

Immigration Alert

Changes introduced to reap better immigration outcomes



On 19 April 2017, Immigration Minister Michael Woodhouse outlined several further proposed and confirmed changes to New Zealand's immigration rules. The changes are intended to ensure that our immigration policy settings help us achieve the desired outcome: attracting the right people with the right skills to fill genuine skill shortages and contribute to our growing economy.

What are the confirmed changes?

The Skilled Migrant Category (SMC) is responsible for a significant number of Resident Visa applications. Applicants need to 'score' a minimum number of points to be eligible for a visa. In an attempt to manage numbers, the automatic selection mark for applicants under the SMC was raised from 140 points to 160 in October last year. Our [October 2016 Immigration Alert](#) provides more information about these changes.

Since then, there have been discussions about how the points system could be realigned to place more emphasis on characteristics associated with better outcomes for migrants. The announced changes include:

- the introduction of two remuneration thresholds. One will be set at the New Zealand median income of \$48,859 a year for jobs currently considered skilled (largely based on the Australian and New Zealand Standard Classification of Occupations, or ANZSCO). The other will be set at 1.5 times the New Zealand median income of \$73,299 a year for jobs that are not currently considered skilled but are well paid. Bonus points will be available for salaries exceeding \$97,718
- more points will be available for skilled work experience and some recognised post-graduate qualifications
- points for age will increase for applicants aged 30 to 39
- bonus points will no longer be available for qualifications in areas of absolute skill shortage, for employment, work experience and qualifications in Identified Future Growth Areas and for close family in New Zealand.

More detailed information will be released in June 2017. The changes will come into effect on 14 August 2017.

In what will be a welcome relief to many employers and temporary work visa holders, a one-off pathway to residence will be introduced for around 1,600 long-term temporary migrant workers (or up to 4,000 if we include their partners and dependent children) living in the South Island.

This comes after concern that there has been an increasing number of lower-skilled temporary migrants in the South Island who help fill genuine labour shortages, have been on multiple temporary work visas, have been well-trained in their jobs and are well-settled in the South Island, but find themselves with no pathway to obtain residence.

This new policy will allow eligible migrants to be issued an initial Work to Residence temporary visa, which will make them eligible for residence in two more years if they stay in the same industry and region.

This pathway is currently limited to the South Island because, in general, South Island regions have lower unemployment rates than North Island regions. The new policy is scheduled to come into effect on 22 May 2017.

What are the proposed changes?

The Essential Skills category allows New Zealand employers to recruit workers from overseas to meet skill shortages. It is a labour market tested work policy, which means employers need to demonstrate that they cannot fill the roles from within New Zealand. It is the largest single work visa category based on employment.

The Government is reviewing temporary migration settings to manage the number and settlement expectations of new migrants coming to New Zealand on Essential Skills work visas.

The following changes have been proposed to stop the re-occurrence of pools of long-term temporary migrants with no pathway to residence:

- Remuneration bands to determine the skill level of an Essential Skills visa holder, which will align with the remuneration thresholds being introduced for SMC applicants.
- A maximum duration of three years for lower-skilled and lower-paid Essential Skills visa holders, after which a minimum stand down period will apply before they are eligible for another lower-skilled temporary work visa.
- Reinforcing the idea that lower-skilled Essential Skills workers will take up employment in New Zealand with a full understanding that they will not be able to automatically bring their family to settle in New Zealand. Partners and children will still be able to come to New Zealand as visitors and will only gain a work or student visa if they meet visa requirements in their own right.



The Government has opened a consultation period with the public on these proposed changes. Talk to us if you would like to make a submission. Changes decided following consultation are expected to be implemented in August 2017.

Why are these changes being made?

In short, because we currently have an 'immigration boom'. We have seen a strong turnaround in net migration into New Zealand. From a net outflow of about 3,500 in the 12 months to March 2012, there was a net inflow of approximately 72,000 in the 12 months to March 2017. These figures represent the difference between the people leaving the country with an intention to be away for 12 months or more, and those arriving with the intention to stay for 12 months or more.

According to Government analysis the net inflow is heavily impacted by:

- more returning and fewer leaving New Zealanders – this makes up about half of the change in net migration
- 21,000 additional Working Holiday Visa holders (reciprocal arrangements typically exist with other countries and visas are generally for up to 12 months with restrictions on how much work can be done)
- 7,000 more international student arrivals (often they have no/limited work rights and contribute significant amounts to the New Zealand economy in tuition fees and living costs)
- 3,000 more Australians moving to New Zealand each year.

A limitation of the above analysis is that an intention of staying in (or away from) New Zealand for 12 months or more is not necessarily reflective of a permanent intention. In fact, of the 129,518 'permanent and long-term arrivals' into New Zealand in the year to March 2017, 73,943 were on either a student, work or visitor visa, all of which are temporary visas and will expire. Unfortunately, we often see figures reported in isolation without considering what they actually represent or mentioning the overall context.

The difference between a work (temporary) visa and resident (permanent) visa is also often misunderstood.

What are the arguments for and against strong immigration levels?

New Zealand is one of the fastest growing economies in the developed world at a time when many countries are facing significant political and economic challenges. This growth is creating opportunities for jobs and potentially higher wages. According to the Government, our current employment rate is 66.9% (the proportion of the total population aged 15 years or older in work). This is a record for New Zealand and it is the second highest employment rate in the OECD. Our average annual wage is currently \$58,700, growing at twice the rate of inflation and is expected to reach \$66,000 by 2021.

To keep the economy growing, our companies and businesses must continue to grow. Normally, to do this, they need to increase the number of skilled staff. While we continue to train New Zealanders for these roles, fast-growing industries like IT, construction, viticulture and high tech manufacturing often need more experienced people than we can immediately provide. This is where immigration comes in.

By-products of economic growth and a growing population are increased tax dollars available to spend on public infrastructure and services, larger markets for our businesses to sell to and potentially greater competition giving consumers more choice and better prices.

However, high immigration levels can also potentially be a double edged sword. In the short term, there can be pressure placed on public services e.g. schools, doctors, transport. There is little doubt that there is a housing shortage in New Zealand and immigration has a part to play in this (although unoccupied dwellings owned by second home owners and non-residents shouldn't be ignored). Wage suppression is also a concern but only if the labour market test is not working properly or sufficient migrants on other visa types are filling roles that New Zealanders are otherwise available and willing to do.

Getting the right balance of the above pros and cons is a challenge but one that is reflective of a strong economy. It is important that we continuously review the outcomes of our immigration policies against the objectives that we set out to achieve, and make operational adjustments to get closer to achieving those goals.

Our view

In an election year, it is no surprise that changes are being made to immigration criteria. It is also fairly consistent with moves that are being observed overseas e.g. both Australia and the USA have announced changes to limit the inflow of migrants very recently.

What do these changes mean to employers who rely on migrant skills? The introduction of the remuneration bands add another dimension to the current way “skilled employment” is accepted for the purpose of supporting an SMC Resident Visa. Allowing for more robust assessment on whether employment is “skilled” or not should help us get closer to achieving the objectives of the SMC pathway in the first place. We also applaud the introduction of the “South Island Contribution” visa as a solution to an issue that needs to be addressed. If this new Work-to-Residence pathway works out positively in terms of meeting our immigration objectives, it would be great to see it extended to include rural areas in the North Island also.

As for the proposed changes to the Essential Skills work visa, we welcome the opportunity to consult on the proposals. On the surface, the proposals to introduce “stand down periods” for lower skilled temporary migrants to prevent them from immediately applying for further work visas and to limit the work and study rights of their partners and dependent children may appear harsh. However, it serves as a reminder that it is important to manage settlement expectations at the outset, and compel employers to think ahead in terms of training plans to upskill temporary migrant employees to a level where there is a chance for them to obtain residence via the SMC. These proposed changes, if enacted, help reinforce that Essential Skills work visas are temporary solutions to fill skill gaps where there are no available New Zealanders and not necessarily a stepping stone to residence. We await further details and the outcome of the consultation process with interest.

Let's talk

To discuss any of the above, please contact the **PwC Immigration Team**.



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