

## **FEEDBACK ON THE NEW APPROACH TO EMPLOYER-ASSISTED WORK VISAS AND REGIONAL WORKFORCE PLANNING**

**To: MBIE**

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**Attention: Anna Mickell**

### **Introduction**

**This is feedback on the proposed “new approaches to employer-assisted work visas and regional workforce planning.”**

The Queenstown-Lakes Chamber of Commerce Incorporated (The Chamber) communicates with local and central government to achieve effective outcomes for its members. Its key services include the provision of current and relevant information to the membership, advocacy on behalf of the 610 business members, recognising and rewarding achievement, and contributing to the function and vibrancy of the business community.

The Chamber is motivated by the best long-term outcomes for the business community and is an independent voice with no vested interest.

The Chamber has been an active participant in labour force planning within our region for over a decade and is a member of the Labour Force Queenstown Employer Reference Group. This group has commissioned and published a Queenstown-Lakes Workforce Strategy report, in May 2018, which outlines options for employers to improve their attraction, recruitment and retention of labour.

Labour and skill shortages surveys were commissioned in 2016 and 2017 by the Chamber. The results of these surveys were used to inform some of the suggestions made in this report.

The author acknowledges the contribution of the following member representatives in the preparation of this response. The views expressed are not necessarily representative of the organisations that they represent.

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\*BidFood and Grey Power are not members of The Chamber.

The Chamber also acknowledges the contribution of Shane Kinley, Policy Director, MBIE to this discussion and is grateful for his visit to Queenstown to respond to member questions and concerns regarding this policy review.

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## Background

The strategic outcomes and policy objectives are concerned with two key outcomes: placing more New Zealanders into jobs (and the resultant economic and social benefits) and ensuring that temporary migrant workers are treated well and alignment with New Zealand values.

It is of concern to the Chamber that the policy review is focused on two worthwhile social outcomes, but this is not balanced with a third outcome of ensuring that businesses offering goods and services in New Zealand continue to have access to an optimal supply of labour.

The Chamber considers that the Ministry of Business, Innovation and Employment (MBIE) has, in parts of this policy review, over-reached and there are other, more appropriate, social levers that should be used to achieve some of the outcomes sought.

This response therefore concerns itself primarily with the second goal of ensuring that temporary migrant workers are treated well, the likely impact on businesses operating in the Queenstown-Lakes region if these proposed changes are adopted as government policy and improving supply of migrant labour to our sub-region.

The first goal of ensuring more New Zealanders are placed into jobs is unrealistic in the short and medium term in this region. There are insufficient

New Zealanders available (locally, nationally or internationally) who are willing or able to move to Queenstown, to meet the current level of unfilled vacancies.

**Proposal One: The Gateway Framework.**

We broadly support the gateway approach.

**Proposal Two: Employer Check**

Regarding the 'Employer Check' we support the model proposed in Figure 2, page 13 and expanded upon on page 39 to 43 with the following exceptions:

- We do not support initial 12-month accreditation. We believe the compliance burden required for this accreditation is significant and premium accredited business owners should be re-assessed a minimum of every three years.
- An evidence or best-practice based approach to quality control should be applied to the design of the accreditation system and its governance framework. Design of the accreditation system should have representation from the employer community in equal numbers to representation from the government and unions and include specialist HR professionals. Although not specified, we do not support any form of spot or random audits (by an auditor) of accredited employers and prefer quality to be managed by a key-account management approach by Immigration New Zealand (INZ) staff where the premium employer is treated as a partner in managing labour supply, and regional employment groups work together, with a INZ representative, to self-monitor and improve standards. We are concerned that the proposed fees levied on employers will not be enough to implement a best-practice based approach to accreditation and consider additional INZ investment will be required to run this accreditation program.
- We support the pathway to residence for higher-skilled migrants with no labour market test however recommend that sector-specific remuneration bands are used, rather than the proposed median national remuneration rates.
- Any remuneration calculations should be inclusive of any additional employer benefits such as shift work penalties, accommodation allowances etc.
- We are supportive of the proposed maximum visa duration for lower-skilled migrants being increased from one to three years for premium accredited employers if the job is in a region that has been identified as having a tight labour market.
- We do not support the proposal that regions should be required to demonstrate that they have infrastructure as suggested. There has been no clarification provided on how these infrastructure 'requirements' will be determined. We do not believe there is adequate mechanisms for the INZ/MBIE use of this criteria on a timely basis.

Migrant labour may indeed be there specifically to address the infrastructure deficits and infrastructure requirements are seldom perfectly matched to demand.

- We are concerned that the proposed requirements for accreditation over-reach particularly with respect to pastoral care. There are other, more appropriate, levers available to the government for addressing social issues and policies, as well as protections under employment law.
- Additional comments that should be considered are:
  - Premium accredited employers who have representation on a regional employment group could, like a professional body, monitor members standards within their group. If it became apparent that a member was not meeting the required standards, this group could have the authority to ask an Immigration New Zealand representative to complete an audit of practice. Queenstown has, in the past, operated a Trusted Partner Programme which was felt locally to be effective, however this was stopped as a result of centralisation of Immigration New Zealand services.
  - Small business, employing more than six migrants per year, will be placed at a trading disadvantage due to the high compliance requirements of premium accreditation. It is likely that this group will need to employ contractors, or a labour hire company, to meet these challenges. The proposed changes, with respect to the labour hire companies, mitigate the risk to employers, but there is some risk inherent for small business owner when hiring consultants to assist them meet the premium accreditation requirements. A review of who can offer immigration consultancy services (to employers) should be undertaken.

### **Proposal Three: Job Check**

- We support the use of more targeted immigration pathways and agree with sector agreements being added as an additional pathway.
- We are concerned that remuneration is proposed to determine whether there is a labour shortage in the discussion document. We strongly disagree with the assertion made on page 17 of the discussion document that “paying a migrant worker a high remuneration reflects a genuine skill shortage.” There are many labour shortages in businesses with lower paid roles which, if a higher remuneration was applied, would see their markets erode.
- The proposed increase to 150-200% of the median wage for higher-skilled roles will mean that many businesses, particularly in the hospitality, activity and accommodation sectors, will not have this pathway option available to them. The proposed increase is too high

and too fast for many of these businesses to remain commercially viable.

- There is a risk that employers in time-sensitive, project-based sectors, such as construction, will over-use this pathway and disproportionately inflate labour costs in order to quickly access migrant labour and this cost will be passed onto the consumer.
- We support regional differentiation of skills-shortages enabling or disabling access to labour, however, are extremely concerned about the granularity of labour data capture within the regions and the limitations of the ANZSCO codes for classification of skills. This is expanded on in the next section.
- We support the use of sector agreements to assist in overcoming the present shortcomings of the ANZSCO data in key role classifications. We do not support an award or wage-based approach to classify low to mid-skill labour.
- We agree that the sectors highlighted for attention are as specified.
- Sector agreements should be used to specify sector-specific remuneration bands for job roles, rather than the proposed national median wage.
- We do not support the obligation for employers to ‘trade’ access to migrant labour in return for committing to increase productivity, reducing reliance on migrant labour and reducing demand for low-skilled labour. Businesses inherently look to improve productivity, without it, there is no sustainable business. These objectives, in many sectors, are unreasonable e.g. it is not considered feasible to reduce the demand for low-skilled, migrant labour to make beds or clean hotel rooms when there is insufficient domestic labour available to undertake this role and robotics are not sufficiently developed to undertake this work. Additionally, the employer’s alternative to the use of longer-stay, low-skilled migrant labour is the continual recruitment and training of transient workers on holiday visas, with resultant higher input costs, resulting in lower productivity and quality degradation.
- We do support a regional market test which can, quickly, be adjusted to make access to migrant labour easier or harder, however this should be capable of sub-regional analysis (as explained below) and be able to be administered in a timely fashion, using projected labour shortage data, as well as existing.

#### **Proposal Four: Regional Labour Market Test**

The Chamber broadly supports a regional approach being used to determine access to immigrant labour as outlined in Figure 6 (page 20) of the discussion document and identifies our sub-region as operating in the lower, left quadrant of the figure with a high labour demand and low domestic labour supply.

With respect to Figure 7 (page 22) and the proposed regional characteristics indicators we make the following observations:

1. We broadly agree with the four suggested indicator types; labour market, supply, demographics and other.
2. We disagree that 16 geographic regions are suitable for use as an economic differentiator. An ability to define a sub-region within the region is required, or a sub-market within a regional market, allowing a determination to be made on the level of economic contribution the sub-region makes to the economy regionally or nationally. We make the following additional comments with respect to these characteristics:

- a. There is a reliance on data-driven analytics to drive decision making, yet the granularity of data is poor. This will disadvantage regions with special labour requirements and additional criteria are recommended below.

The Chamber notes that the collection/quality of sub-region and sector data is inadequate with respect to Queenstown and this presents a risk for businesses operating in this region. For example, vacancy data, the most significant indicator of labour shortages is inadequately collected or disseminated. StatsNZ have confirmed that Queenstown is not a variable collected in vacancy data and have suggested that we use a count of advertisements in Seek, Trade Me or local papers to determine this factor. The MBIE Labour Force Dashboard Jobs Online database does not provide sub-region data, reflects the shift from print to online advertising and does not recognize our members attempts to recruit locally, on backpacker websites, off-shore and by word-of-mouth. Local collection of vacancies by WINZ is also considered unreliable as employers report that there is “no point” advertising with them, because they are unable to provide qualified candidates and “dealing” with them is too slow and difficult. Additionally, depending on how data is captured, advertisements may be perversely influenced by the requirement to advertise before re-employing a temporary migrant worker (when the employer knows that a local applicant is not available) and that the migrant incumbent in the role is likely to continue in the position.

The inadequacy of ANZSCO classification is well-known yet continues to have a day-to-day detrimental impact on migration outcomes for employers and employees in many businesses operating in key sectors.

- b. We suggest that in the regional characteristics table, the “vacancy growth (job growth)” criteria are clarified. (New) job growth and vacancy growth are not always the same.

- c. We suggest custom data measured by sub-regional or regional workforce planning groups that can accurately demonstrate vacancy growth or employment rates should be added as a separate indicator.
- d. We suggest productivity growth or decline relative to other regions should be added as an indicator. Companies who are reliant on labour and have an extreme labour shortage will have increased input costs as they pay more for labour. For example between 2016 and 2018 the Queenstown Lakes Labour Market Summary identifies a marked drop-off in productivity in the Queenstown-Lakes District driven by increasing labour rates (mean income growth 4.6% compared to national growth of 3.7%) and rising business and labour occupancy costs (Infometrics, 2019).
- e. Sector-specific shortages and 'plans-in-place' should be added as an indicator in the 'supply' section. There is a potentiating impact between regional labour shortages and sector shortages. The regional characterisation indicators should be amended to include a weighting to determine whether it is not only a regional shortage, but a sector shortage simultaneously.
- f. Projected annual enrolments in tertiary education (supply) should be changed to annual enrolments in post-school qualification courses or pathways and/or number of leavers leaving school with no education pathway. This would include trades and well as academic study and distinguish between the pool of low-skilled people entering the workforce without a qualification pathway and higher-skilled people. This distinction is relevant because it is quantifying the volume of low-skilled New Zealand labour that is entering the workforce and, consequently, its likely need for this type of migrant assistance. For example, Wakatipu High School representatives consulted during this stakeholder engagement process suggest that school leavers going into the low-skilled workforce (with no qualification pathway) is approximately 1% of eligible leavers (4 or 5 out of 400 eligible leavers in any given year).
- g. Demographics as a supply indicator should be used with caution. Remote working makes reliance on data describing labour supply within a geographic region problematic. There are many people working in Queenstown for businesses sited nationally or internationally e.g. they work here, but the company is not located here.

### **Proposals Six and Seven: Regional Workforce Planning and Responses**

The Chamber agrees that an increasing and sustained demand for migrant workers from a region, sub-region or sector should trigger a localized

response from the labour market system. It is essential that this response is suitable for each region and/or sub-region and could be either migrant or domestic market in approach. For example, the domestic labour market is unable to meet Queenstown's labour requirements and it is therefore essential that any policy change is flexible enough to allow civil servants to assess a sub-region or sector based on regional characteristics which allows the flow of migrant labour to be accelerated/decelerated quickly to meet changing demand.

We agree, in principle, that alignment between agencies contributing to labour force quality and quantity will allow more New Zealanders to fully participate, however do not believe that this will encourage more New Zealanders to address the labour shortages present in the Queenstown region. There are already good structures in place that are addressing labour supply in our sub-region, a selection is listed below.

- Wakatipu High School has two active trade and Gateway workforce/school integration programs that are actively placing many local students into supported, trade-based work programs, prior to and after finishing school. School students are already a large contributor to the part-time low-skilled workforce in the region, so much so that the school has had to amend their approach to extra-curricular activities for senior students to allow them time to attend part-time work, relaxing the mandatory extra-curricular approach used with the junior school. The extent to which students are used to supplement the local workforce is a concern to the staff of the high school.
- Queenstown already has a successful private training education (PTE) organisation, Queenstown Resort College (QRC) that has close operational relationships with employers in the sub-region and uses workforce placements as part of their course structures. QRC is also running courses in Northland, assisting rangatahi into post-school qualifications in tourism using a similar model, demonstrating excellence in commercial sustainability, course delivery and workforce development.
- Queenstown already has an active labour force working group with membership that includes the local council, HR professional from a large company, the Chamber of Commerce and a regional MBIE representative. This group has undertaken regular labour force surveys and has published a labour force policy document. The regions key employers have HR staff who are active members of HRINZ (Human Resources Institute of New Zealand) and work in a coordinated manner.

- Queenstown-Lakes District Council has affordable housing and infrastructure initiatives well-planned and underway to address the wider barriers impacting on labour supply. There is a community housing trust already delivering affordable housing to permanent residents.

Consequently, we do not support the investment in a government-run regional job skills or hubs for our sub-region.

Investment, instead, should be directed to increased, local INZ representation, supporting accredited employers manage the flow of appropriate labour into the region and their workforce, assisting in transition to the proposed new model and providing timely access to queries. These people would be welcome contributors to the work that existing stakeholder groups are already undertaking in our area.

#### **Proposal Eight: Migrant Check**

We support employers undertaking, sector-specific, capability tests and managing their own associated risks.

#### **Proposal 9: Increasing Remuneration for Mid-Skilled Workers**

We support bringing the mid-skilled migrants visa conditions into line with those of high-skilled migrants however believe the mechanisms outlined for doing this are problematic and need more consideration.

We do not support mid-skilled remuneration moving to 100% of the national minimum wage, rather, it should be set at the industry or sector-standard wage or above for the role classification.

With respect to the mid-skilled migrant, a pathway to residence should also be offered, in addition to the other proposed enhancements, not merely a perpetual rollover. Employees who work with their employers to prove progression, up-skilling and potential within their sector, and are paid at, or above, the industry-standard rates should, with their family, be rewarded with residency.

With respect to low-skilled migrants. This group (and their families) provide essential labour in the tourism industry in our region. Without their contribution, the product and service offer would be seriously compromised.

One of the policy objectives is to improve how we treat migrants. Where there is no foreseeable, medium or long-term change envisaged in how a labour market is operating, and if a low-skilled migrant is required to assist us meet demand within a market, then these migrants should be treated in the same manner as a mid-skilled migrant.

### **Proposal 10: Implementation**

We believe that the timeline for implementation is unachievable. The brutally paced implementation plan presents the following risks:

- Accredited employers picking up more responsibility without appropriate partnership support from INZ leading to increased confusion and compliance costs (without outcome benefits) and a higher likelihood of, perhaps, inadvertent, non-compliance.
- A poorly devised, non-evidenced based, accreditation programme that is inadequately supported by an ill-considered governance framework may threaten the safety of migrants and threatens to reduce the overall chance of the policy outcomes being delivered.

Written tools developed to inform employers on how to apply the new framework and their accreditation options, with a separate, standalone, phone-based 'employer' advise line should be offered.

A local INZ employer-facing office, with staff able to make on-site visits to employers should be established in regions/sub-regions with high migrant requirements.

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**End**

**The Queenstown Chamber of Commerce**

Anna Mickell  
Chief Executive Officer  
Date: 18/3/2019