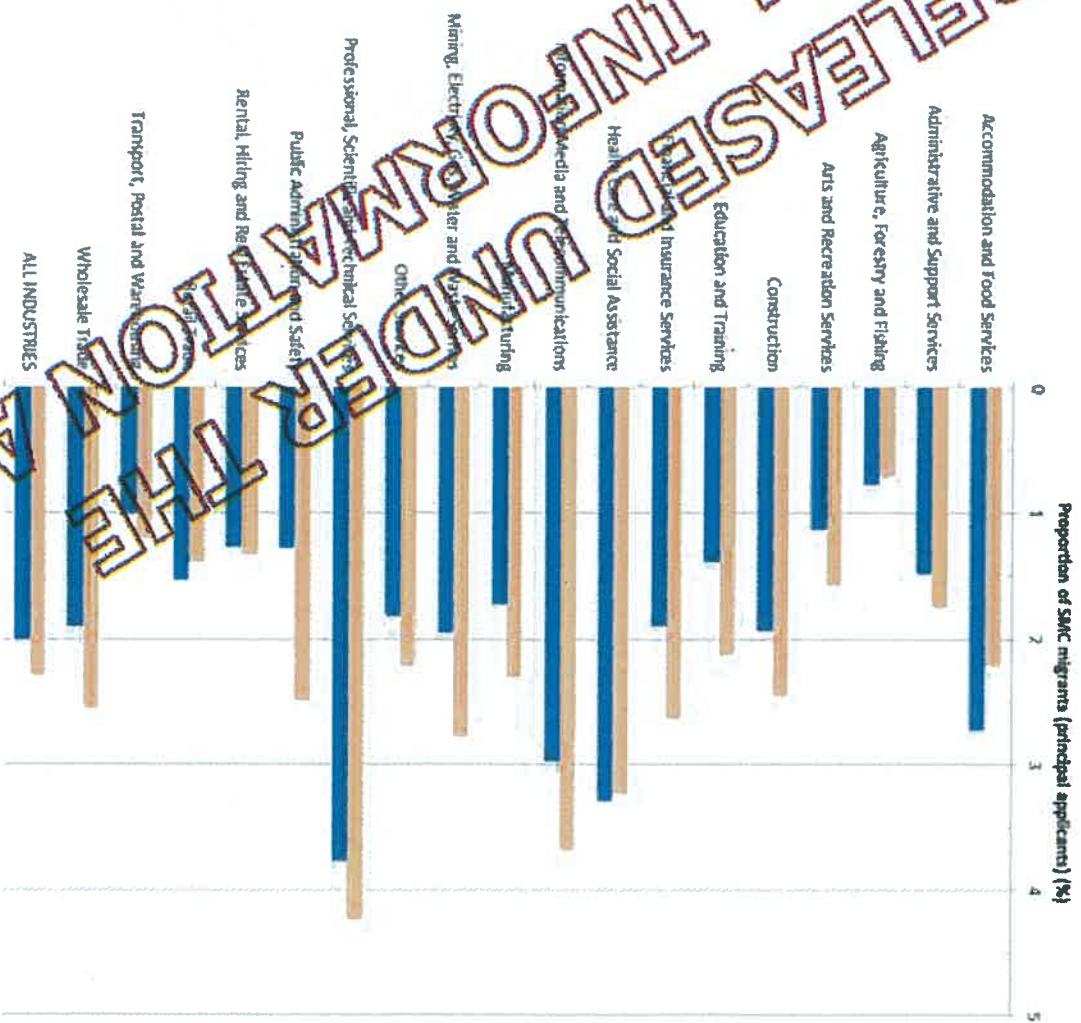
Source: MBIE AMS data, March 2016

■ % held an Essential Skills visa
 ■ % held a Study to Work Visa
 ■ % held a Working Holiday Scheme visa

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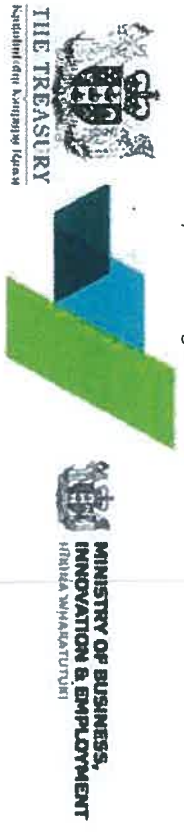
SMC migrants share of jobs across most industries has declined

SMC migrants share of jobs by industry, 2010 and 2015



- Overall, the share of wage/salary jobs held by recent SMC migrants across industry sectors has seen a slight decline in the five years from 2009/10 to 2014/15.
- SMC migrants were employed in 2% of all jobs in 2015 (March) compared to 2.3 % in 2010 (March).
- This small drop in SMC migrants share primarily reflects the increased numbers of jobs across many parts of the economy associated with improved economic conditions and growth, as well as a slight decline in SMC numbers in the most recent period.
- The main sector that went against the overall trend of a declining share of SMC migrants, and saw an increase in the share of SMC migrants in their industry sector was *accommodation and food services* (with *retail trade* and *health care /social assistance* seeing minor gains in share as well).
- SMC migrants, as would be expected, are more significantly represented in the industry sectors of *professional, scientific and technical services*, *IT* and *health care /social assistance*.

Note: This graph shows SMC migrants have a much lower percentage share of wage /salary jobs by industry compared to the graphs (8 and 9) in the December 2015 briefing: *Improving the long-term contribution of immigration to the labour market* (MBlE 0699 15-66/T2015-2946). Those graphs included all recent migrants (migrating to New Zealand in last five years), both permanent and temporary migrants, showing that one in ten of wage and salary jobs was held by a recent migrant at March 2014.

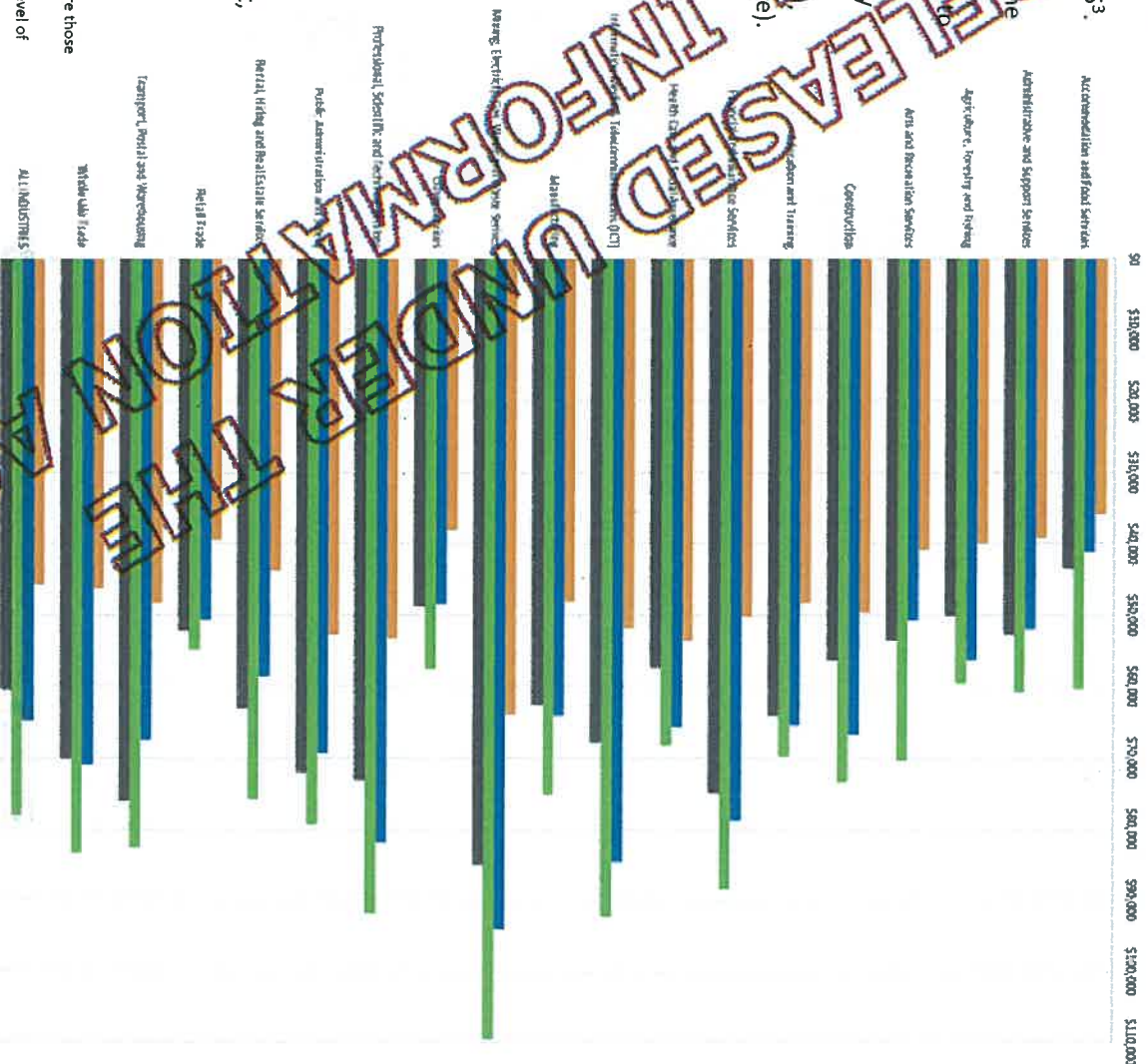


Source: Statistics NZ, file accessed by MBlE in March 2016

SMC migrants earnings vary across industry sectors and pathway

- The median annual earnings for all recent SMC migrants is \$57,700 (year ended March 2015), with former students earning \$45,700 and former temporary workers earning \$64,800¹. This compares to the annualised earnings for full-time, skilled workers² of \$60,400 and all workers of \$46,000, across sectors as at March 2015³.
- Some key SMC occupational groups (eg, chefs, café and restaurant managers, bakers etc) are concentrated in the *Accommodation and food services* sector. The median earnings for SMC migrants in this industry was \$38,000 pa (March 2015) compared with SMC migrants in *Health care* of \$62,200 pa (March 2015). [Refer to Appendix 2 for further details of median earnings, by pathway and industry.]
- Not only is there variation in the median income of SMC migrants across industry sectors, there is also variation between SMC migrants who had previously held a student visa, a work visa (eg Essential Skills visa or Working Holiday Scheme visa) and those who had not previously held a visa (mainly migrants recruited offshore). For example, as outlined in the graph, in the year ended March 2015, earnings in key SMC sectors were:
 - *Accommodation and food services* – small difference in median earnings of \$5,300 between former students (\$35,800 pa) and former work visa holders (\$41,100 pa), while those with no previous visa had median earnings of \$60,400 pa
 - *ICT* – larger median earnings gap of \$32,800 between former students (\$51,800) and former work visa holders (\$84,600), while those with no previous visa in ICT sector had median earnings of \$92,400 pa
 - *Health care and social assistance* – (registered nurses were the No.1 SMC migrant occupation in 2014/15) former students earned \$53,500 pa, compared with former temporary workers earnings of \$65,700 pa (those with no previous visa earned marginally more at \$68,300 pa).
- Lower earnings of SMC former students across industry sectors is likely to reflect, in part, a lower level of labour market experience. However, previous MBE research found lower income for former students (compared to other SMC pathways), even controlling for other factors, such as, age and country/region origin⁴.

SMC Median Annual Earnings (end-March 2015) by industry and previous visa held¹
Annual median earnings for skilled, fulltime, New Zealand workers [ANZSCO Skill Levels 1, 2 and 3] are shown in black



1 Statistics NZ, ID accessed by MBE in March 2016. Recent SMC migrants are those who gained residence 0-5 years before end-March 2015 (reference point).

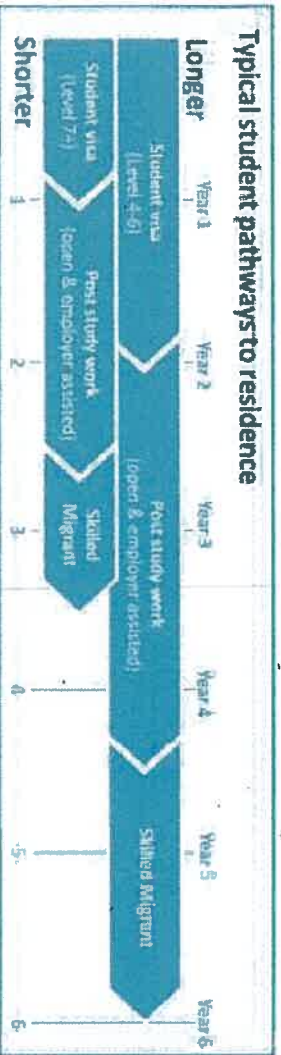
2 Skilled New Zealand workers are full-time workers with occupation skill level of ANZSCO Levels 1, 2 and 3

3 Income Survey data accessed April 2015.

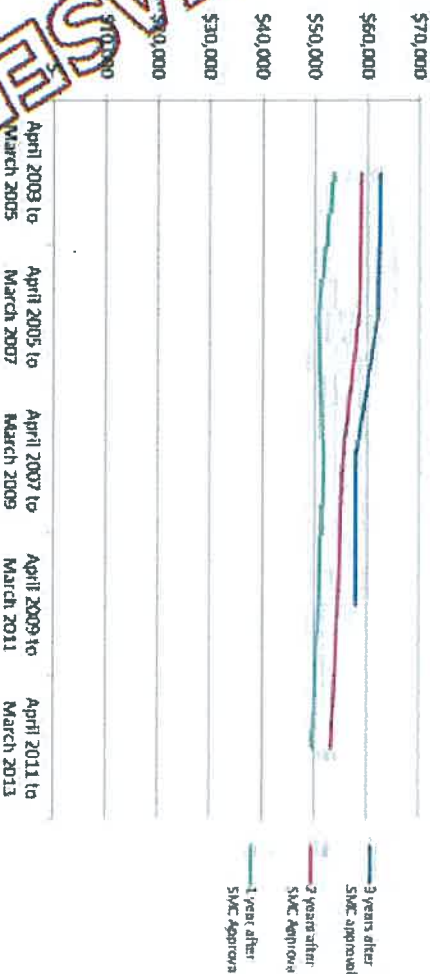
4 MBE (2015) Labour market integration and retention of skilled migrants in NZ

Wage gap for different types of SMC migrants over time

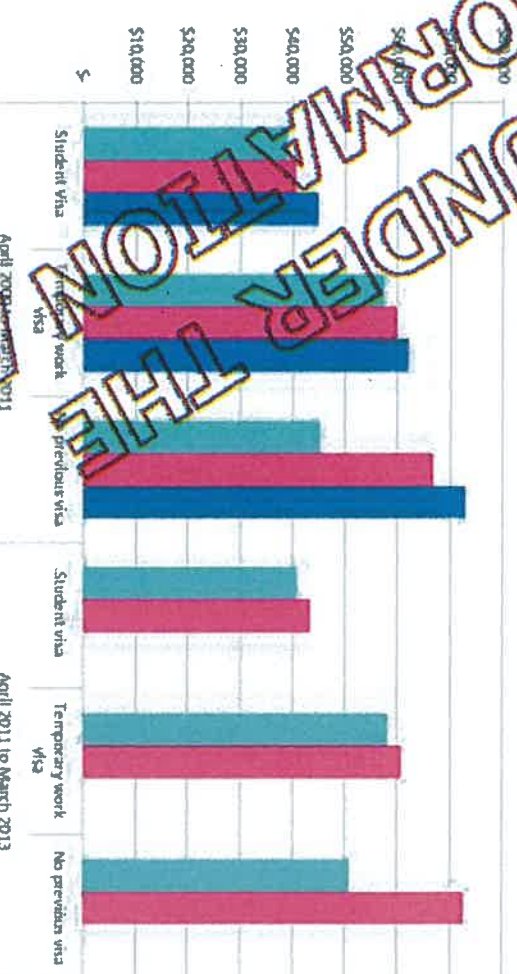
- Over the period 2003-2013, earnings of SMC migrants have declined by 10% (measuring earnings two years after SMC residence approval), with migrants who previously held a *work visa* declining by 12% and those with a *student visa* declining by 6%, while those who has *no previous visa* earned 5% more
- SMC migrants with *no previous visa* (ie who are generally recruited offshore) start working life in New Zealand on lower earnings than SMC migrants who had previously held a temporary work visa. However, SMC migrants with 'no previous visa' had the greatest gain in earnings after they gained NZ labour market experience.
- The median annual earnings of SMC migrants in the two years after approval in the 2011-2013 period was:
 - \$43,400 pa SMC migrants who had held a *student visa*
 - \$60,600 pa SMC migrants who had held a *temporary work visa*
 - \$72,700 pa for those who had *never held a previous visa*. These migrants tend to be recruited offshore, and offshore SMC migrants primarily work in higher paid professional/ manager occupations (ANZSCO Skill Level 1).
- The pattern of relative earnings across the different SMC migrants, and the earnings increased post-SMC approval (as per graph 2009-2013), is similar in earlier periods (2003-2009).
- SMC migrants who are former international students earned lower median earnings across all industry sectors compared with other categories of SMC migrants, to some extent reflecting their lower work experience.
- The gap in earnings between SMC former students and other SMC migrants remains at 3-years' post-residence, (and with the typical pathway of international students to SMC residence, many students will have been working 5-8 years in New Zealand at that point in time).



SMC Migrants Annual Median Earnings 2003-2013
1 to 3 years after residence, by entry cohort



SMC Migrants Annual Medium Earnings, 2009-2013
By previous visa and 1-3 years post-residence



Note: 3 year wage/salary outcomes are not available for all of the April 2011 - March 2013 entry cohort

Source: Statistics NZ, IDI accessed by MBE in March 2016

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Impact on SMC migrants flows through student pathway

Increasing numbers of international students qualifying

Current enrolments can provide a longer term signal of likely impact of international students on SMC migrants flows. Many of these students are likely to remain in New Zealand on Study-to-Work visas, and if successful in gaining a job offer for permanent work, they are then likely meet the criteria for automatic selection under the SMC points scheme.

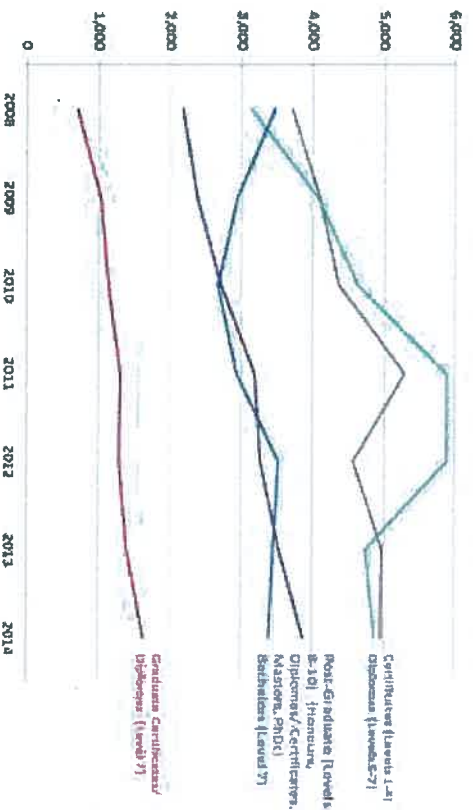
Rates of employment after graduation for young, international students

In the key areas of study that feed SMC migrant pathways, many international graduates remain in New Zealand to work after completing their studies, particularly in the first year, with approximately a quarter still in New Zealand after eight years¹. In the 2012/13 tax year, for young, international graduates:

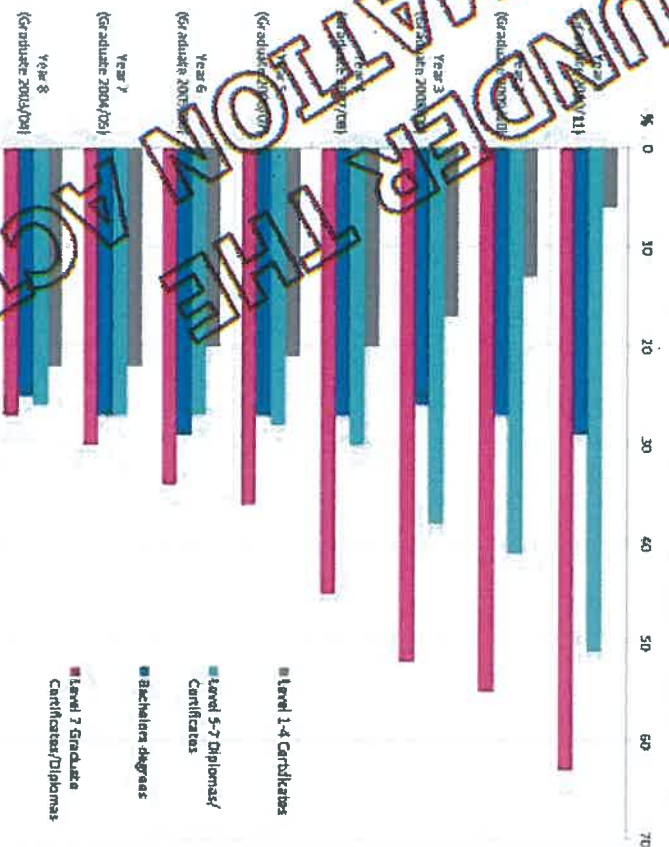
- 69% of Level 5-7 Diploma graduates in *food, hospitality and personal services* worked in their first year post-graduation, with 38% employed in NZ eight years after graduation
- 59% of Level 5-7 Diploma *management and commerce* graduates worked in the first year, decreasing to a quarter working in NZ eight years after graduation
- 52% of *Information Technology* Level 5-7 Diploma graduates worked in their first year post-graduation (often because many go on to further study), while 72% of students with a Level 7 Graduate Diploma worked. Approximately a third of these IT graduates are still working eight years after graduation.
- In *health* field of study, 52% of Bachelors graduates and 40% Level 5-7 diploma graduates were employed in the first year after graduating (with 39% and 21% respectively in employment at eight years after graduation)
- Approximately a quarter of Certificate graduates (Levels 1-4) in *food, hospitality and personal services and management and commerce* graduates are working in New Zealand eight years after graduation.

Whether similar patterns of employment will continue, for today's graduating international students, will be depend on both the opportunities available in New Zealand's labour market and the immigration settings for SMC migrants.

International Students - Completed Qualifications, 2008-2014²
(Only available for those studying at government-funded/tertiary institutions)



Proportion of former international students employed in NZ after study
(graduating from institutions who receive funding from government); 1 to 8 years post-graduation



1 This information and graphs are derived from the draft Ministry of Education research report, *Moving Places - Destinations and Earnings of International Graduates*, currently in the final stages of peer review. Refer Chapters 7, 8 and 9 and underlying data associated with some of these chapters. The information in this research report came from the Integrated Data Infrastructure (IDI) which is managed by Statistics New Zealand. However, the opinions, findings, recommendations and conclusions expressed in the report, *Moving Places*, are those of the Ministry of Education, not Statistics NZ.

2 Ministry of Education, Education Counts website, Completing qualifications 2008-14

Appendix 1: Skilled Migrant Category – Points

Skilled Migrant Category Points System

Minimum standard of English of International English Language Testing System (IELTS) 6.5, maximum age of 55 years, plus health and character requirements.

Selection is via an Expression of Interest points-based approach. Applicants with 100 points can submit an *Expression of Interest* to be considered in pool. Selection from the pool is made fortnightly, in numbers that will meet the *New Zealand Residence Programme* target range (currently 26,900 – 29,975 for Business/Skilled stream annually within an overall Residence Programme of 45,000-50,000 approved places for New Zealand residents (approximately 25,000 places for SMC applicants)). Applicants with 140 or more points are automatically selected from the pool and invited to apply for New Zealand residence, etc selection of other applicants based on their points ranking.

Skilled employment

Permanent, full time employment with job listed in <i>Australian and New Zealand Standard Classification of Occupations</i> (ANZSCO) Levels 1, 2 and 3, plus occupational registration (if this is prerequisite to undertake employment in specific areas (eg plumber, medical, financial advisor, lawyer, teacher etc).	50
Offer of skilled employment, or currently in skilled employed in New Zealand for less than 12 months	60
Currently in skilled employment in New Zealand for more than 12 months	60
Bonus points for skilled employment ...	
In an identified future growth area (eg biotech, ICT, creative industries).	10
In an area of absolute skills shortage	10
In a region outside Auckland	30
Work experience in 'skilled employment'	
2 years	10
4 years	15
6 years	20
8 years	25
10 years.	30
Bonus points for work experience	
Work experience in New Zealand of:	
• 1 year	5
• 2 years	10
• 3 or more years	15
Work experience in an identified future growth area of:	
• 2-5 years	10
• 6 or more years	15
Work experience in an area of absolute skills shortage of:	
• 2 – 5 years	10
• 6 or more years	15

Qualifications

Level 4 to 6 qualification (eg trade qualification, diploma)	40
Level 7 or 8 qualification (eg bachelor degree or with honours)	50
Level 9 or 10 post-graduate qualification (eg masters degree, PhD)	60
Bonus points for qualifications	
Full-time study in New Zealand completing a qualification for 1 or 2 years, completing a Bachelor degree (Level 7)	10
Part-time study in New Zealand completing a post-graduate qualification (Levels 8, 9 or 10)	10
Part-time study in New Zealand completing a NZ post-graduate qualification (Levels 9 or 10)	15
Qualification in an identified future growth area	10
Qualification in an area of absolute skill shortage	10
Age	Points
20 - 29 years	30
30 - 39 years	25
40 - 44 years	20
45 - 49 years	10
50 - 55 years	5
Close family/Partner	
Close family in New Zealand	10
Partner has skilled employment or job offer	20
Partner holds a recognised level 4-6 qualification	10
Partner holds a recognised level 7 or greater qualification.	20

IMMIGRATION ACT

Appendix 2: Median earnings – differences by industry and pathway

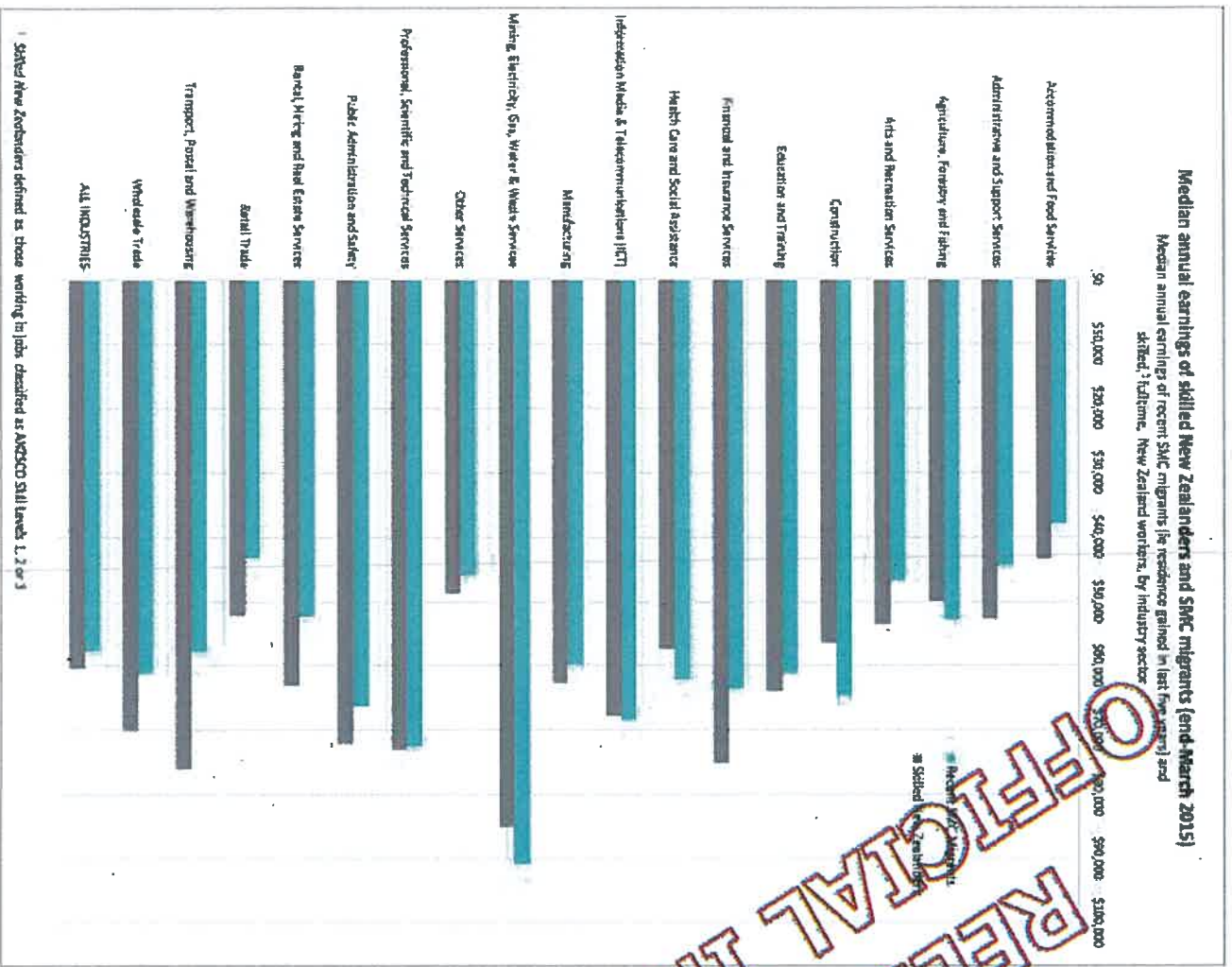


Table 1: Median annual earnings by industry sector for Recent SMC Migrants (by previous visa held) and Skilled, fulltime New Zealanders (ie jobs with ANZSCO Skill levels 1, 2 or 3), March 2015

Industry Sector	Pathway of recent SMC migrants			All recent SMC migrants (\$)	Skilled New Zealanders (\$)
	Previously held a Student Visa (\$)	Previously held a Work Visa (\$)	No previous visa held (\$)		
Accommodation and food services	35,762	41,140	60,435	38,037	43,440
Administrative and support services	39,132	51,924	60,828	44,492	52,806
Agriculture, forestry and fishing	39,947	56,309	59,630	52,859	50,039
Arts and recreation services	40,866	50,772	70,374	46,757	53,541
Construction	49,673	66,731	73,389	64,634	56,354
Education and training	48,320	65,486	69,876	61,110	64,049
Financial and insurance services	50,138	78,765	88,571	63,585	75,057
Health care and social assistance	53,484	65,710	68,292	62,186	57,294
Information media & telecommunications (ICT)	51,813	84,591	92,358	68,482	67,777
Manufacturing	48,086	64,031	75,093	59,841	62,616
Mining, electricity, gas, water & waste services	63,867	94,134	\$109,640	90,840	85,065
Other services	37,803	48,378	57,536	46,022	48,810
Professional, scientific and technical services	69,360	81,893	91,908	72,567	73,056
Public administration and safety	52,733	69,330	79,332	66,213	72,055
Rental, hiring and real estate services	33,787	58,553	75,794	52,420	63,049
Retail trade	36,338	50,585	54,825	43,205	52,180
Transport, postal and warehousing	48,317	67,491	82,647	57,833	76,058
Wholesale trade	46,206	71,003	83,328	61,155	70,054
ALL INDUSTRIES	45,714	64,751	78,085	57,720	60,424

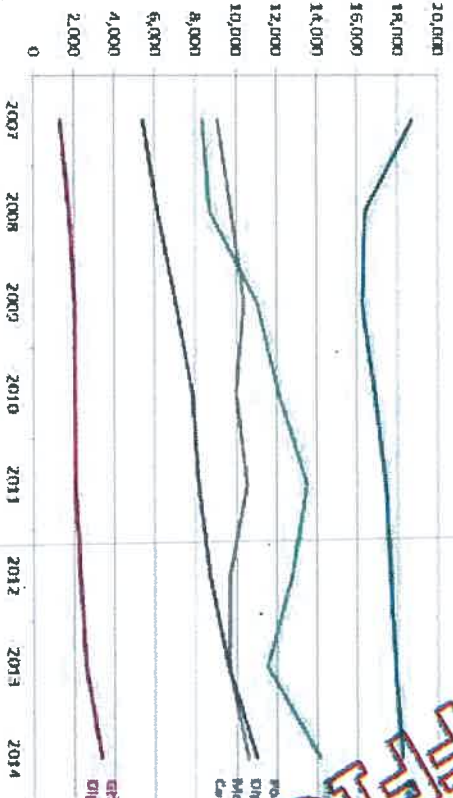
Source: Statistics NZ (DI) data for incomes of recent migrants, accessed by MBE in March 2016 and incomes of New Zealand skilled workers from Statistics NZ Income Survey, data accessed by MBE in April 2016

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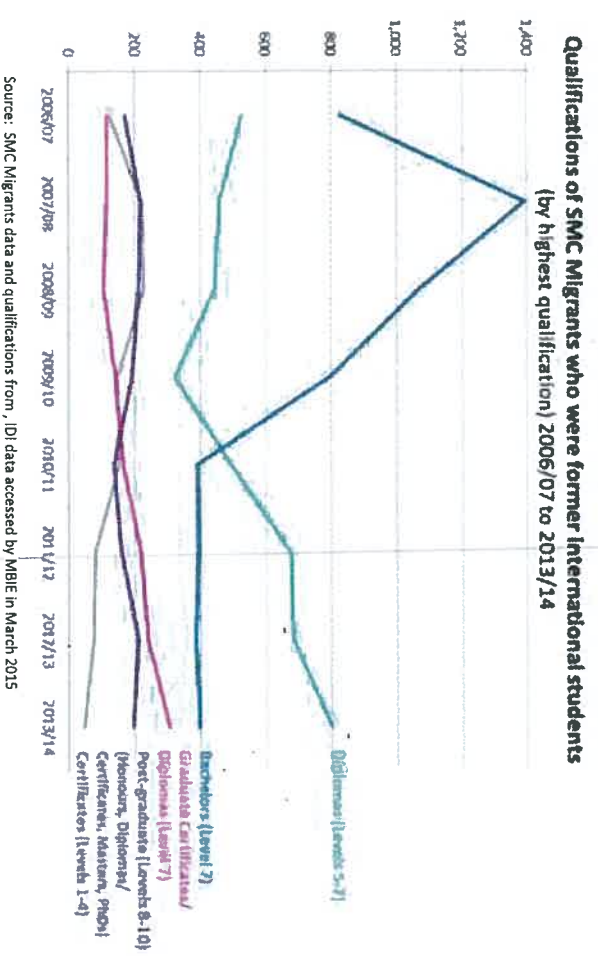
Appendix 4: International students grow

The numbers of international students enrolled at government-funded tertiary institutions have continued to grow - from 39,975 students in 2007 to 53,890 students in 2014. There are approximately 34,600 international students enrolled at non-funded Private Training Establishments (PTEs) in 2014, mainly in ESOL courses (although some students are also likely to be enrolled in other tertiary institutions in the same year).

International student enrolments at funded tertiary institutions 2007-2014

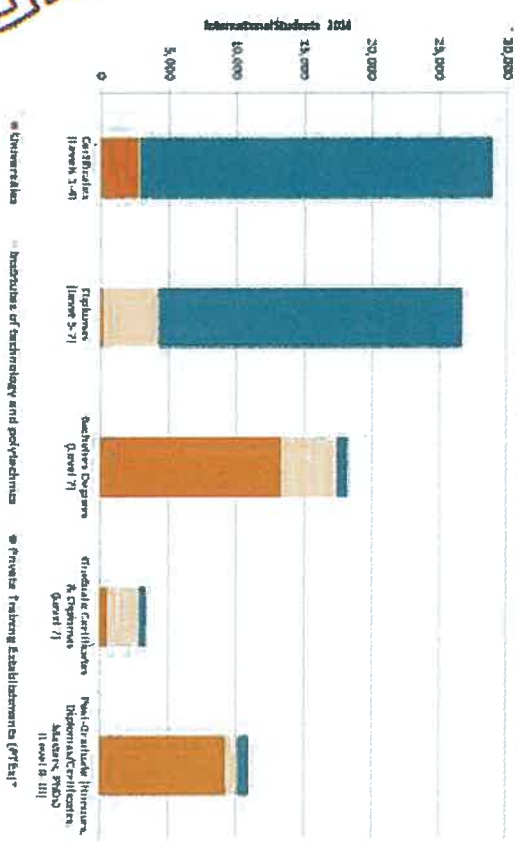


Qualifications of SMC Migrants who were former International students (by highest qualification) 2006/07 to 2013/14

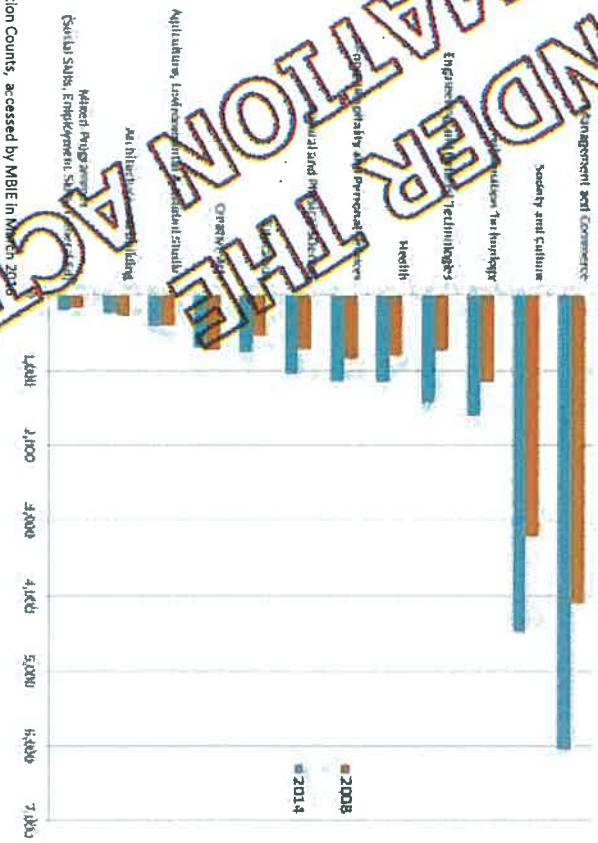


Source: SMC Migrants data and qualifications from IDI data accessed by MBE in March 2015

Enrolments of International Students at Tertiary Providers, by qualification level, 2014 (covers 85,273 international students¹)



Changes in field of study (completed qualifications) 2008 and 2014 (only available for international students or government-funded tertiary institutions)



Source: Education Counts, accessed by MBE in March 2016



AIDE MEMOIRE

Information for the discussion with officials on the New Zealand Residence Programme on 14 April 2016

Date:	12 April 2016	Priority:	High
Security Classification:	In Confidence	Tracker number:	2724 15-16

Information for Minister(s)	
Hon Michael Woodhouse Minister of Immigration	For your information and for discussion with officials
Hon Craig Foss Associate Minister of Immigration	For your information

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Christine Hyndman	Manager, Immigration Policy	04 901 8575	s 9(2)(a) ✓
Sam Feley	Principal Policy Advisor, Immigration Policy	04 901 8618	

The following departments/agencies have been consulted					
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> MoJ	<input type="checkbox"/> NZTE	<input type="checkbox"/> MSD	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> MPI	<input type="checkbox"/> MfE	<input type="checkbox"/> DIA	<input type="checkbox"/> TPK	<input type="checkbox"/> MoH
<input type="checkbox"/> Other:			N/A <input checked="" type="checkbox"/>		

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:



AIDE MEMOIRE

Information for the discussion with officials on the New Zealand Residence Programme on 14 April 2016

Date:	12 April 2016	Priority:	High
Security Classification:	In Confidence	Tracker number:	2724 15-16

Purpose

1. This note provides information to assist your discussion with officials on the New Zealand Residence Programme (NZRP) on Thursday 14 April 2016. Annex One sets out the current and proposed labour market work, Annex Two responds to specific questions raised in the context of the previous NZRP briefing, and a slide pack on changes in the composition of the Skilled Migrant Category is attached as Annex Three.

Context

2. On 3 February 2016 you met with the Ministers of Finance and Economic Development to discuss joint advice from the Ministry of Business, Innovation and Employment (the Ministry) and the Treasury on improving the contribution of immigration to the labour market. Ministers discussed both the quantity and quality of permanent migration. As a result of that meeting Ministers requested more information on:
 - the skill composition of the Skilled Migrant Category, and
 - the size and composition of the next NZRP.
3. Out of Scope
4. We provided a briefing on the NZRP to you on Monday 21 March 2016 and recommended that you share it with relevant Ministers. You provided feedback to us, including requesting some additional information (responses attached at Annex Two). A further briefing on the NZRP is currently being developed. It will incorporate the outcomes of the meeting on Thursday and further discussions with other Ministers.

Key decisions are needed for the NZRP

5. The current NZRP will end on 30 June 2016. The new NZRP should be in place in immigration instructions by 1 July 2016. The NZRP is likely to be set as a performance measure for the Ministry in the Estimates of Appropriations for 2016/17, as it has been in previous years. However, our legal advice is that there is unlikely to be any significant legal risks if there is a short period of time where there is no NZRP set in immigration instructions.

6. The key choices that Ministers have on the NZRP are:
- the overall numbers in the planning range: you have indicated that you intend to recommend to Cabinet that the current average annual planning range under the NZRP be maintained
 - the composition of the planning range: in our NZRP paper of 21 March 2016 we recommended maintaining the current proportions of 60 per cent in Skilled / Business, 33 per cent in Family and seven per cent in the International / Humanitarian Stream, and
 - the duration and management of the programme: in our NZRP paper of 21 March 2016 we recommended a two-year NZRP and sought your direction on whether the next NZRP should be divided into two one-year planning ranges of 45,000 to 50,000, or have a two-year planning range of 90,000 to 100,000 people.

Future pressures on the NZRP and links to the Skilled Migrant Category

7. The choices Ministers can make in the NZRP relate largely to the quantity of permanent migration rather than the quality. However, the NZRP Cabinet paper should also signal trends and future pressures on residence categories that could affect the NZRP.
8. In coming years we are forecasting increased pressure on the upper end of the NZRP planning range, due to ongoing increases in temporary visa holders (international students and workers) coming through to the Skilled Migrant Category (SMC), and increases in uncapped family applications. In order to manage these future pressures within the current annual planning range and proportions, we have recommended reallocating places from the Parent Category and former capped family categories to the uncapped family categories within the Family Stream, and closely monitoring the SMC.
9. The SMC is the largest single visa category within the NZRP. As noted in the NZRP paper, the selection of Expressions of Interest (EOIs) that score below 140 points (EOIs above 140 points must be selected irrespective of the NZRP) is closely linked to the size of the NZRP i.e. they are selected in sufficient numbers to meet the planning range. However, historically, lower levels of demand (i.e. fewer EOIs above 140 or with jobs here) have meant that all EOIs with job offers that score between 100 and 140 points (100 is the minimum which can be considered) have been selected.
10. As noted in the paper, following on from our advice to Ministers in December 2015, the SMC points system may not be calibrated correctly to ensure that highly skilled and highly paid migrants are prioritised. Further evidence on the outcomes of the SMC is outlined below at Annex Three.

Evidence on the composition of the Skilled Migrant Category

11. As requested by the Minister of Economic Development, officials (the Ministry and the Treasury) have prepared the attached side pack of evidence on the skill composition of the SMC. As the SMC makes up approximately 50 per cent of the NZRP, the outcomes of the SMC are closely linked with the overall economic and social objectives for the NZRP.
12. The key findings of our statistical analysis of the changes in the skill composition of SMC are:
- SMC continues to be effective in attracting skilled migrants (nurses, IT professionals, civil engineers are all in the top 10 occupations), and using the broadest level of

occupational skill classification (ANZSCO), overall skill levels of occupations have improved slightly over the last five years

- But there has also been strong growth in SMC migrants working in occupations that are associated with low wages (e.g. chefs, retail managers, café and restaurant managers are three of the top six occupations in SMC)
- Recent SMC migrants (resident in last five years) generally earn less than similarly skilled New Zealanders in these lower paid industries; for example, in the accommodation and food services sector they had median earnings of \$38,000 compared to skilled New Zealanders' fulltime earnings of \$43,000 (for the year to March 2015) (the median income for all recent skilled migrants was \$57,700)
- There has been an increase in the proportion of former international students gaining residence under the SMC (32 percent of SMC migrants had previously held a student visa in 2008/09, compared to 43 percent in 2014/15)
- SMC migrants who were former international students earn less than other SMC migrants in all industry sectors (two years after obtaining residence SMC migrants who were former students earned 40 percent less than SMC migrants who did not hold a previous visa prior to obtaining residence), and
- The earnings of international students working in New Zealand after graduation also remain less than domestic students with the same qualifications for up to eight years after graduation (nursing graduates are the exception, with international student graduates earning more than domestic students)

Next steps

13. Subject to any feedback you have, we will send the slide pack on the composition of the SMC to the Ministers of Finance and Economic Development next week. This will enable any future conversations you have on the NZRP numbers to be informed by evidence on the trends in the SMC. For example, rather than consult with Ministers now on the NZRP briefing paper, you could consult with them on a draft Cabinet paper after you have had further conversations on the SMC evidence.
14. Depending on the outcomes of your discussions with Ministers, and particularly with the Minister of Economic Development, the NZRP Cabinet paper could be used to seek agreement for officials to report back to Cabinet on proposals to improve quality in the SMC. We note that, as it relates to mainly to quantity, the NZRP paper could, if necessary, be agreed by Cabinet without reference to any quality issues in SMC.
15. Out of Scope

papers on the NZRP Out of Scope We propose that the Cabinet are considered together by EGI in June, to ensure that Ministers have the full context before them when making decisions, including potentially on commissioning further work. A diagram showing how these decisions interact with the future direction of the immigration system work programme is attached at Annex One below.

Annex One: improving the contribution of migration to the labour market: summary of possible upcoming decisions

Context

In May 2015, Cabinet Economic Growth and Infrastructure Committee (EGI) agreed to a programme of work focused on improving the quality of the skills migrants bring to the labour market, by exploring options to:

- Improve the selection, attraction and retention of highly skilled migrants.
- Reduce long-term reliance on migration Out of Scope in our lower productivity and wage industries, whilst still ensuring that firms can access migrant labour when there are genuine labour shortages.

Advice currently under consideration

In December 2015, Ministers English, Joyce and Woodhouse received joint MBFE and Treasury advice on a package of possible adjustments to permanent and temporary migration policies to improve the quality of the skills migrants bring to the labour market. In February 2016, joint Ministers discussed the package, and requested:

- Advice on the next NZRP, including likely future pressures; and further evidence on the changing skill composition of SMC migrants.
- Out of Scope

Upcoming Cabinet discussions and decisions

New Zealand Residence Programme
 In June 2016, Cabinet will consider the next NZRP. In this paper, Cabinet could also be asked to agree in principle to make adjustments to SMC to lift the overall quality of SMC migrants (and thereby also relieve upcoming pressures on the NZRP).

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Annex Two: Responses to your specific questions on the NZRP paper

1. In your feedback on the NZRP briefing paper you asked for the following additional information.

Number of migrants who qualify for the pathway to residence for long-term temporary workers

2. You asked why the numbers mentioned in the NZRP paper for the pathway to residence for long-term temporary workers differ from that originally included in the advice provided to joint Ministers in July 2015. We estimate that there could be between 3,200 and 4,000 people (1,600 principal migrants) who could be eligible for the pathway. This is based on the number of Essential Skills visa holders who are in the South Island and have held an Essential Skills visa for five years or more and an estimate of their likely accompanying family.
3. This estimate was provided to you in our paper in of 23 October 2015 (tracker 1068 15-16). It differs from that provided in July 2015 because the previous number quoted (600) did not include family members, and also only included temporary workers in jobs classified as ANZSCO skill levels 4 and 5. However, we think that including all temporary workers who have been in New Zealand for five years or more is a more accurate estimate of likely numbers. For example, many dairy farm jobs are classified as skill level 1 (farm manager) rather than skill level 5 (farm worker) for the purposes of the Immediate Skill Shortage List occupations i.e. assistant herd manager. Most of these dairy workers will not meet the requirements under SMC and therefore should prima facie be eligible for the pathway. We have not, however, estimated the number of them who might be impacted by character issues for Filipino dairy farm workers uncovered in 2015.

Income of SMC migrants

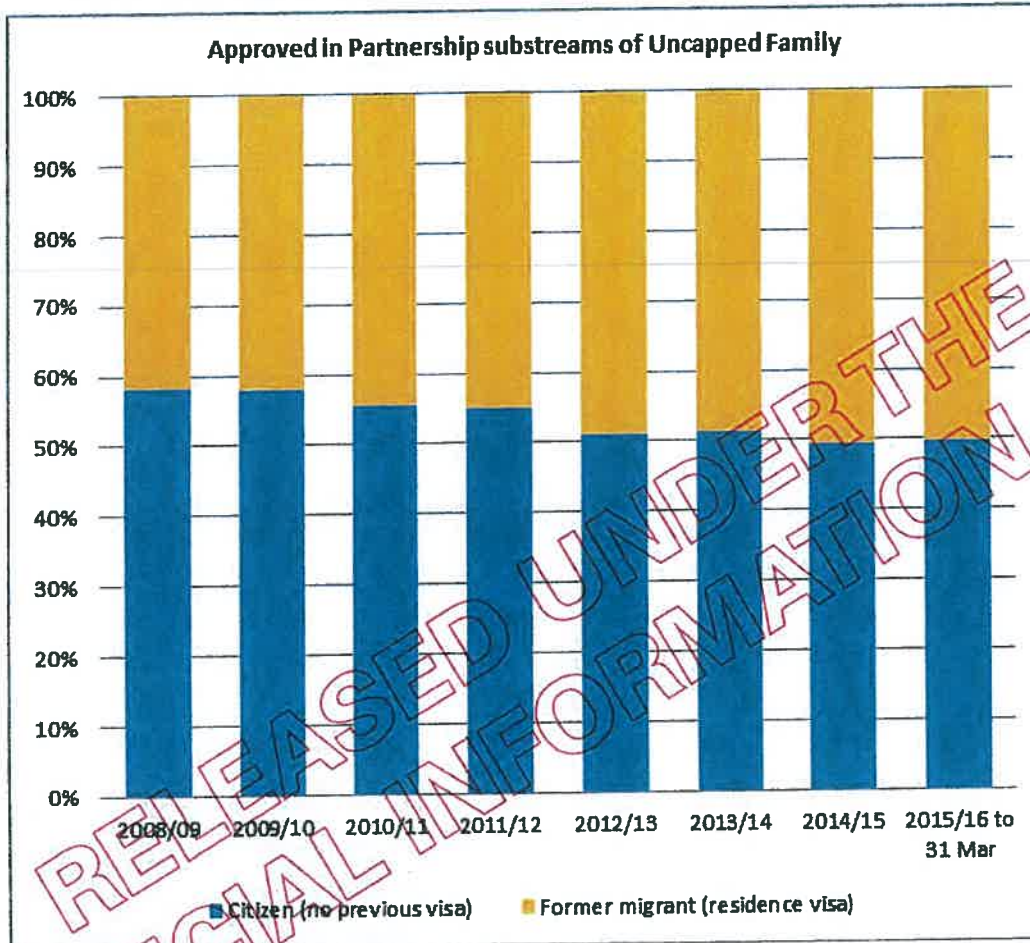
4. You asked what proportion of SMC migrants earned less than \$60,000 per year. There is detailed information on the incomes of SMC migrants included in the slide pack on the composition of SMC. We welcome your feedback on the income evidence provided, including whether you would like it presented differently.

Regional make up of Pacific Access Category and Samoan Quota

5. You asked whether there was any information on the regions that Pacific Access Category and Samoan Quota applicant settle. While this information is not collected systematically through AMS, officials provided a verbal update to you on Monday, 11 April 2016. As requested by you, a further briefing is being prepared.

Proportion of supporting partners who were migrants themselves

6. You asked what proportion of supporting partners under the Partnership category were migrants themselves. The graph below shows the proportion of Partnership applications where the supporting partner had a previous visa and those that did not.



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Annex Three: Evidence on the composition of the Skilled Migrant Category

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Kaitiaki Take Kōwhiri

Changes in the composition of the skilled Migrant Category

Statistical analysis of the skills of migrants gaining residence under the 'Skilled Migrant Category' in
period 2009 - 2015

12 April 2016

Draft for discussion with Minister Woodhouse on 14 April 2016

Skilled Migrant Category – Introduction

DRAFT

This brief looks at the current profile of the migrants gaining residence through the Skilled Migrant Category (SMC), and the different pathways that migrants follow to reside in New Zealand (eg offshore/onshore, temporary work visas and international students).

New Zealand's SMC aims to attract and retain highly skilled migrants by providing a pathway to permanent residence..

The brief provides a statistical analysis of SMC migrants (primarily principal applicants, and not their families) in terms of :

- **Skills** – measured both using a broad-based, objective, skill classification (*Australia and New Zealand Classification of Occupations* – ANZSCO [refer box below]), as well as skills in terms of the types of occupations of SMC migrants. There is no generally agreed proxy for measuring 'high skills' in an immigration context, with most countries using a mix of proxies such as work experience, education level, specific occupations, salary, and to a lesser extent, language ability.
- **Employment outcomes** – the types of industry sectors that migrants are working in, and the median earnings of different types of SMC migrants and across different industry sectors.

The analysis looks at the current skill and employment outcomes of SMC migrants, as well as any changes that have occurred between 2009/10 and 2014/15.

Data used in the analysis

- Data on SMC migrants used in this brief has been developed by MBIE Research and Evaluation Unit, using both the Integrated Data Infrastructure (IDI), managed by Statistics New Zealand, as well as administrative information extracted from Immigration New Zealand records. The data used in this brief primarily covers the period 2009/10 (from this date the data on skills classification is most reliable) through to the most recent period, 2014/15.
- Data on international students has been developed from the data available via the Ministry of Education, including the Education Counts website and their recent research report, *Moving Places – Destinations and Earnings of International Graduates*, currently in the final stages of peer review (the information in that report also uses the IDI).

ANZSCO – defining and measuring skills

Since 2006 immigration New Zealand has defined 'skilled employment' by using an objective skill classification tool, *Australia New Zealand Standard Classification of Occupations* (ANZSCO), primarily used in the analysis of labour market statistics.

ANZSCO occupations are classified in terms of the ability of individuals to competently perform the various tasks normally associated with a job into five broad skill categories, with skill level based on:

- level or length of required formal education and training
- on-the-job training
- relevant work experience.

For immigration purposes ANZSCO skill levels 1-3 are all defined as 'skilled employment', grouping together 'highly skilled' (Level 1 managerial and professional roles) with 'skilled' (level 2 and 3 roles in clerical and administrative jobs, technicians and trades services, retail managers, community and personal services).

ANZSCO Levels 4 and 5 cover lower skilled occupations and do not qualify for SMC (eg carers, receptionists, road and rail drivers, process workers, sales workers and cleaners, etc).

While ANZSCO provides an objective and consistent measure, it cannot easily differentiate between more senior and junior roles (particularly in managerial positions) and can be subject to gaining in terms of 'job title' inflation.



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Skilled Migrant Category – Summary

DRAFT

3

The Skilled Migrant Category (SMC) policy continues to be effective in ensuring New Zealand successfully secures skilled migrants that can supplement the domestic labour market.

At the broadest measure of classification (*Australia and New Zealand classification of Occupations - ANZSCO*), the skill level of the occupations of SMC migrants have improved over the last five years. [Pages 6 and 7]

The SMC policy has successfully attracted some high-skilled migrants (eg professionals such as civil engineers, nurses, ICT programmers). However, the last five years has also seen a growth in SMC migrants working in occupations/ industries that are associated with lower wages (for example, chefs, ICT support technicians, retail managers, café and restaurant managers). [Page 8]

There are also significant differences in the earnings of SMC migrants, depending on their pathway to residence (ie if they previously held temporary work visa, or student visa or were recruited from offshore with no previous visa). These differences in earnings also vary depending on industry sector in which SMC migrants are working. [Page 14]

The analysis shows that SMC migrants who were former international students earn less than other types of SMC migrants [Page 12] and, post-graduation, they also earn less than domestic students with the equivalent qualification and field of study (with one exception, health). [Pages 13 & 17]. The gaps in earnings, with both other SMC migrants and domestic students does not fully close over the period of analysis, with the gap widening in later years for graduates in some fields of study. [Appendix 2: Page 17]

The structure of the points-based SMC policy [Appendix 1: Page 16] may be favouring workers and former international students on temporary work visas who have a job offer, over offshore professionals seeking to emigrate to New Zealand.

As the annual planning range for SMC migrants comes under pressure, there is an increased risk of lower wage SMC migrants crowding-out higher skilled/higher wage migrants. The forecast growth in international students and continued use of temporary workers is expected to increase the pressure on the SMC over the next few years. It would be timely to examine how the SMC policy could be modified to enable it to continue to provide pathways for international students and temporary workers, while at the same time, ensuring there are places available for high-skilled professionals wanting to migrate to New Zealand. [Page 15]

Example [page 11]: SMC migrants in accommodation and food services (ie chefs, café and restaurant managers) earn \$38,000 per annum, compared with SMC migrants in health sector (primarily nurses) with median earnings of \$62,200 (year ended March 2015). The median earnings of SMC migrants recruited from offshore (no previous visa) are consistently higher across all industry sectors, compared with those who were already in New Zealand at the time of SMC approval (ie on temporary work or student visas).



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Immigration pathways – Temporary work to NZ residence

DRAFT 4

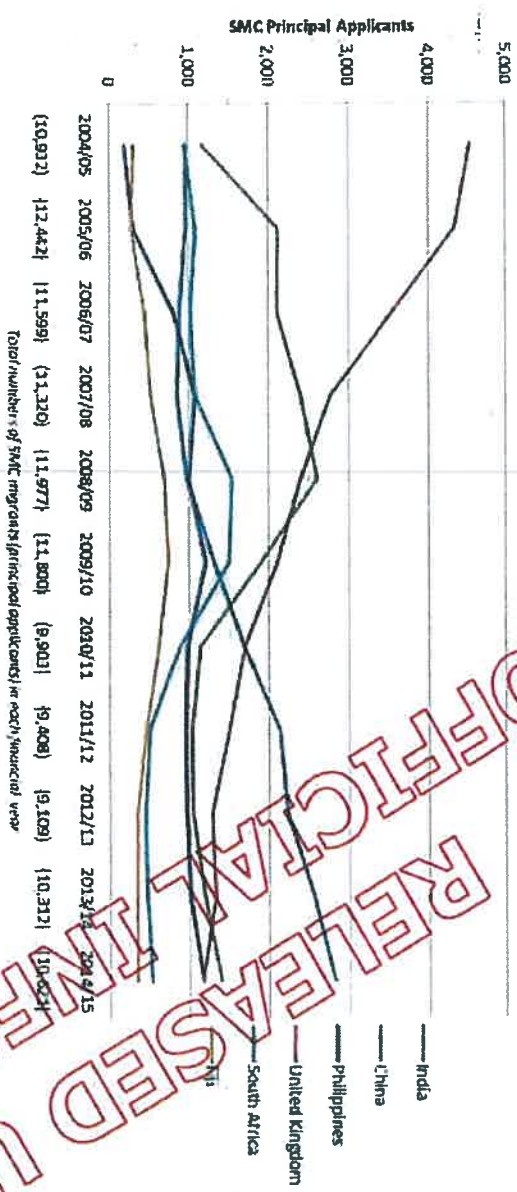


¹ SMC Migrants refers to 'principal applicants' only throughout this analysis.

Changes in country of origin for SMC

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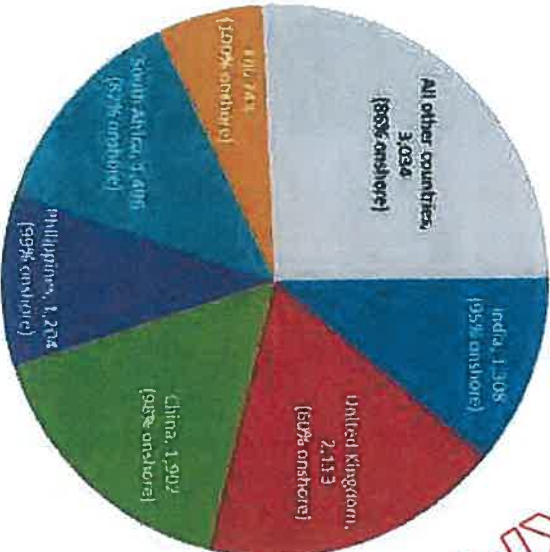
SMC migrants from primary source countries, 2004/05 to 2014/15



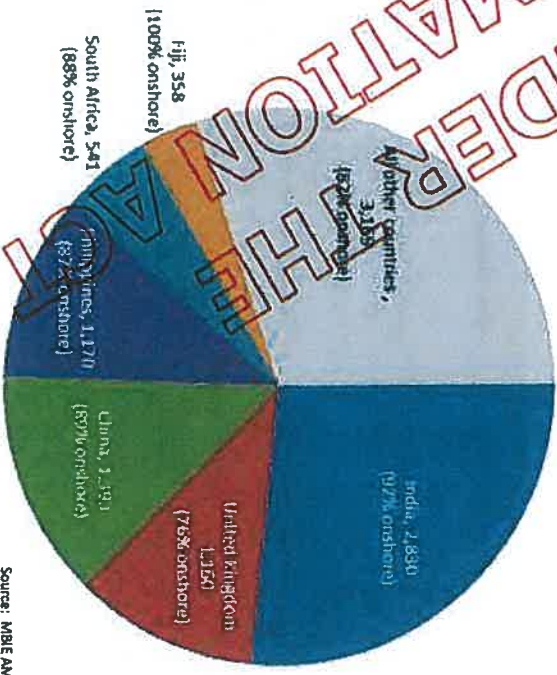
In 2004/05, nearly three-quarters of SMC migrants (principal applicants only) came from these six countries. The contribution of these countries has remained largely similar over the period to 2014/15, dropping slightly to 70% of all SMC migrants approved in the last few years. Total SMC migrants have fluctuated between 9,100 and 12,400 over the period.

In 2009/10, there were 11,800 SMC migrants (principal applicants only), with many onshore (87%) at the time of their application on an existing temporary work visa (eg Essential Skills, Working Holiday Scheme or Study-to-Work visas). In 2014/15, there were 10,621 SMC migrants, with the proportion of overall onshore migrants staying the same as 2009/10.

2009/10 SMC Migrants - Primary Source countries (and proportion SMC migrants onshore)



2014/15 SMC Migrants - Primary source countries (and proportion SMC migrants onshore)



Source: MBE AMS data, March 2016

Changes in the ANZSCO skill level mix

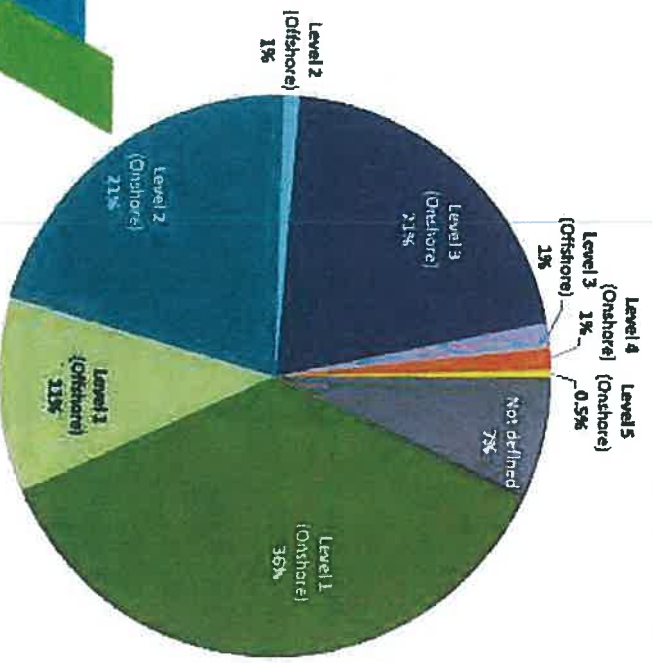
At the broadest level skill measurement (using the ANZSCO categorisation of skills of occupations), there has been an overall increase in the skill levels of the occupations of migrants approved for residence under the SMC between 2009/10 and 2014/15. Since 2009/10, the numbers of SMC migrants with:

- ANZSCO Level 1 jobs (eg managers and professionals) increased from 47% to 51% in 2014/15
- ANZSCO Level 2 jobs (eg clerical and administrative jobs, technicians and trades, service/retail managers, community and personal services etc) increased from 22% to 30% of SMC approvals in 2014/15.
- There has also been a decrease in at jobs at ANZSCO Skill Level B (mainly trade jobs) and below.

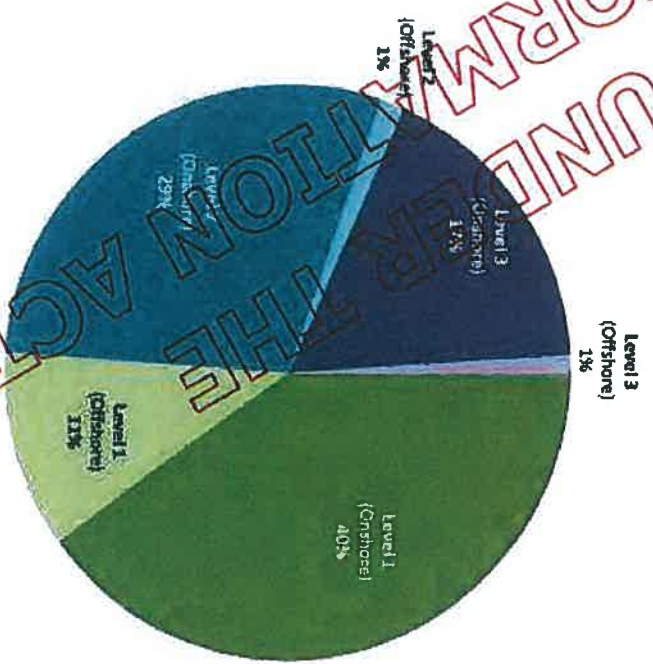
The majority of SMC migrants are onshore (often on temporary work visas) at the time of their application. It is mainly jobs at ANZSCO Skill Level 1 (eg managers and professionals) that are the main SMC migrants applying from offshore.

While this ANZSCO assessment appears to show a general rise in the proportion of SMC migrants engaged in skilled employment, as noted earlier, the high-level ANZSCO classifications may not be sufficiently discriminatory in terms of the skill levels of similar types of jobs. Accordingly, it is also useful to consider other proxies for skills, such as, types of occupations and salary/wages, to better understand the changes in overall skill mix of SMC migrants.

ANZSCO Skill Level of approved SMC migrants - 2009/10
(11,800 onshore and offshore SMC principal migrants)



ANZSCO Skill Level of approved SMC migrants - 2014/15
(10,621 onshore and offshore SMC principal migrants)



Importance of previous visas in filling some jobs under SMC

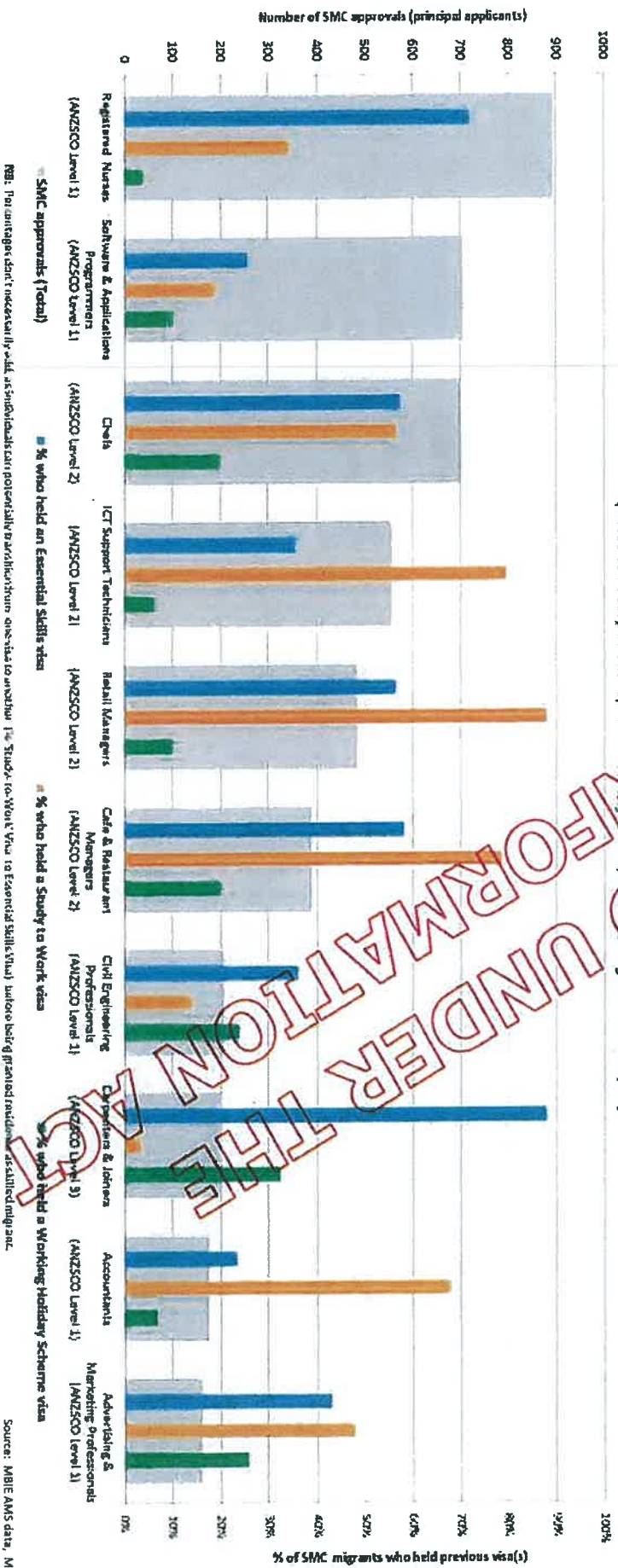
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Across the broad-based skill level measures (ANZSCO) we have seen some changes in the proportion of SMC migrants holding previous visas:

- At ANZSCO Skill Level 1 (professional and managerial jobs), 31% of SMC migrants had once held a student visa in 2014/15 (compared to 20% in 2009/10), while SMC migrants who had previously held an Essential Skills visa declined to 44% in 2014/15 (compared with 52% in 2009/10).
- At the lower ANZSCO Skill Level 2 (eg clerical and administrative, ICT technicians, retail and hospitality managers), 71% of SMC migrants had previously held a student visa in 2014/15 (compared to 49% in 2009/10). This compares to about half of SMC migrants having previously held an Essential skills visa last year (51% in 2014/15, down from 65% of SMC in 2009/10).
- In the trades, construction, office occupations (ANZSCO Skill Level 3), SMC migrants more generally have held an Essential skills visa – 78% of SMC at this level in 2014/15. And, 28% of SMC migrants had previously held a student visa (up from 13% in 2009/10).

The 'Top 10' occupations in 2014/15 (representing about 40 percent of SMC approvals) highlights the growing importance of the student and temporary work pathways in some of the main occupations approved under the SMC policy. Overall in 2014/15, 43% of SMC migrants had previously held a student visa (37% had held a study-to-work visa) and 52% had held an Essential skills visa. But in some occupations the levels of previously held visas are significantly higher, (as illustrated in graph below, ie retail manager, ICT support technicians, carpenters and joiners etc)

'Top 10' Occupations of SMC Migrants and their previous visas(s) 2014/15
(These ten occupations represent 39% of the 10,872 SMC migrants in 2014/15)



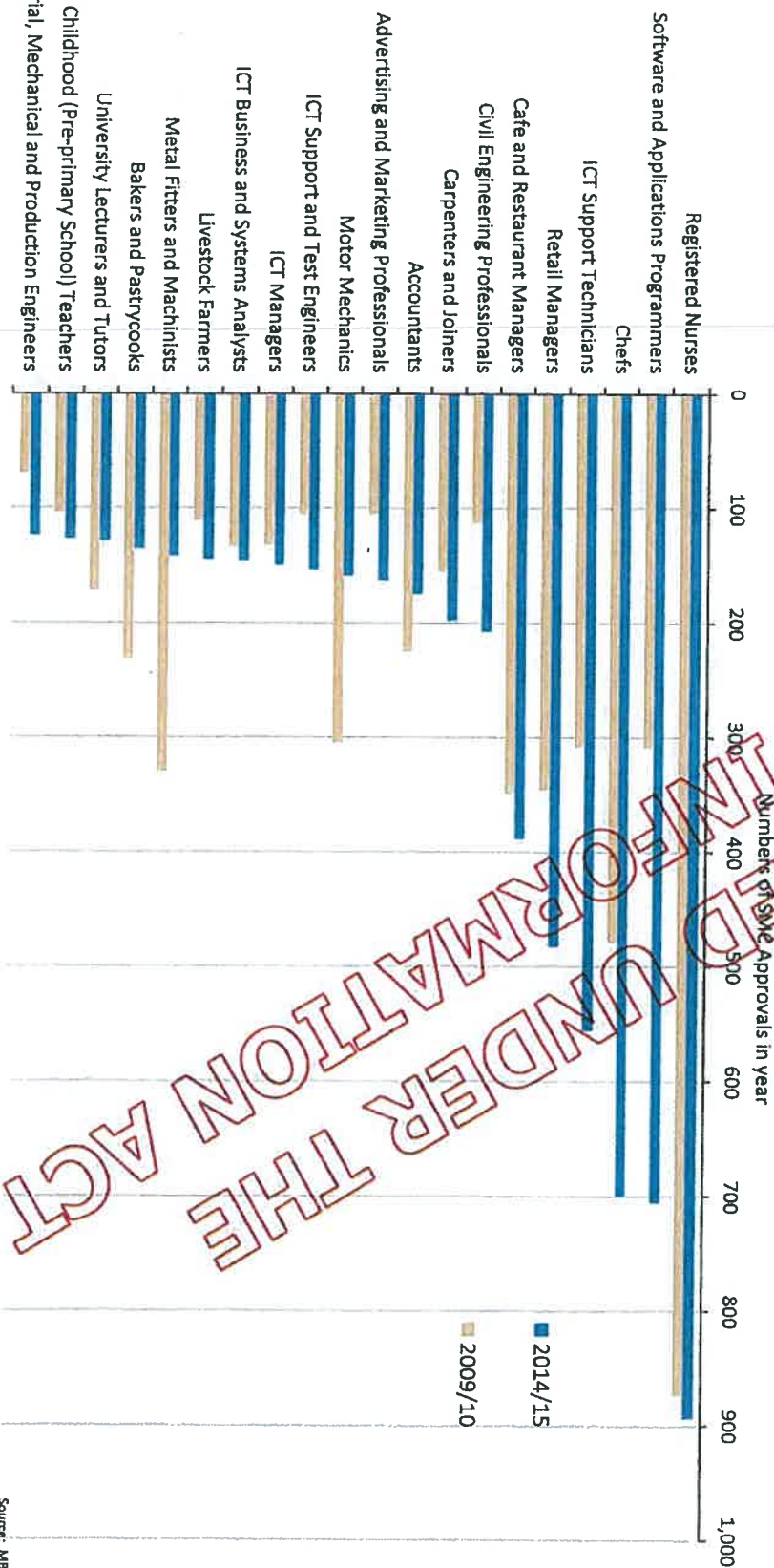
REB: The unit does not necessarily add, as individuals can potentially be awarded more than one visa to assist in their study or their professional development as skilled migrants.

Growth in SMC migrants in some lower paid occupations

DRAFT

- The 'Top 20' Occupations accounted for over half of all SMC approvals in 2014/15 (55% of SMC principal migrants), compared to 2009/10 when the 'Top 20' occupations accounted for 45% of all SMC approvals.
- Many of the same occupations have remained in the 'Top 20' over the five year period, although their relative position in the rankings have moved slightly and the proportion of overall SMC approvals has altered. For example, software and application programmers have moved from No.6 ranking to No.2 (3% of all SMC migrants in 2009/10 to 7% in 2014/15).
- However, we have also seen a growth in SMC migrants in occupations that are characterised by lower wages, such as retail managers, café and restaurant managers, ICT support technicians, etc. For example, chefs have decreased from the No.2 ranked occupation in 2009/10 to No. 3 in 2014/15, but they now comprise 7% of all SMC migrants in 2014/15 (compared with 4% in 2009/10).

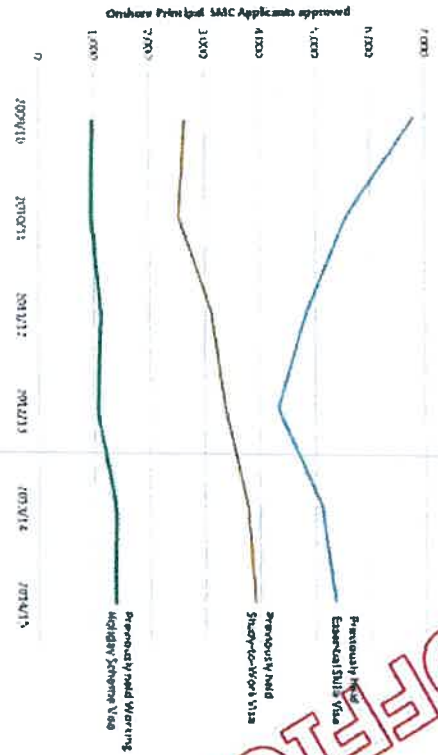
'Top 20' Occupations of SMC Migrants in 2014/15 (compared with 2009/10)



Source: MBE AMS data, March 2015

Pathways from study and temporary work grow for onshore migrants

SMC Migrants (onshore) pathways, 2008/09 – 2014/15

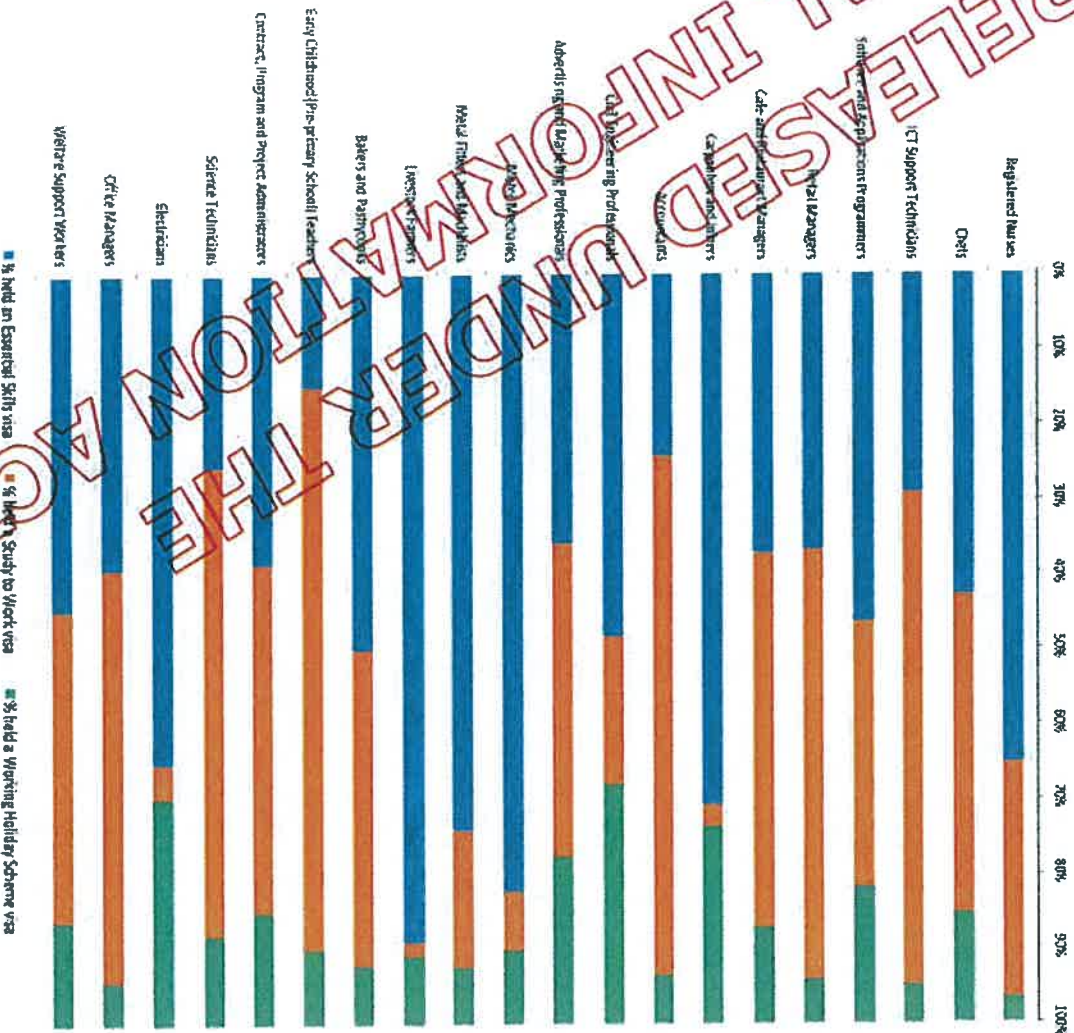


The vast majority of migrants who applied successfully as SMC migrants were already in New Zealand, usually on a visa that had enabled them to work. In 2014/15, 87% of SMC migrants (or 9,190 people) were onshore at time of application (a proportion that has remained relatively stable since 2009/10).

Many of the onshore SMC migrants, particularly those in jobs characterised by lower wages, held either a Study-to-Work visa and/or Essential Skills visa. For example, 89% of onshore SMC Retail Managers migrants (5th ranked SMC occupation), had previously held a Study-to-Work visa, and 57% had held an Essential Skills visa in 2014/15.

As migrants can hold different types of temporary visas prior to getting residence, it is possible that SMC migrants have held more than one type of visa. In 2014/15, for example, 91% of onshore SMC migrants Carpenters and Joiners had held an Essential Skills and a third had held a Working Holiday Scheme visa.

Top 20th SMC Migrant (onshore) 2014/15, by previous visa(s) held
Ranked from largest SMC occupation

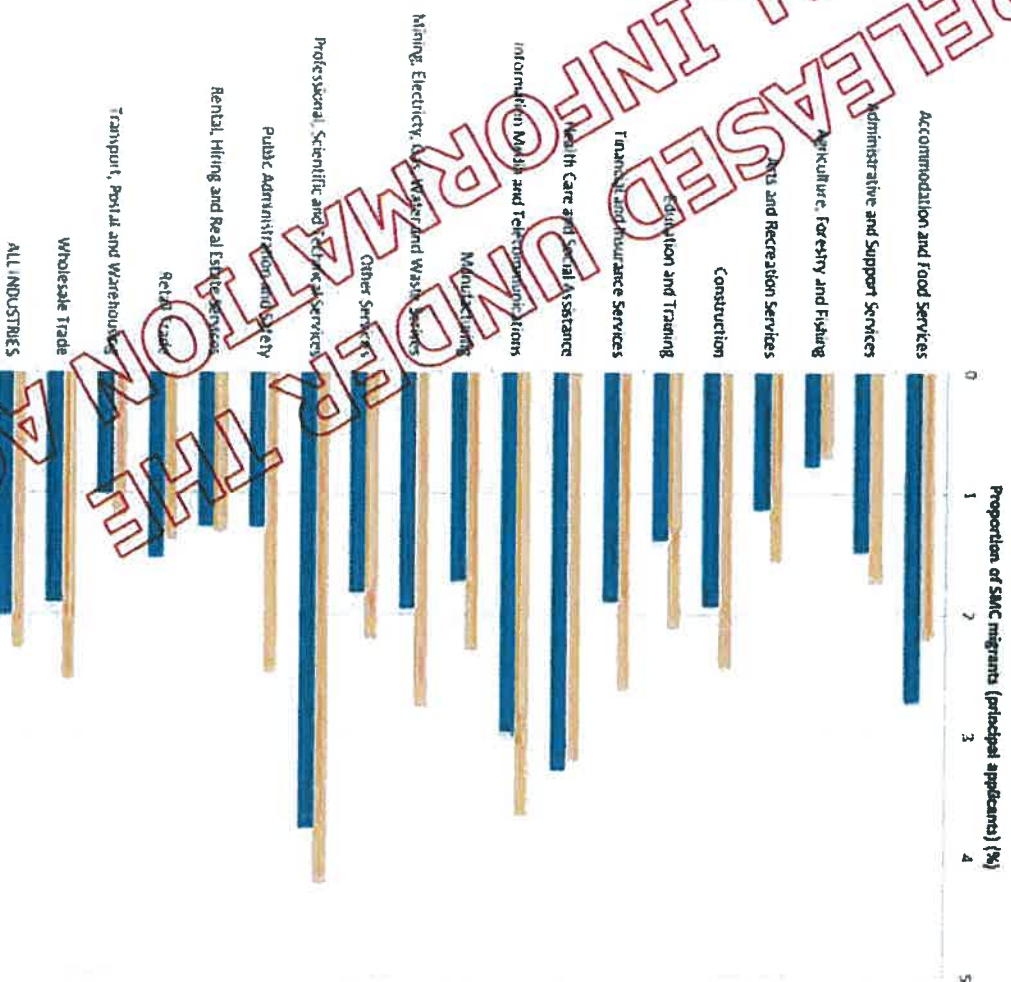


MBE: Percentages don't necessarily add to 100% as some migrants can hold more than one visa. *Hidden in Study to Work visa category. **Hidden in Study to Work visa category. ***Hidden in Study to Work visa category. ****Hidden in Study to Work visa category. *****Hidden in Study to Work visa category.

SMC migrants share of jobs across most industries has declined

DRAFT 10

SMC migrants share of jobs by industry, 2010 and 2015



- Overall, the share of wage/salary jobs held by SMC migrants across industry sectors has seen a slight decline in the five years from 2009/10 to 2014/15.
- SMC migrants were employed in 2% of all jobs in 2015 (March), compared to 2.3 % in 2010 (March).
- This small drop in SMC migrants share primarily reflects the increased numbers of jobs across many parts of the economy associated with improved economic conditions and growth, as well as a slight decline in SMC numbers in most recent period.
- The main sector that went against overall trend of a declining share of SMC migrants, and saw an increase in the share of SMC migrants in their industry sector was *Accommodation and food services* (with *retail trade* and *health* sectors seeing minor gains in share as well).
- SMC migrants, as would be expected, are more significantly represented in the industry sectors of *Professional, scientific and technical services*, *IT and Health care /social assistance*.

Note: This graph shows migrants have a much lower percentage share of wage /salary jobs by industry compared to the graphs (8 and 9) in the December 2015 briefing *Improving the long-term contribution of immigration to the labour market* (MBlE 0699 15-66/172015-2946). Those graphs included all recent migrants, both permanent and temporary migrants, showing that one in ten of wage and salary jobs was held by a recent migrant at March 2014.



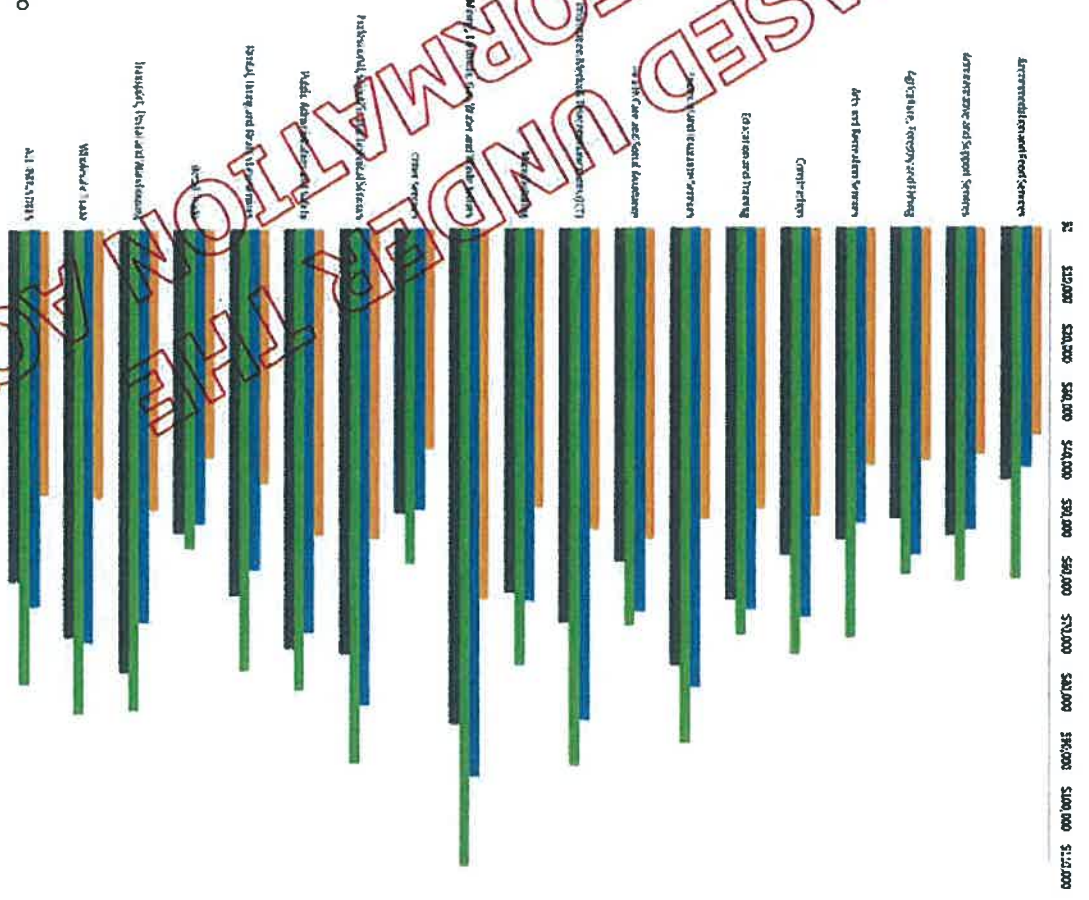
MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
IWHAKA WHAKATUTUHI

SMC migrants earnings vary across industry sectors and pathway

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- The median annual earnings for all recent SMC migrants is \$57,700 (year ended March 2015), with former students earning \$45,700 and former temporary workers earning \$64,800¹. This compares to the annualised earnings for full-time skilled workers² of \$60,400 and all workers of \$46,000, across industry sectors as at March 2015³.
- Some key SMC occupational groups (eg, chefs, café and restaurant managers, bakers etc) are concentrated in the *Accommodation and Food Services* sector. The median earnings for SMC migrants in this industry was \$38,000 pa (March 2015), compared with SMC migrants in *Health Care* of \$62,200 pa (March 2015).
- Not only is there variation in the median income of SMC migrants across industry sectors, there is also variation between SMC migrants who had previously held a student visa, a work visa (eg Essential Skills visa or Working Holiday Scheme visa), and those who had not held a previous visa (mainly migrants who were recruited offshore).
- For example, as outlined in the graph, in the year ended March 2015, earnings in key SMC sectors were:
 - *Accommodation and Food Services* – small difference in median earnings of \$5,300 between former students (\$35,800 pa) and former work visa holders (\$41,100 pa), while those with no previous visa had median earnings of \$60,400 pa
 - *ICT* – larger median earnings gap of \$32,800 between former students (\$51,800) and former work visa holders (\$84,600), while those with no previous visa in ICT sector had median earnings of \$92,400 pa
 - *Health Care and Social Assistance* (registered nurses were the No.1 SMC migrant occupation in 2014/15) – former students earned \$53,500 pa, compared with former temporary workers earnings of \$65,700 pa (those with no previous visa earned marginally more at \$68,300 pa).
 - Lower earnings of SMC former students across industry sectors is likely to reflect, in part, a lower level of labour market experience. However, previous MBE research found lower income for former students (compared to other SMC pathways), even controlling for other factors such as age, country/region of origin⁴.

S/MC Median Annual Earnings (end-March 2015) by industry and previous visa held¹
 Annual median earnings for skilled, full-time, New Zealand workers [ANZSCO Skill Levels 1, 2 and 3] are shown in black

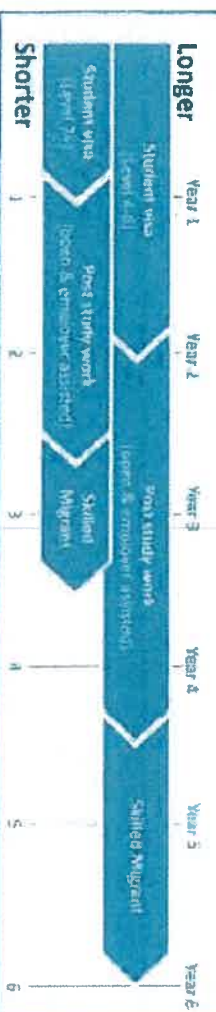


- 1 Statistics NZ, IDI accessed by MBE in March 2016. Recent SMC migrants are those who gained residence 0-5 years before end-March 2015 (reference point).
- 2 Skilled New Zealand workers are full-time workers with occupation skill level of ANZSCO Levels 1, 2 and 3
- 3 Income Survey data accessed April 2016.
- 4 MBE (2015) Labour market integration and retention of skilled migrants in New Zealand

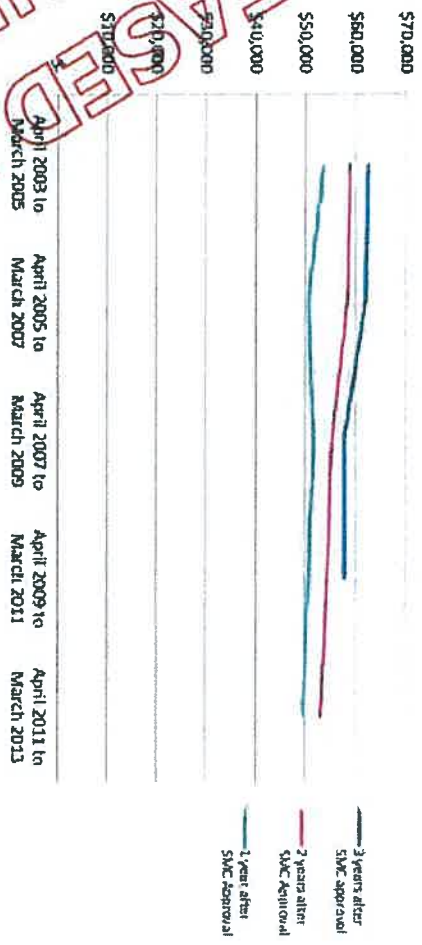
Wage gap for different types of SMC migrants

- Over the period 2003-2013, earnings of SMC migrants have declined by 10% (measuring earnings two years after SMC residence approval). With migrants who previously held a work visa declining by 12% and those with a student visa declining by 6%, while those who have no previous visa earned 5% more.
- SMC migrants with no previous visa (ie who are generally recruited offshore), start working life in New Zealand on lower earnings than SMC migrants who had previously held a temporary work visa. However, SMC migrants with 'no previous visa' had the greatest gain in earnings after they gained NZ labour market experience.
- The median annual earnings of SMC migrants in the two years after approval in the 2011-2013 period was:
 - \$43,400 pa SMC migrants who had held a student visa
 - \$60,600 pa SMC migrants who had held a temporary work visa
 - \$72,700 pa for those who had never held a previous visa. These migrants tend to be recruited offshore, and offshore SMC migrants primarily work in higher paid professional/ manager occupations (ANZSCO Skill Level 1).
- The pattern of relative earnings across the different SMC migrants, and the earnings increased post-SMC approval (as per graph 2009-2013), is similar in earlier periods (2003-2009).
- SMC migrants who are former students earned lower median earnings across all industry sectors compared with other categories of SMC migrants, to some extent reflecting their lower work experience (as noted on previous page 12).
- The gap in earnings between students and other SMC migrants at 3-years' post-residence remains, (and with the typical pathway of international student to SMC residence, many students will have been working 6-8 years in New Zealand at that point in time).

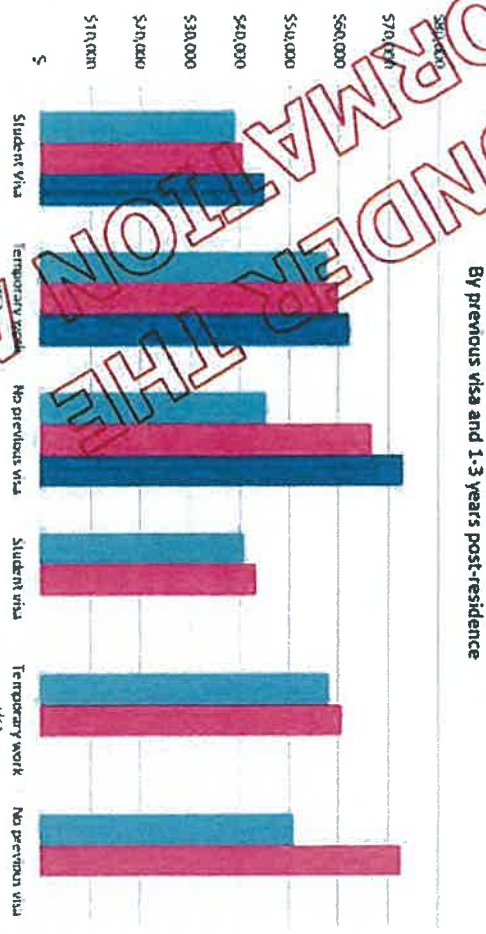
Typical student pathways to residence



SMC Migrants Annual Median Earnings 2003-2013
1 to 3 years after residence, by entry cohort



SMC Migrants Annual Medium Earnings, 2009-2013
By previous visa and 1-3 years post-residence



Note: 3 year wage/salary outcomes are not available for all of the April 2011 - March 2013 entry cohort
Sources: Statistics NZ, IOL accessed by MBE in March 2016

Former international students earn less than domestic students

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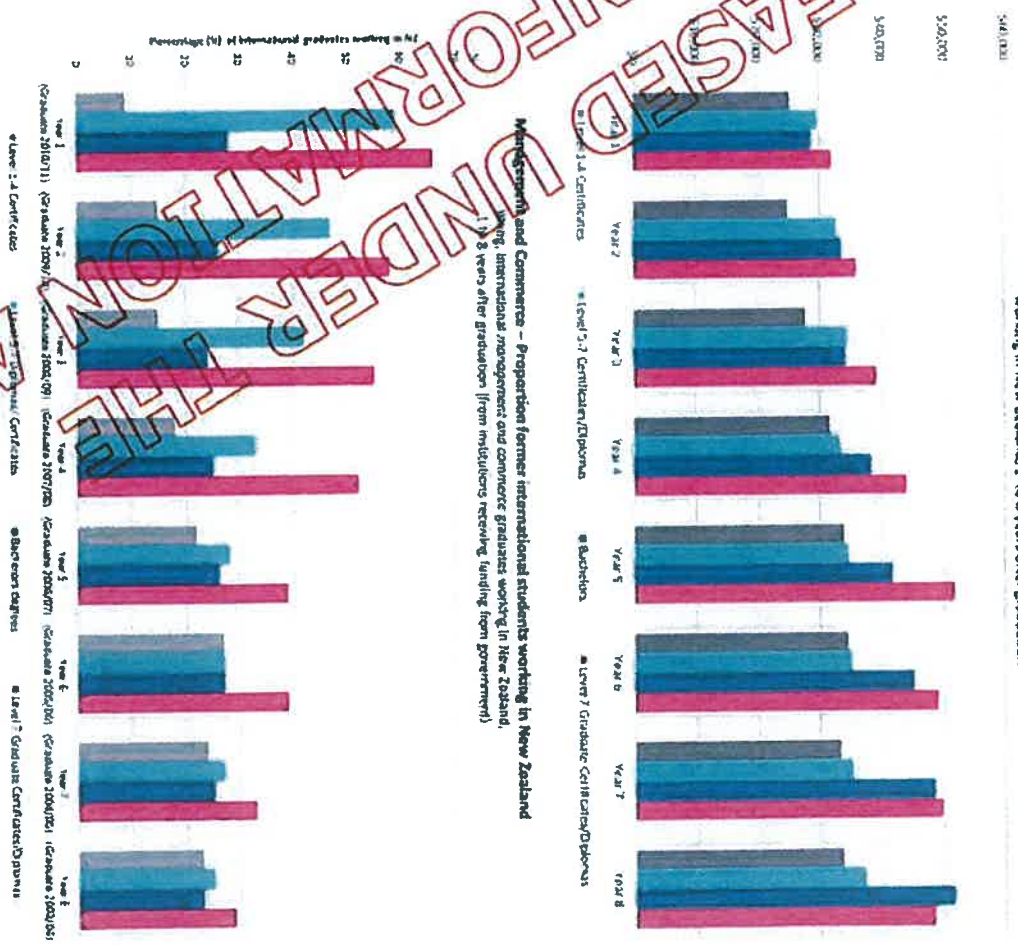
SMC migrants who were on a student visa earn less than other SMC migrants, and former international students also earn less than young, domestic graduates, across most fields of study and qualification level.¹ The *health field* is the only exception to this negative median earnings differential. See Appendix 2 for detailed graphs on income differences by field of study/qualification

The difference in earnings between total domestic and international students overall fields of study is less than \$10,000 for Diploma/Certificate (Levels 5-7) and Bachelor degree (Level 7). There is a greater earnings gap for those with a Graduate Diploma/Certificate (Level 7), with former international students earning \$12,000 pa less than domestic graduates two years after graduation, and increasing to \$16,000 less at eight years post-graduation.

Example of international student earnings – Management and Commerce

- *Management and Commerce* is a major and growing field of study for many international tertiary students, mainly undertaking business and management courses. In 2014, 31,408 international students were enrolled in this field of study - 21,420 Training Establishments (PTEs)²
- Ministry of Education's analysis of employment outcomes¹ showed 66% of young, international students with a *management and commerce* Graduate Diploma (Level 7) remained to work in New Zealand in their first year after graduation.
- Based on tax data for 2012/13, Level 7 Diploma international students earned a median yearly income of \$36,000 in their second year after graduating - \$12,400 less than domestic graduates with the same Level 7 Diploma qualification. While the gap with domestic students closed to -\$3,900 at five years post-graduation, the gap widens to -\$20,100 after eight years, when 29% of these international graduates are still working in NZ (median income \$48,400 pa).
- Despite gaining experience in New Zealand labour market, the earnings for some *management and commerce* graduates remain fairly flat for those with lower level qualifications. For example, those with Level 5-7 Certificate/Diploma have median earnings of \$37,200 eight years after graduating, when a quarter of international graduates are still working in New Zealand. This compares with those international graduates who had a Bachelors degree who earned \$51,600 pa eight years after study (and in the sub-field, *business studies* were earning \$46,600 pa).
- Unfortunately, there is no information available on the employment outcomes and earnings of the nearly 10,000 international students studying *management and commerce* at tertiary institutions who do not receive government funding.

Management and Commerce - Median earnings of international students¹
 Median earnings (2012/13 tax period) for young, international graduates working in New Zealand, 1 to 8 years after graduation



¹ Outcomes information is taken from the draft Ministry of Education research report, *Moving Places – Destinations and Earnings of International Graduates*, currently in the final stages of peer review. The information in this report comes from the Integrated Data Infrastructure (IDI) which is managed by Statistics New Zealand. However, the options, findings, recommendations and conclusions expressed in this report are those of the Ministry of Education not Statistics NZ.

² Ministry of Education (2014) non-funded PTEs data from *Enrolment, Education Levy Key Statistics (Full Year) 2014 Edition*, Table 15, and funded providers data from *Provider-based Enrolments, Field of Study*, FOS_ENR.3 www.educationcounts.govt.nz

Impact on SMC migrants flows through student pathway

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Increasing numbers of international students qualifying

Current enrolments can provide a longer term signal of likely impact of international students on SMC migrants flows. Many of these students are likely to remain in New Zealand on Study-to-Work visas, and if successful in gaining a job offer for permanent work, they are then likely meet the criteria for automatic selection under the SMC points scheme.

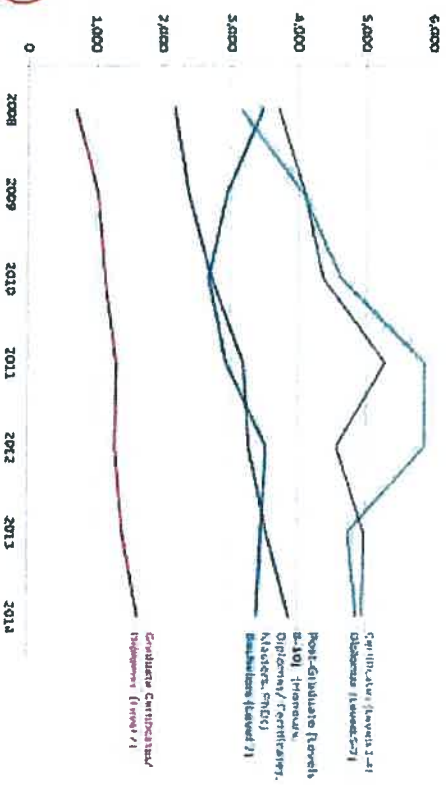
Rates of employment post-graduation for young, international students

In the key areas of study that feed SMC migrant pathways, many international graduates remain in New Zealand to work after completing their studies, particularly in the first year, with approximately a quarter still in New Zealand after eight years¹. In the 2012/13 tax year for young, international graduates:

- 69% of Level 5-7 Diploma graduates in *food, hospitality and personal services* worked in their first year post-graduation, with 38% employed in NZ eight years after graduation
- 59% of Level 5-7 Diploma *management and commerce* graduates worked in the first year, decreasing to a quarter working in NZ eight years after graduation
- 52% of *Information Technology* Level 5-7 Diploma graduates worked in their first year post-graduation (often because many go on to further study), while 72% of students with a Level 7 Graduate Diploma worked. Approximately a third IT graduates in above certificate (Levels 1-4) are working eight years after graduation
- In *health* field of study, 52% of Bachelors graduates and 40% Level 5-7 graduates were employed in the first year after graduating (with 39% and 21% respectively in employment at eight years after graduation)
- Approximately a quarter of Certificate graduates (Levels 1-4) in *food, hospitality and personal services* and *management and commerce* graduates are working in New Zealand in the eighth year after study.

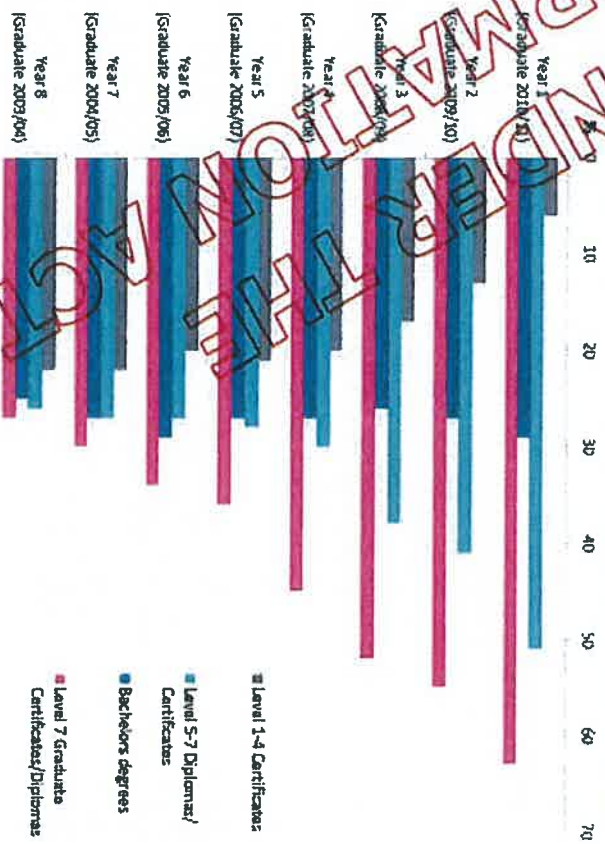
Whether similar patterns of employment will continue for today's graduating international students will be depend on both the opportunities available in New Zealand's labour market and the immigration settings for SMC migrants.

International Students - Completed Qualifications, 2008-2014
(only available for those studying at government-funded tertiary institutions)



Proportion former international students working in NZ after study

Percentage of international students employed in New Zealand in 2012 and 2013 tax years (graduating from institutions who receive funding from government), 1 to 8 years post-graduation



1 This information and graphs are derived from the draft Ministry of Education research report, *Moving Places – Destinations and Earnings of International Graduates*, currently in the final stages of peer review. Refer Chapters 7, 8 and 9 and underlying data associated with some of these chapters. The information in this research report came from the Integrated Data Infrastructure (IDI) which is managed by Statistics New Zealand. However, the opinions, findings, recommendations and conclusions expressed in the report, *Moving Places*, are those of the Ministry of Education, not Statistics NZ.

2 Ministry of Education, *Education Counts* website, Completing qualifications 2008-14

Implications for the future of SMC policy

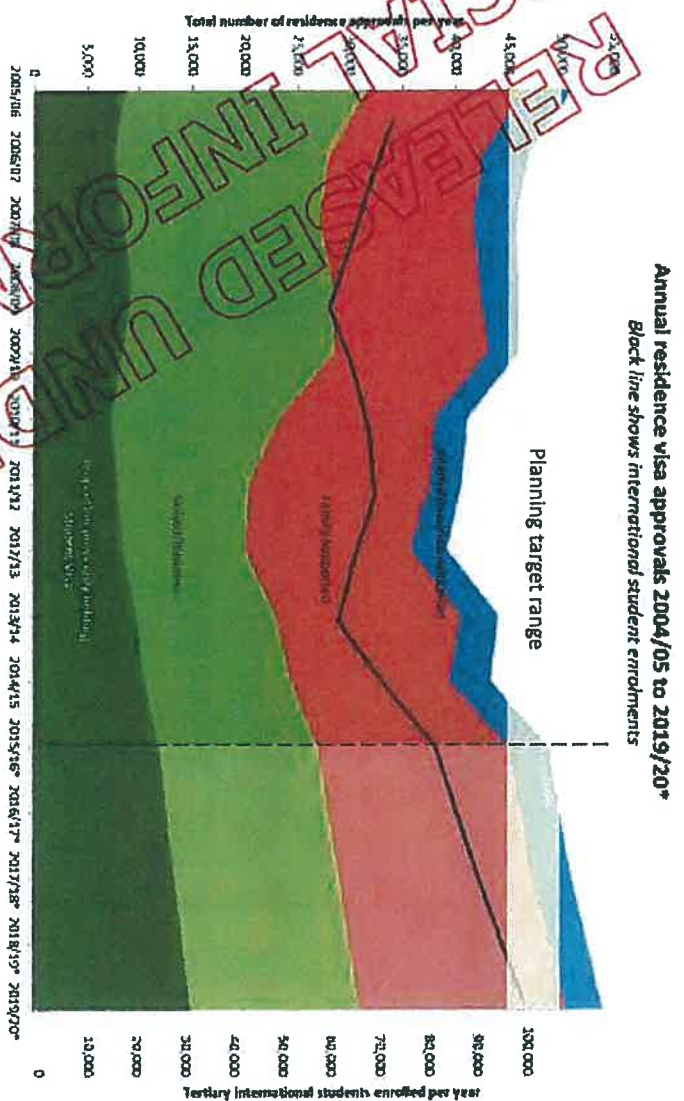
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Rising numbers could place future pressure on SMC target range

A rise in former international students applying with both offers of employment and New Zealand work experience appears to be driving up the increase in numbers of SMC migrants being automatically selected under the current SMC points system. For example, a former student with a Diploma (Level 5 qualification) who is in New Zealand on a Post-Study Work visa, could be eligible for 140 points if they have an offer of employment and 170 points if that employment is outside Auckland (those with 140 points or more are automatically selected for consideration as SMC migrant).

The SMC planning target¹ of 25,000 annually covers both principal applicants and their families – last year 21,165 with families (10,621 principal applicants) entered under SMC. Many former international students are less likely to be migrating with a family/dependants, and in the short term this may ease pressure on the SMC target range. However, given the forecast growth path of export education for tertiary students, over time, the increase in international students are likely to place pressure of SMC planning range (the stylised graph of *Annual Residence Visa Approvals* highlights a conservative forecast trend).

And, as the target is reached there is a risk that less experienced SMC migrants, working in lower wage industries, may crowd-out the higher skilled, professional SMC migrants that New Zealand is competing in a global labour market to attract. There could also be an increased risk that migrants with slightly lower points, with a job offer, are not selected under SMC in order to remain within the SMC target range of 25,000 migrants and families annually.



* Estimated from 2012/13 onwards, assuming a 5% increase in the number of student enrolments and that the proportion of SMC migrants who automatically hold student visas (proportion increasing from 10% to 15%) of SMC principal applicants were students in 2014/15 (40,000 by 2019/20)

Sources: MBE Immigration Migration Data for Type 2 residence visas; and Ministry of Education, Export Education Levy Key Statistics (Thrust 2, Table 3) (Numbers of principal applicants of international law-paying students from period 1 January to 31 August (2003-2015)). www.education.govt.nz/assets/Uploads/2015-2016-Annual-Report-2016.pdf



¹ The New Zealand Residence Programme is a two-year planning range for total migrant numbers across the various immigration streams of 90,000-100,000. The Skilled/Business Stream (ie Investor migrants, entrepreneurs, Skilled Migrant Category) has a cap of 60 percent of that range, equating to between 26,900 and 29,975 per annum.

Appendix 1: Skilled Migrant Category – Points

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Skilled Migrant Category Points System

Minimum standard of English of IELTS 6.5, maximum age of 55 years, plus health and character requirements.

Selection is via an Expression of Interest points-based approach. Applicants with 100 points can submit an Expression of Interest to be considered in pool. Selection from the pool is made fortnightly, in numbers that will meet the *New Zealand Residence Programme* target range (currently 26,900 – 29,975 for Business/Skilled stream annually within an overall Residence Programme of 45,000-50,000 approved places for New Zealand residence (approximately 25,000 places for SWC applicants)). Applicants with 140 or more points are automatically selected from the pool and invited to apply for New Zealand residence, and selection of other applicants based on their points ranking.

Skilled employment

Permanent, full time employment with job listed in <i>Australian and New Zealand Standard Classification of Occupations</i> (ANZSCO) Levels 1, 2 and 3, plus occupational registration if this is prerequisite to undertake employment in specific areas (eg plumber, medical, financial advisor, lawyer, teacher etc).	50
Offer of skilled employment, or currently in skilled employed in New Zealand for less than 12 months	60
Currently in skilled employment in New Zealand for more than 12 months	60
Bonus points for skilled employment ...	
In an identified future growth area (eg biotech, ICT, creative industries).	10
In an area of absolute skills shortage	10
In a region outside Auckland	30
Work experience in 'skilled employment'	
2 years	10
4 years	15
6 years	20
8 years	25
10 years.	30
Bonus points for work experience	
Work experience in New Zealand of:	
<ul style="list-style-type: none"> 1 year 2 years 3 or more years 	5 10 15
Work experience in an identified future growth area of:	
<ul style="list-style-type: none"> 2-5 years 6 or more years 	10 15
Work experience in an area of absolute skills shortage of:	
<ul style="list-style-type: none"> 2 – 5 years 6 or more years 	10 15

Qualifications

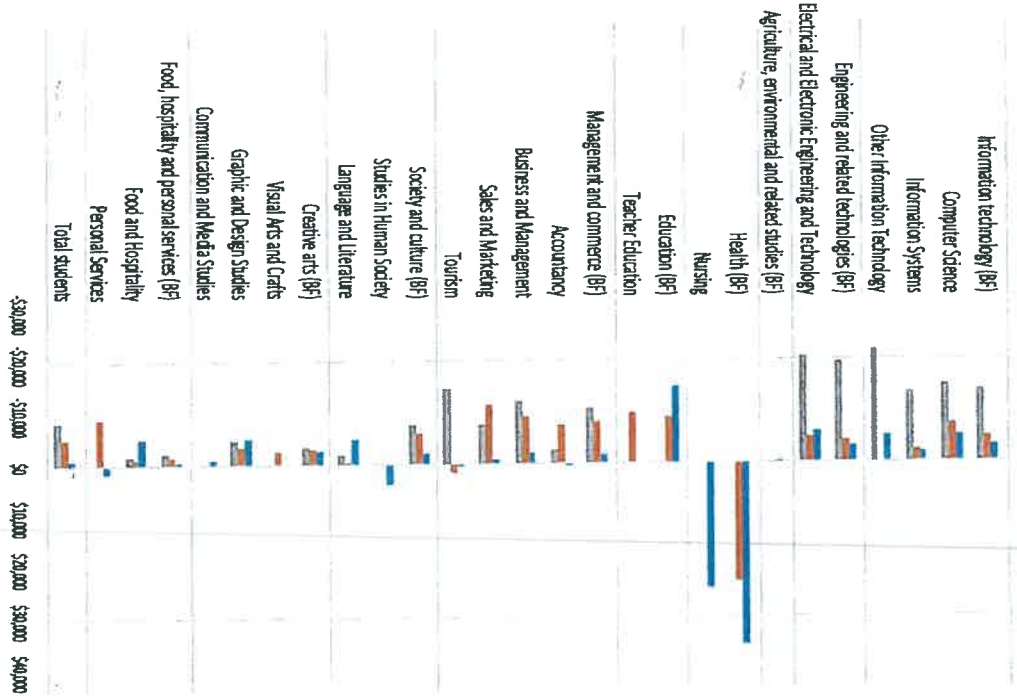
Level 4 to 6 qualification (eg trade qualification, diploma)	40
Level 7 and 8 qualification (eg bachelor degree or with honours)	50
Level 9 or 10 post-graduate qualification (eg masters degree, PhD)	60
Bonus points for qualifications	
Full-time study in New Zealand completing a qualification for	
<ul style="list-style-type: none"> 2 years, completing a Bachelor degree (Level 7) 1 year, completing a post-graduate qualification (Levels 8, 9 or 10) 2 years, completing a NZ post-graduate qualification (Levels 9 or 10) 	10 10 15
Qualification in an identified future growth area	10
Qualification in an area of absolute skill shortage	10
Age	Points
20 - 29 years	30
30 - 39 years	25
40 - 44 years	20
45 - 49 years	10
50 - 55 years.	5
Close family/Partner	
Close family in New Zealand	10
Partner has skilled employment for job offer	20
Partner holds a recognised level 4-6 qualification	10
Partner holds a recognised level 7 or greater qualification.	20

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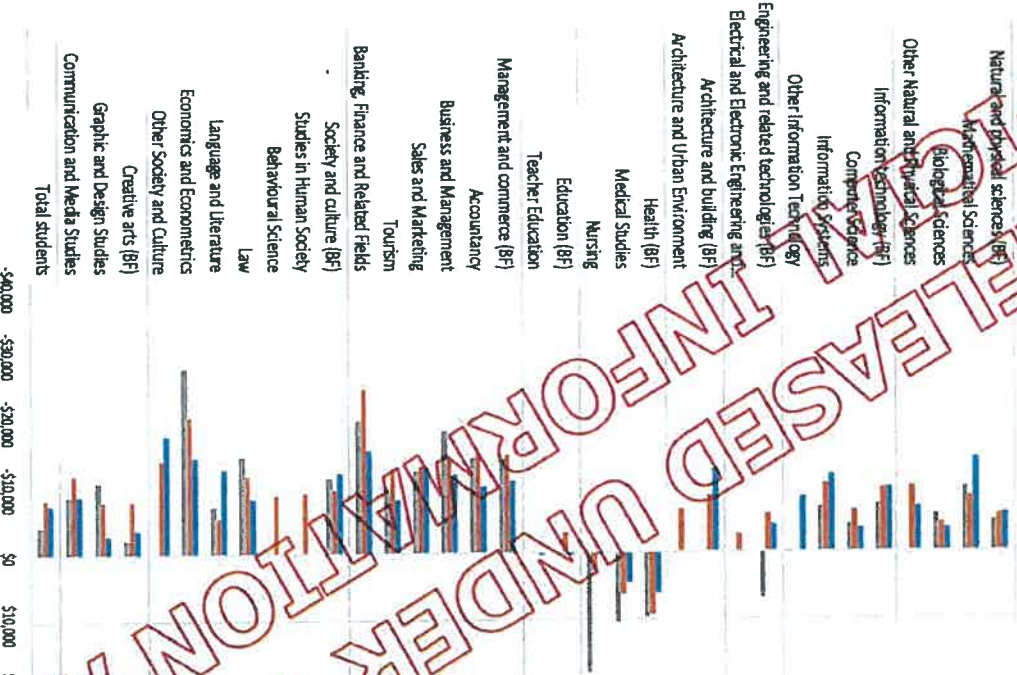
Appendix 2: Earnings differences between young, international and domestic students

Differences in median earnings for young, international graduates compared to young, domestic graduates, in the 2nd, 5th and 8th years after study, 2012 – 2013 tax years

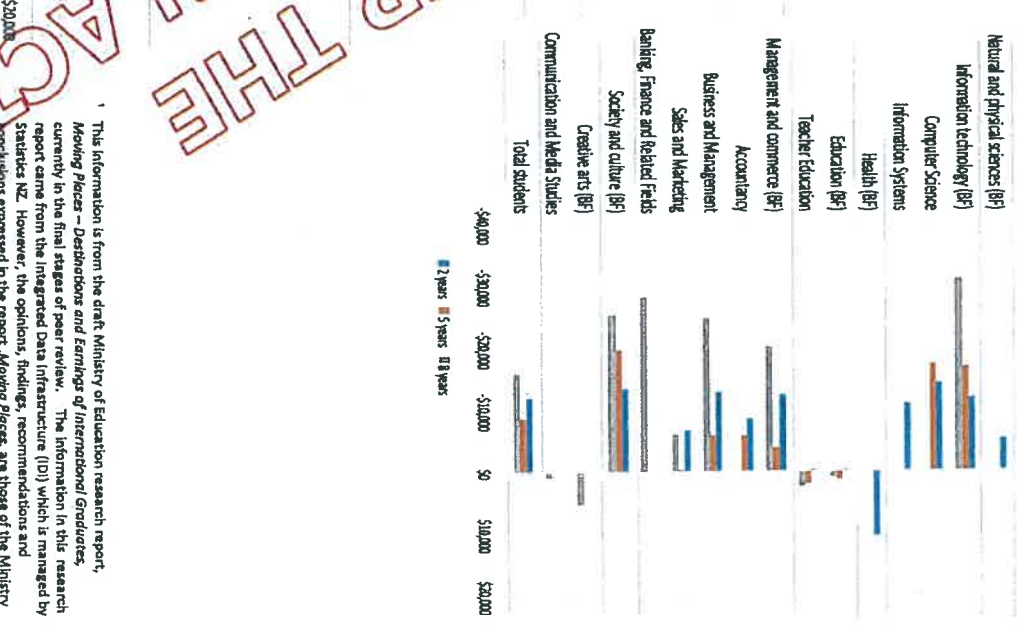
Diploma/Certificate (Levels 5-7) graduates
\$0 = domestic and international graduates earn the same income



Bachelor graduates (Level 7)
\$0 = domestic and international graduates earn the same income



Graduate Diploma/Certificate (Level 7) graduates
\$0 = domestic and international graduates earn the same income

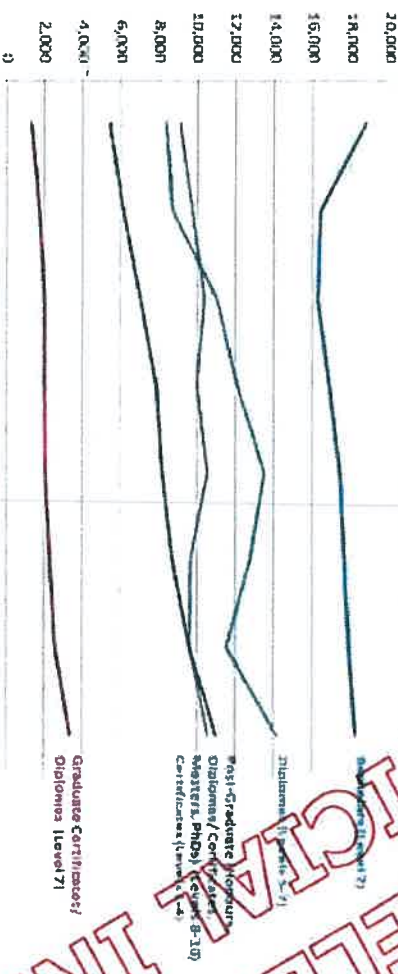


This information is from the draft Ministry of Education research report, *Moving Places – Destinations and Earnings of International Graduates*, currently in the final stages of peer review. The information in this research report came from the Integrated Data Infrastructure (IDI) which is managed by Statistics NZ. However, the opinions, findings, recommendations and conclusions expressed in the report *Moving Places*, are those of the Ministry of Education, not Statistics NZ.

Appendix 3: International students grow

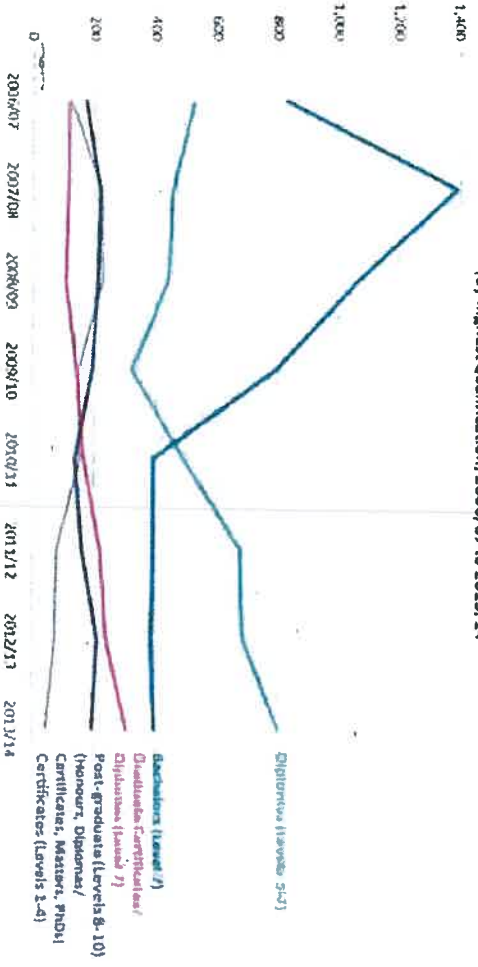
The numbers of international students enrolled at government-funded tertiary institutions have continued to grow - from 39,975 students in 2007 to 53,890 students in 2014. There are approximately 34,600 international students enrolled at non-funded Private Training Establishments (PTEs) in 2014, mainly in ESOL courses (although some students are also likely to be enrolled in other tertiary institutions in the same year).

International student enrolments at funded tertiary institutions 2007-2014



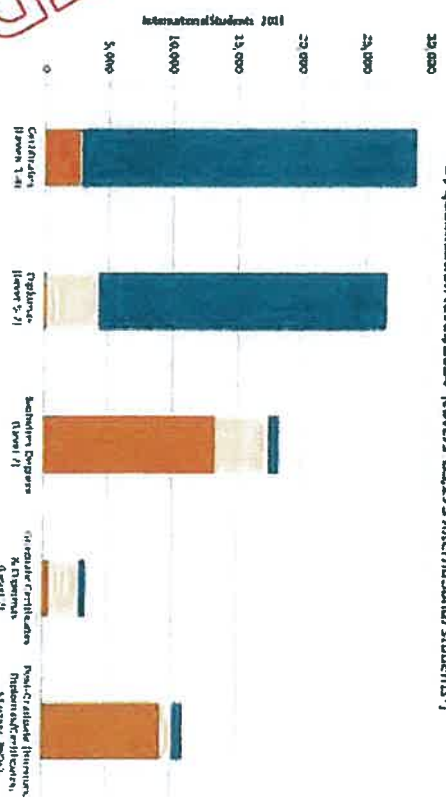
Total numbers of international students of tertiary trained institutions each year (by highest qualification) 2006/07 to 2013/14

Qualifications of SMC Migrants who were former International students



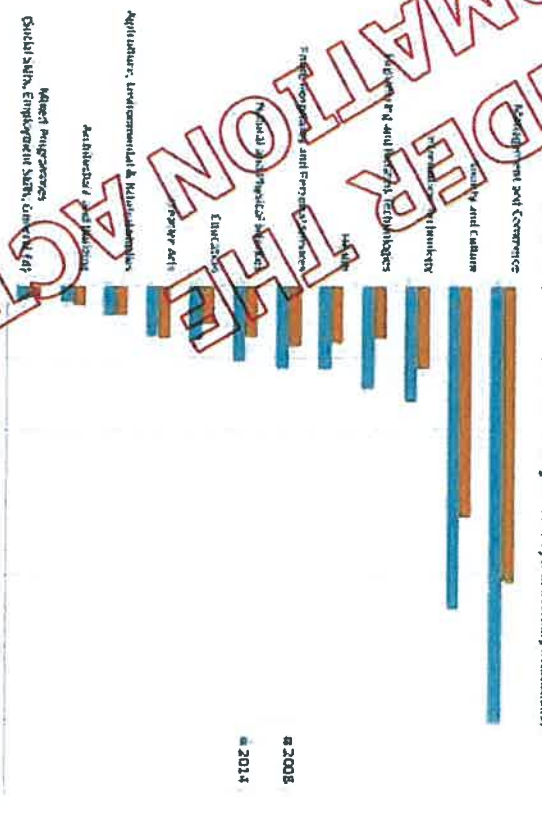
Source: SMC Migrants data and qualifications from IDI data accessed by MBE in March 2015

Enrolments of International Students at Tertiary Providers, by qualification level, 2014 (covers 85,273 international students)



A majority of PTEs who do not receive Government funding (34,600 international students) require an ESOL course to complete Certificate and Diploma qualifications in approx 1,000 students may also have enrolled at another PTE at the same time

Changes in Field of Study (completed qualifications) 2008 and 2014 (only available for international students at government-funded tertiary institutions)



Source: Education Counts, accessed by MBE in March 2015



BRIEFING

Recommendations for the next New Zealand Residence Programme

Date:	21 March 2016	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2198 15-16

Action sought		
	Action sought	Deadline
Hon Michael Woodhouse Minister of Immigration	Agree to the recommendations. Forward the attached to Ministers Joyce, English, Tolley and Bennett	31 March 2016
Hon Craig Foss Associate Minister of Immigration	Copy attached for your information	N/A

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Christine Hyndman	Manager, Immigration Policy	04 901 8575	s 9(2)(a)	✓
Donna Boniface	Policy Advisor, Immigration Policy	04 901 8518	N/A	

The following departments/agencies have been consulted					
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> MoJ	<input type="checkbox"/> NZTE	<input type="checkbox"/> MSD	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> MPI	<input type="checkbox"/> MfE	<input type="checkbox"/> DIA	<input type="checkbox"/> TPK	<input type="checkbox"/> MoH

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:

RELEASED UNDER THE OFFICIAL INFORMATION ACT



BRIEFING

Recommendations for the next New Zealand Residence Programme

Date:	21 March 2016	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2198 15-16

Purpose

This briefing seeks your direction on aspects of the next New Zealand Residence Programme (NZRP) regarding the structure, duration, and allocation of places across the three streams. Following feedback, officials will draft a Cabinet paper setting out your proposals for the next programme.

Executive summary

The current two-year NZRP expires on 30 June 2016 and a new NZRP must be set by 1 July 2016. The NZRP is a planning range which determines how many people will be approved to remain in New Zealand permanently, and balances fiscal and social priorities by allocating places according to the residence streams under which applications are made. Annex one sets out this structure. The NZRP provides an overall framework which encompasses all pathways to residence in New Zealand. This paper describes the overall framework for residence decisions; separate, specific advice on some categories is underway and will be delivered over the next few months.

Approvals under the NZRP are not closely related to permanent and long-term arrivals in any one year, as most people approved have been living in New Zealand for some time. However, recent increases in the numbers of workers and students in New Zealand indicate that demand for NZRP places is likely to increase as these temporary migrants seek to transition to residence.

You have indicated that you would like to keep the overall size of the NZRP planning range at the same average annual level as the current NZRP. Planning ranges are currently set over a number of years based on an annual average of 45,000 – 50,000; the current planning range is 90,000 to 100,000 over two years. At a time of high net migration, there are choices with regard to the flexibility exercised in annual planning. Enabling residence approvals to rise above 50,000 in a year may accommodate demand and avoid backlogs of applications; but it could also fuel a perception that the Government was increasing pressures on infrastructure (especially housing) and also leave fewer places for what could be equivalent demand in the next year.

You are asked to decide whether the planning range should be annual or cover both years. MBIE recommends a two-year review cycle for the next NZRP at this time. This shorter programme will allow for the possible outcomes of the pathway to residence for long-term temporary migrants to be built into the following NZRP from 2018/19.

If the overall size is to be maintained, the proportion of places allocated to each residence stream must be carefully considered. This financial year has seen a strong, sustained increase in the Skilled Migrant Category within the Skilled / Business Stream. This increase, when considered in conjunction with evidence that the average income and skill level of skilled migrants is dropping, and that more highly qualified and paid applicants could be displaced, may signal that the category settings are not correctly targeted to get the best quality. In addition, the Family Stream has, in recent years, consistently exceeded the planning range, due to demand under the (uncapped) Partnership Category and to a lesser extent the Dependent Child Category.

We recommend maintaining the current proportions of 60 per cent in Skilled / Business, 33 per cent in Family and seven per cent in the International / Humanitarian Stream. To maintain overall size while accommodating increased demand, we recommend reallocating places from the Parent Category and former capped family categories to the uncapped family categories within the Family

Stream, and closely monitoring the Skilled Migrant Category. We note that managing demand within the planning range could mean deliberately allowing backlogs to develop in one or more categories. We recommend Ministers direct officials to closely monitor annual approvals and report back if it appears that excess demand may be leading to adverse impacts which could require changes to policy settings.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that the overall number of places in the current NZRP generally reflects New Zealand's needs and responsibilities; *Noted*
- b **Agree** to propose to Cabinet that the next NZRP will have an annual planning range based on the current average annual planning range of 45,000 to 50,000 people; *Agree / Discuss*
- c **Agree** to propose to Cabinet that that the next NZRP be reviewed after two years to allow for planning for the incorporation of the pathway to residence for long-term temporary migrants in the subsequent NZRP; *Agree / Discuss*
- d **Agree** to propose to Cabinet that that the next NZRP will EITHER
- i. be divided into two one-year planning ranges of 45,000 to 50,000; OR *Agree / Disagree*
 - ii. have a two-year planning range of 90,000 to 100,000 people; *Agree / Disagree*
- e **Note** that under the present structure:
- i. demand is increasing for the Skilled Migrant Category, and officials consider that this means there is a risk that lower quality migrants may be selected over higher quality (as measured by incomes earned after approval)
 - ii. Partnership and Dependent Child numbers (uncapped categories) are also increasing such that approvals are beyond the top of the planning range; *Noted*
- f **Note** that we recommend that Ministers direct officials to closely monitor annual approvals and report back if it appears that excess demand may be leading to adverse impacts which could require changes to policy settings; *Note / Discuss*
- g **Note** that you will shortly be provided with both an evidence brief regarding changes to the composition of the Skilled Migrant Category and Out of Scope
Out of Scope *Agree / Disagree*
- h **Agree** to propose to Cabinet that, for planning purposes, the proportions under the NZRP remain broadly the same, at approximately 60 per cent in Skilled / Business, 33 per cent in Family and seven per cent in the International / Humanitarian Stream; *Agree / Discuss*
- i **Agree** to propose to Cabinet that 1,200 places per year, previously allocated to the former Sibling, Adult Child and former (pre-2012 changes) Parent categories be reallocated to uncapped family categories within the Family Stream, to accommodate demand under the Partnership and Dependent Child categories, reducing the capped family categories to 4,300 per year; and *Agree / Disagree*

j **Agree** to forward this paper to Ministers of Finance and Economic Development, and Social Development, and the Associate Minister of Finance for their information.

Agree / Disagree

Christine Hyndman

Christine Hyndman
Manager, Immigration Policy
Labour, Science and Enterprise, MBIE

Hon Michael Woodhouse
Minister of Immigration

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Cabinet must set a New Zealand Residence Programme by 30 June 2016

1. The current two-year NZRP will finish on 30 June 2016. A new NZRP needs to be in place from 1 July 2016 and must be agreed to by Cabinet.
2. The three parameters of the NZRP where Cabinet can make choices are:
 - the overall numbers in the planning range
 - the duration of the programme, and
 - the composition of the planning range.
3. You have indicated that you intend to maintain the current average annual planning range under the NZRP, but that the number of places available under the Parent Category should be reviewed. This paper provides you with information on some key considerations around maintaining numbers, and advice on adjustments to the composition and the duration of the programme. It notes other policy work that is underway or planned relating to individual residence categories, proposes that approvals be closely monitored and notes that further policy work may be required.

The NZRP is an important tool to manage the immigration system

The NZRP sets a planning range for residence approvals

4. The NZRP sets a planning range for the total number of people approved residence class visas, and determines the proportion to be granted through different residence streams in order to balance economic and social benefits.
5. The NZRP planning range is not a hard cap, as it contains within it a number of uncapped visa categories. Nor is it an explicit target to be met at all costs. Setting a planning range allows flexibility to make fewer decisions at times of lower demand, such as when economic activity is depressed, while setting clear parameters for maximum numbers. The NZRP influences Immigration New Zealand's (INZ) operational planning, as INZ generally aims to allocate visa processing resources in order to meet the planning range.

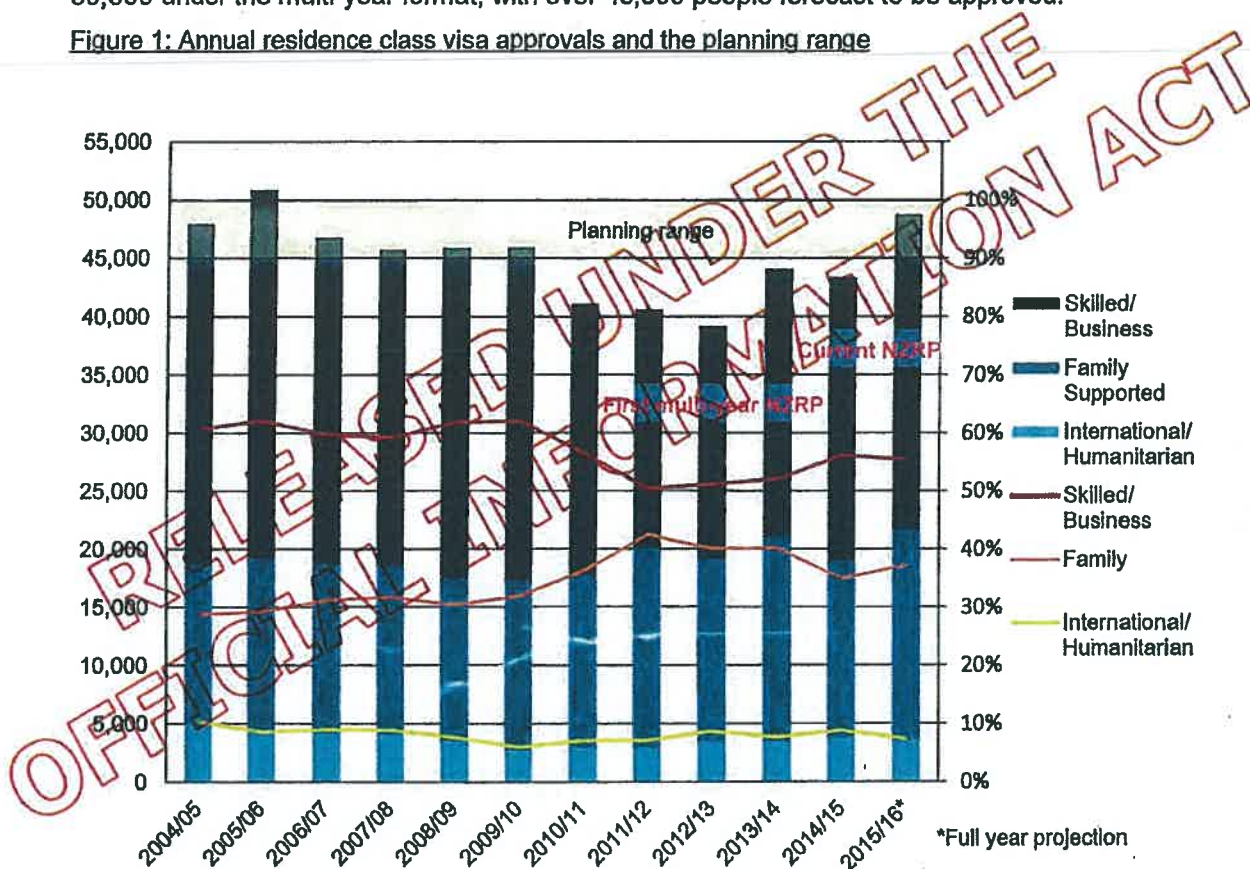
The NZRP is divided into weighted streams to balance growth of New Zealand's economy and skills base with social and humanitarian aims

6. The current NZRP is the second multi-year residence programme; it was set in 2014 with an overall range of 90,000 to 100,000 over two years. The planning range is divided into three streams:
 - **Skilled / Business:** For skilled workers, investors and entrepreneurs (and their immediate family members)
 - **Family:** For family members of New Zealand citizens and residents. Includes both uncapped categories for partners and dependent children, and capped categories for parents, adult children and siblings, and
 - **International / Humanitarian:** To meet international and humanitarian commitments (for example, the Pacific Access Category and refugee quota).
7. The streams are weighted to benefit to New Zealand's economy while addressing our humanitarian and international commitments. The Skilled / Business Stream is assigned 60 per cent of the total residence intake (residence applications include the principal applicant, their partner and dependent children). The Family Stream is allocated around 33 per cent, and International / Humanitarian seven per cent. Within each of these streams, there are both capped and uncapped categories. The largest single category is the Skilled Migrant Category within the Skilled / Business Stream, which makes up around half of the entire residence programme, and the second largest (a fifth of the total) is the Partnership Category in the Family Stream.

Residence approvals fell after the GFC, but numbers are now increasing, and the current NZRP will fall within the planning range

8. Residence planning ranges under the NZRP have been broadly consistent from year to year, within average annual planning ranges of around 45,000 – 50,000 since 2001. The previous three-year NZRP had a range of 135,000 to 150,000 and fell below the overall planning range with a total approved of 123,417 (see Figure 1). The forecast for the current programme is almost 92,000, within the two-year planning range of 90,000 to 100,000. Demand has been increasing under the Skilled Migrant and Partnership Categories in 2015/16, due in part to former international students transitioning to residence. As a result, 2015/16 will be the first year that residence class visa approvals will fall between 45,000 and 50,000 under the multi-year format, with over 48,000 people forecast to be approved.

Figure 1: Annual residence class visa approvals and the planning range



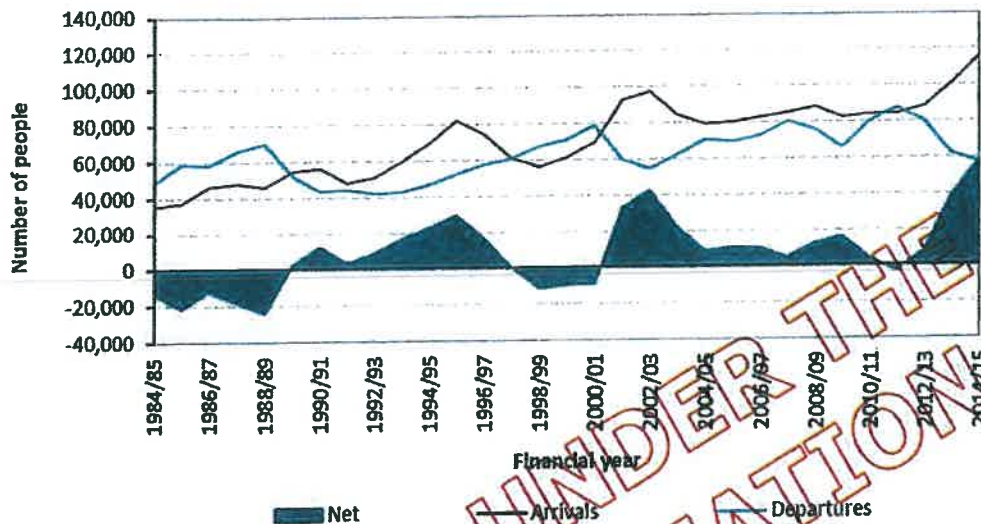
There is not a strong relationship between permanent and long-term arrivals and the NZRP

9. During 2015 there was extensive media coverage of the high level of permanent and long-term (PLT) arrivals to New Zealand, which led to record net migration of over 60,000 people in the year (see Figure 2). The net PLT figure in any year is the difference between two very large flows (of people leaving and people arriving) and as such is volatile and difficult to influence directly. PLT arrivals are people who arrive in New Zealand intending to stay 12 months or more, including New Zealand residents and citizens returning after an absence of 12 months or more. The vast majority of those who arrive in New Zealand and declare their intention to remain long term are entering on temporary visas (visitors, students, and workers), or have a pre-existing right to live here (such as New Zealand and Australian citizens).

10. Within a calendar year, the NZRP does not have a strong correlation with PLT arrivals, as most NZRP places are filled by people who already hold a visa, have been in New Zealand

for some time and have applied for residence from within New Zealand. In 2014/15 72 per cent of residence approvals were to people already in New Zealand.¹

Figure 2: Annual PLT migration flows, 1984/85–2014/15



However, high levels of PLT arrivals can signal future pressure on the NZRP

- Applicants applying for resident visas onshore under skilled or partnership categories are likely to have first entered the country as workers or students. Changes to the NZRP are unlikely to have any real impact on the number of PLT arrivals but, conversely, levels of PLT arrivals can affect the NZRP. The recent increases in student and worker numbers may put pressure on the skilled and family categories in coming years as temporary migrants seek to transition to residence.

Demand for residence in New Zealand consistently exceeds supply, and most residence visa categories are capped or moderated

The Skilled / Business stream is a mix of capped categories, uncapped categories, and categories with a planning range dependant on the number of places available under the NZRP

- Uncapped categories within the Skilled / Business stream are small and high value (such as Investor Plus/1, Employees of Relocating Businesses, and Entrepreneurs who have come through the Entrepreneur Work Visa pathway). The nature of the requirements of these categories, such as \$10 million in investment funds or the successful establishment and operation of a business that benefits New Zealand significantly, mean that demand is limited. Other categories are capped; Investor 2 has an annual cap of 300 places and is moderated through a fortnightly Expression of Interest (EOI) draw.
- The largest category under the Skilled / Business Stream is the Skilled Migrant Category, whose numbers are restricted by the size of the NZRP. Applicants under the Skilled Migrant Category can only be invited to apply after submitting an EOI. An EOI can be submitted with 100 points, and selection is guaranteed for those who claim 140 points or more, while EOIs with fewer points are then be selected in sufficient numbers to meet the requirements of the NZRP. Once an EOI has been selected, an invitation to apply will be issued if a prima facie assessment determines the applicant is eligible for the points they claimed.

¹ Some categories have higher proportions of people applying from within New Zealand; 86 per cent of Skilled / Business Stream applications and 81 per cent of Partnership Category applications were approved onshore compared with 39 per cent of International / Humanitarian Stream applications and 24 per cent of Parent Category applications.

The capped categories in the Family Stream are moderated through an EOI system, but the uncapped streams are not limited if applications meet policy requirements

14. The capped categories in the Family Stream are currently allocated 5,500 places, divided between the current tiered Parent Categories and former Sibling, Adult Child and former (pre-2012 changes) Parent categories. As demand is consistently high, the Parent Category is moderated through an EOI system, and applications are no longer accepted for the other categories. We recommend below that this cap be reduced to 4,300 in the upcoming NZRP.
15. The rest of the Family Stream is largely made up of the Dependent Child and Partnership Categories. These categories are completely uncapped; this means that every application which meets the requirements must be accepted and processed. Without policy change the only way to restrict the number of people approved under these categories would be through allowing applications to form backlogs.

The International / Humanitarian Stream is small and numbers are relatively stable

16. The Pacific Access and Samoan Quota Categories under the International / Humanitarian Stream are capped, as are the Refugee Quota and the Refugee Family Support Tiers. These categories make up most of the stream. The remaining categories are small, unrestricted and mostly aimed at offering vulnerable people a pathway to remaining in New Zealand. This includes a category for the victims of domestic violence, the refugee and protection category, and people approved following a Ministerial direction.

There are key decisions that must be made for the next NZRP

The planning range is currently managing demand effectively, but may come under pressure

17. You have indicated that you intend to maintain the overall planning range at the current annual average of 45,000 – 50,000 people per year. We have therefore not considered alternatives to this in any detail except to note the likely impacts of change.

Maintaining the current average annual planning range would ensure stability

18. Maintaining the status quo would accommodate the current level of demand under uncapped categories for the period of the next NZRP, continue to allow for the movement of skilled workers and investors, and enable New Zealand to fulfil its international obligations. While there is no particular science to the current planning range, there is no strong evidence to suggest that its size needs to be altered or that a different number would increase the economic contribution of migration.
19. Officials consider however there would be risks in sharply increasing or decreasing the size of the NZRP; increasing the NZRP at a time of high PLT arrivals may give the impression that the public concern about pressure on infrastructure is not being taken seriously, while decreasing the size of the NZRP could negatively impact businesses seeking to attract skilled migrants, and expats returning to New Zealand with non-citizen partners. Maintaining the current size avoids these risks. However, there may be pressure on the upper bound of the planning range in future years as a pipeline of current temporary migrants seeks to remain permanently.

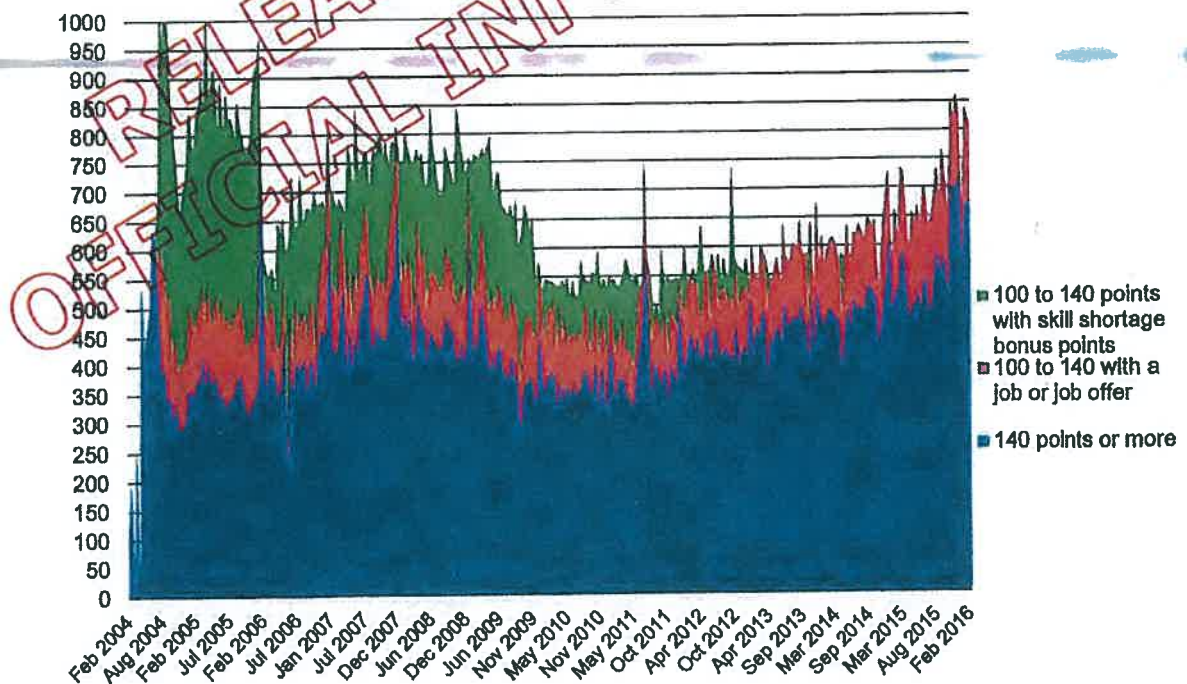
There is likely to be pressure on the Skilled Migrant Category as current temporary migrants seek to transition to residence ...

20. Under Immigration Instructions, EOIs for the Skilled Migrant Category are automatically selected (and offered an invitation to apply for residence) if they have 140 points or more. Applicants can claim points for age, qualifications, work experience, and a skilled job, or job offer in New Zealand, and there are also additional bonus points. Once EOIs with 140 points or more have been selected, EOIs that have between 100 and 140 points and include points

for skilled employment² are selected in sufficient numbers to meet the planning range of the Skilled / Business Stream of the NZRP.

21. When the economy was buoyant before the GFC of 2009, many EOIs without job offers and less than 140 points were drawn on the basis of bonus points for work experience or qualifications in an area of long term skills shortage. After the GFC, INZ prioritised EOIs with 140 points or more and/or with skilled job offers, to reduce the risk of unemployment post-approval (see Figure 3). This meant the totals approved from 2010/11 to 2014/15 fell below the planning range. However, the number of EOIs with 140 points and job offers may now be high enough to meet or exceed the planning range in coming years.
22. The 2014/15 financial year saw increasing numbers of both students and temporary workers issued visas; 170,814 people were issued with work visas, an increase of 10 per cent from 2013/14, and 84,856 international students were approved to study, a 16 per cent increase (which followed a 14 per cent increase the previous year). Some of these will seek to gain the right to remain in New Zealand permanently, particularly as skilled migrants.
23. There are now more EOIs claiming 140 points or more than at any time since the Skilled Migrant Category opened in 2003 (also see Figure 3). At the same time, the proportion of former international students in the Skilled Migrant Category has risen from 27 per cent in 2005/06 to 43 per cent in 2014/15. Under current settings, most former students are eligible for at least 140 points. For example, a former student with a qualification at level 5, who has remained in New Zealand on post-study work visas, could be eligible for 140 points if they have an offer of employment (or 170 points if their employment is outside Auckland); 50 points for employment, 40 for a qualification at level 4-6, 30 for age (under 30), 10 points for work experience, and 10 bonus points for work experience in New Zealand.

Figure 3: EOIs selected from the Skilled Migrant Category pool



24. If this occurs, not all EOIs with points for skilled employment will be selected to meet the NZRP planning range. This would mean New Zealand would miss out on the skills of

² Points for skilled employment are awarded for current work or an offer of employment. Skilled employment includes all jobs at skill levels 1-3 on the *Australia New Zealand Classification of Occupations*. This includes skilled professionals such as engineers and doctors but also relatively lower paid occupations such as retail and hospitality managers, and trades workers.

applicants with an offer of employment but less than 140 points. For example, a 50 year old Chief Technology Officer recruited from offshore with a job offer for \$120,000 and 25 years of industry experience, who holds a diploma qualification, would only be eligible for 135 points. Alternatively, if all the EOIs with jobs continue to be selected, queues could develop if there are not enough residence places available in a particular year. Both of these scenarios would have negative impacts on employers.

25. An evidence brief that outlines key trends in the composition of the Skilled Migrant Category will be provided to you later in March 2016. As noted in our previous advice on maximising the labour market impacts of immigration (0699 15-16) and as illustrated above, the level of points awarded under the Skilled Migrant Category may not be an accurate indicator of a person's relative economic impact, given that the same number of points are awarded for a skill level one job as senior medical consultant or a CEO as are awarded for a skill level three job as cook in an ethnic restaurant, or a painting trades worker. One way to manage demand would be through re-evaluating the Skilled Migrant Category settings, to ensure points align with the objectives of the category. If monitoring of numbers indicates that selection as required under current Immigration Instructions will exceed NZRP requirements, officials will seek ministerial direction to consider changes. It could be useful to address other aspects of skilled migrant policy such as the introduction of minimum salary thresholds in some cases (refer to 0699 15-16).

... and this also appears to be contributing to increases in the Family Stream

26. There has been an increase in Partnership category applications and further pressure on this category could be seen in future. Partnership numbers were relatively stable from 2004/5 to 2010/11, at around 8,350 per year, but since 2011/12 they have regularly exceeded 10,000 per year. As this category is uncapped, continued increases could have an impact on the overall composition of the NZRP unless overall planning range numbers are increased. If the Family Stream represented a higher proportion of the NZRP, fewer Skilled Migrant Category applications would be selected each year.
27. Changing migration patterns have meant that Skilled / Business residence applications now tend to have a younger principal applicant than 10 years ago, and to include fewer people on average. Young principal applicants (particularly former students) are less likely to have partners and children than, for example, experienced skilled workers. Early evidence shows that New Zealand resident visa holders from India and China are supporting partners at increasing rates. This suggests that younger skilled migrants may be contributing to an increase in Family Stream applications as new residents seek to bring in foreign partners. Officials will monitor numbers closely and may also seek ministerial direction to consider policy changes if the proportionality of the streams appears to be at risk.

The pathway to residence for long-term temporary migrants may also impact the Skilled / Business Stream

28. In July 2015, Ministers with power to act agreed, subject to further policy design, to the development of a pathway to residence for long-term temporary migrants currently employed in the South Island (pathway proposal) [CAB-15-MIN-0088].
Out of Scope

The NZRP review cycle can be combined with an annual planning range

Setting an overall planning range for the NZRP has contributed to fluctuations between years

29. Prior to 2011/12 the range was set annually, which required an annual review of the NZRP. Officials found there was limited utility in reviewing the size, proportions and structure of the NZRP on an annual basis. The multi-year planning range was introduced in 2011/12, after the 2010/11 NZRP fell below 45,000. This drop had been the result of a combination of factors, including a decrease in the number of residence class visas granted under the skilled categories following the global financial crisis and operational challenges after the Christchurch earthquakes.
30. The multi-year NZRP was introduced to provide consistency and stability for government agencies and for New Zealand, and it was anticipated that the longer time between reviews would allow trends to emerge, enabling more comprehensive reviews. However, the multi-year range is also encouraging fluctuations in the number of people granted residence in any one year, as INZ seeks to balance a year of lower demand by processing higher numbers the next year. At a time of high PLT arrivals, these fluctuations may be misinterpreted as contributing to pressure on New Zealand's infrastructure, despite the reality that the vast majority are settled in New Zealand before applying for residence.

The next NZRP could have a multi-year range, or an annual planning range on a fixed review cycle

31. The next NZRP could be set for two years, with an overall planning range of 90,000 to 100,000 (or three years, with an overall planning range of 135,000 to 150,000), with no direction regarding the number of decisions to be made in any one year (in categories without an annual cap). This would maintain the status quo. Alternatively, it could have an annual planning range with a fixed review cycle. This would mean that capped categories would work towards annual totals and reporting would be done annually, but the NZRP structure would be regularly reviewed. The number of places allocated over the total years would ultimately be the same, but this could allow for greater reporting transparency and consistent messaging.
32. If we retain a multi-year planning range with current settings and keep up with demand it is possible that over 50,000 people could be approved in the first year of the next NZRP. As noted above, although most of these people will already be well-established in New Zealand when approved residence, this could lead to a perception that residence approvals are increasing pressure on housing and infrastructure. Under the multi-year format, to keep within the 90-100,000 planning range, higher approvals would need to be balanced by a lower number in the second year of the NZRP. For example, if 53,000 people were approved in 2016/17, only the balance of 47,000 could be approved in 2017/18, but if demand remained the same, this would mean a backlog of 6,000. As noted in paragraphs 25 and 27 above, we recommend that Ministers direct officials to closely monitor annual approvals, and report back if it appears that excess demand may be leading to adverse impacts.
33. In general, we believe that three years is an appropriate period between NZRP reviews. However, the development of the pathway to residence for long-term temporary migrants which has the potential to make a large cohort eligible to enter the NZRP within a short period of time, most likely from 2017/18. Therefore, we recommend a two-year review cycle for the next NZRP, with annual planning ranges of 45,000 to 50,000 per year.

Changes to the Family Stream will help maintain the proportions allocated to each stream under the next NZRP

34. The current proportions of 60 per cent Skilled / Business, 33 per cent Family and seven per cent International / Humanitarian reflect government priorities, while managing demand and our international commitments.
35. As noted above, applications for residence from the partners and dependent children of New Zealand citizens and residents have increased, and the Family Stream now consistently

makes up a larger proportion of the NZRP than intended under the current planning range. The Family Stream includes both capped and uncapped categories, and reducing the capped categories within the stream could accommodate the forecast expansion of the uncapped categories.

The Parent Category and other capped categories should be reduced and places reallocated within the Family Stream

36. Capped family categories can be reduced from 5,500 per year to 4,300 per year in the next NZRP. In line with your previous direction to reduce the size of the Parent Category, we recommend that a small reduction in the number of Parent Category migrants, from 4,090 to 4,000, be combined with the reallocation of places set aside to clear the historic backlog of former Sibling, Adult Child and former (pre-2012) Parent categories. The backlog has been reduced and, of the 1,410 per year previously allocated, only 300 per year will be needed to completely clear the backlog within three years.
37. Cabinet has decided that the NZRP places allocated to the former Sibling, Adult Child and former Parent categories would be reallocated to the Skilled Migrant Category when the backlog had been cleared [CAB Min (11) 19/11]. However, applications for residence from the partners and dependent children of New Zealand citizens and residents, which are uncapped, have increased and consistently exceed the planning range (see Figure 4).³

Figure 4: Approvals under the uncapped family categories (Partnership and Dependent Child)



38. We recommend that the places taken from both the Parent Category and the historic capped family categories be allocated to the uncapped family categories, rather than the Skilled Migrant Category as previously mandated, to maintain the current proportions. Retaining these places within the Family Stream would allow for the maintenance of the current proportions within the overall planning range by accommodating increased demand from the uncapped family categories. However, if demand under the uncapped categories continues to increase, the additional 1,200 places may not be sufficient to avoid backlogs under current policy settings. As noted in paragraph 27, this will be closely monitored over the next NZRP and Ministers advised if numerical pressures indicate a policy response may be necessary.

Annexes

Annex one: The structure of the current NZRP

³ The Partnership Category is the second biggest single category in the NZRP, after the Skilled Migrant Category. However, unlike the Skilled Migrant Category, the Partnership and Dependent Child categories are not moderated through an EOI system. This means that all applications that meet policy must be approved; if demand is very high, approvals may need to be backlogged between years to maintain stream proportionality.

Annex one: The structure of the current NZRP

There are three residence streams under the NZRP. Some categories are demand-driven and uncapped, while others are capped and limited to a certain number of people annually or over the course of the residence programme. The limits of the capped streams are shown with average annual limits in the current NZRP.

The number to the right is the per cent approved under each category in 2014/2015. Overall, 85 per cent of residence applicants were approved.

Skilled / Business 60 per cent of the NZRP (26,900 – 29,975 per year)	Family 32 – 33 per cent of the NZRP (14,850 – 16,200 per year)	International / Humanitarian 7 – 8 per cent of the NZRP (3,250 – 3,825 per year)
<ul style="list-style-type: none"> • Skilled Migrant Category* 81 • Employee of businesses 100 • Entrepreneur Category 88 • Investor Category 56 • Work to Residence 97 	<ul style="list-style-type: none"> • Uncapped family <ul style="list-style-type: none"> ○ Partnership* 95 ○ Dependent Child 92 • Capped family <ul style="list-style-type: none"> ○ Parent Tier 1 & 2 (4,090) 90 ○ Family categories closed in 2012 (1,410) <ul style="list-style-type: none"> - Adult Child 70 - Parent 78 - Sibling 73 	<ul style="list-style-type: none"> • Pacific Access (850) 99 • Samoa Quota (1,106) 95 • Refugee Family Support Tiers (300) 78 • Refugee Quota (750) N/A • Section 61 N/A • Other N/A <ul style="list-style-type: none"> ○ Ministerial direction ○ Refugee and Protection ○ Victims of Domestic Violence ○ Refugee Ministerial Directive
<p>* Around 87 per cent of Skilled / Business approvals under are Skilled Migrant Category</p>	<p>* Around 60 per cent of Family approvals are Partnership approvals</p>	

Excerpts from Weekly Reports to the Minister of Immigration and Associate Minister of Immigration

6 October

1. Policy papers/updates/issues

Hayden Fenwick 04 896 5479 or s 9(2)(a)

s 9(2)(f)(iv)

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7 July 2016

1. Policy papers/updates/issues

Christine Hyndman 04 901 8575 or s 9(2)(a)

Labour market-related work

Planning for the project to review the Skilled Migrant Category Out of Scope [redacted] is well underway. The two Cabinet papers which will seek formal direction on the scope and timeframes of the work (the *New Zealand Residence Programme 2017/18-2018/19* Out of Scope [redacted]) are timetabled to be considered by Cabinet Business Committee on Monday 25 July and confirmed by Cabinet on Monday 8 August. They will propose that the Minister of Immigration report back on options for changes to immigration policy settings by the end of November 2016.

12 May 2016

1. Policy papers/updates/issues

Christine Hyndman 04 901 8575 or s 9(2)(a)

Evidence on the composition of the Skilled Migrant Category

On Thursday 5 May, the Ministers of Finance, Economic Development and Immigration and the Associate Minister of Immigration received the paper *Composition of the Skilled Migrant Category – statistical analysis* [2866 15-16]. Officials discussed the paper with the Minister for Economic Development on Monday 9 May. As a result, the Minister for Economic Development has requested that some additional information be included in the evidence slide pack. Officials will provide an updated slide pack to Ministers within the next two weeks.

A further joint Ministers meeting to discuss possible changes to skilled immigration settings will also be scheduled.

Out of Scope

7 April 2016

1. Policy papers/updates/issues

Christine Hyndman 04 901 8575 or s 9(2)(a)

New Zealand Residence Programme

The current New Zealand Residence Programme (NZRP) expires on Thursday 30 June. The Minister of Immigration received advice on Monday 21 March on the next NZRP, including likely future pressures arising from increasing numbers of temporary migrants meeting the minimum requirements to transition into residence via the Skilled Migrant Category (SMC). The Minister indicated that he would like the NZRP Cabinet paper to also seek agreement in principle to adjustments to current policy settings. Officials will be meeting with the Minister on Thursday 14 April, to discuss the next NZRP. At this meeting, officials will also discuss a draft of the evidence brief on changing skill composition of SMC migrants. An aide memoire appending that draft paper and updated information on the NZRP will be provided on Tuesday 12 April [2724 15-16].

25 May 2016

1. Policy papers/updates/issues

Christine Hyndman 04 901 8575 o/s 9(2)(a)

Improving the contribution of immigration to the labour market

On 18 May, officials from the Ministry of Business, Innovation and Employment (MBIE) attended a Treasury briefing with the Minister of Finance on the joint MBIE-Treasury advice *Composition of the Skilled Migrant Category – statistical analysis* [2866 15-16]. Out of Scope
Out of Scope

The Ministers of Immigration, Finance and Tertiary Education, Skills and Employment will meet on Tuesday 31 May to discuss the two labour market-related papers referred to above (the Minister for Social Development may also attend the meeting). An updated paper on the composition of the Skilled Migrant Category was provided to Ministers on Wednesday 25 May [3194 15-16]. Officials from MBIE and Treasury will be in attendance. The Immigration New Zealand (INZ) officials meeting agenda for Monday 30 May includes an item *Preparation for 31 May meeting*.
Out of Scope