



Submission to
Ministry of Business, Innovation & Employment
(Labour, Science and Enterprise Group)
on the
Proposed changes to the Skilled Migrant Category

Date: 31 October 2016

TOURISM INDUSTRY AOTEAROA

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Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the proposed changes to the Skilled Migrant Category (SMC).

EXECUTIVE SUMMARY

1. TIA is of the opinion that the timeframe for making this submission is very unreasonable. This means TIA has not had an opportunity to consult widely with members ahead of making the submission and the government will be making decisions without detailed knowledge and input from employers.
2. TIA's People & Skills Strategy clearly shows that as well as attracting and developing a workforce of capable New Zealanders, the tourism and hospitality industry will require migrant labour where no suitable New Zealanders are available.
3. The government must be very careful in changing immigration settings when the pathways to work for New Zealanders are not matching the workforce demand. One of the ways the tourism and hospitality industry can address the time lag between the demand and supply of skilled labour is via the Skilled Migrant Category (SMC) visa. We are very concerned that these proposed changes to the SMC may impact negatively on the response to increased industry demand for skilled staff.
4. We are very concerned that the automatic selection mark for residents applying under the SMC has been raised without warning or consultation from 140 to 160 points as this clearly will make the residence process more challenging.
5. Following this surprise increase, TIA is concerned that changes to the way the points are calculated will exacerbate the issue.
6. TIA is opposed to adding a minimum salary/wage component to the SMC points assessment based on the proposed minimum thresholds.
7. TIA does not support the proposal to use salary/wage to identify highly skilled employment regardless of ANZSCO level.
8. We are of the opinion that the current minimum of two years fulltime or approximately 4,000 hours of relevant work experience is sufficient.
9. We do not support awarding additional points for high salary levels, nor do we support reducing the points for migrants aged 20-29. If change is required, the points for age brackets 30-39 and 40-44 should be raised to the level of the 20-29 bracket.
10. We believe there is value in considering a 'capability' category either alongside the current categories or expanding the current work experience category. The capability assessment enables points to be earned for skillsets important to the industry such as team leadership, financial management, and bilingual skills.

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INTRODUCTION

11. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With over 1,500 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and activities, attractions and retail, airports and airlines, as well as related tourism services.
12. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.
13. Any enquiries relating to this paper should in the first instance be referred to Steve Hanrahan, TIA Advocacy Manager at steve.hanrahan@tia.org.nz or by phone on 027 912 2624.

COMMENT

Tourism 2025

14. Tourism 2025 (www.tourism2025.org.nz), an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching \$41 billion in annual tourism revenues by 2025. The industry's focus is on growing value faster than volume.
15. The Tourism 2025 framework is based around five key themes which are Insight, Connectivity, Productivity, Visitor Experience, and Target for Value.

People & Skills 2025

16. In 2015, TIA developed [People & Skills 2025](#), an industry-led report identifying a series of important enablers and barriers to ensuring tourism has the right workforce to achieve its aspirational goal of \$41 billion annual revenue by the year 2025. One of the key insights coming from the report is that an additional 36,000 Fulltime Equivalents (FTEs) will be required by the year 2025.
17. As well as attracting and developing a workforce of capable New Zealanders, the strategy is clear that the industry will require migrant labour where no suitable New Zealanders are available.
18. Migrant labour has always been a part of the tourism and hospitality industry. Structural factors such as seasonal business peaks, remote locations, and the 24/7 nature of the industry mean staff from overseas are an important part of the labour picture.

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Timeframe

19. The timeframe for making this submission is very unreasonable. The consultation document was provided on 18 October 2016, with responses due eight working days later. The tight timeframe means TIA has not had an opportunity to consult widely with members ahead of making the submission. We are aware our concerns are shared by other industry bodies such as Business New Zealand. It is always disappointing when poor process is followed and the government will be making decisions without detailed knowledge and input from employers.

Our understanding of the issue

20. The Skilled Migrant Category (SMC) is a points-based system that enables migrants to apply for a resident visa. Points are allocated on a range of factors such as age, work experience, qualifications, and offer of employment. The assessment of skills is based on the ANZSCO framework (Australian/New Zealand Standard Classification of Occupations). The occupations are categorised into four levels (1-5). For an occupation to be considered for the SMC it must currently be at the higher levels (1-3).
21. The Government has announced changes to the residency programme. The approval range for the programme is being lowered by approximately 5% - 6%, from 90,000 to 100,000 approvals p.a. to 85,000 to 95,000 approvals.
22. To ensure the number of residence approvals is within the revised planning range, the automatic selection mark for migrants applying for residence under the Skilled Migrant Category (SMC) has been raised from 140 to 160 points.

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General

23. The number of approvals via the SMC pathway for tourism and hospitality roles has fluctuated over the past five years. Below is a summary of tourism and hospitality roles approved via the SMC pathway between 2011 – 2015¹.

ROLE	ANZSCO Level	2011/12	2014/15 (estimate)	2015/16	CHANGE 14/15 - 15/16	CHANGE %
Baker	Level 3	121	102	213	111	109%
Café/Restaurant Manager	Level 2	458	390	600	210	54%
Conference & Event Organiser	Level 2	13	20	32	12	60%
Chef	Level 2	800	790	950	160	20%
Cook	Level 3	55	80	99	19	24%
Hotel/Motel Manager	Level 2	48	45	68	23	51%
Hotel Services Manager	Level 3	55	75	132	57	76%
Travel Agency Manager	Level 2	18	10	17	7	70%

24. Between 2011/12 and 2014/15, the number of SMC approvals have fluctuated each year. In the table above, five of the eight roles had lower approvals in 2014/15 than 2011/12.

25. There was a considerable spike in approvals under the SMC in 2015/16. This is possibly due to factors such as the increase in demand for labour that has corresponded with the growth in the industry, combined with a time lag between the shortage of New Zealanders with the necessary skills and the ability to fill these roles with New Zealanders.

26. The data above demonstrates that the government must be very careful in changing immigration settings when the pathways to work for New Zealanders are not matching the workforce demand. One of the ways the industry can address the time-lag between the demand and supply of skilled labour is via the SMC. We are very concerned that these proposals may impact negatively on the response to increased industry demand for skilled staff.

27. We are very concerned that the automatic selection mark for residents applying under the SMC has been raised from 140 to 160 points. In recent communication between Immigration NZ (INZ) and the tourism industry, INZ noted that qualified,

¹ Source: Immigration New Zealand
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experienced chefs currently working in New Zealand are likely to meet the new SMC points threshold:

- *if they meet the long-term skill shortage list criteria, and*
- *if they are offered employment outside of Auckland, and*
- *if they are eligible for partner points, and*
- *if they have relevant New Zealand work experience.*

28. There are a lot of criteria here and this clearly shows that the proposed change will make this process of work to residency via the SMC significantly more difficult.

29. Our own in-house modelling below indicates that it will be difficult for migrants to work to residency via the SMC under the new threshold of 160 points and proposed criteria.

SMC Category	Sub-category (TIA Modelling)	Chef	Café/Restaurant Manager
Age	20-29	20	20
Skilled Employment	Offered skilled employment	50	50
	Outside of Auckland	0	30
Qualifications	Have a recognised qualification	40	40
Work Experience	I have work experience relevant to my skilled employment	10	10
Family	I have close family living in NZ	0	0
Partner	My partners been offered skilled employment in NZ	20	0
		140	150

30. In the modelling above, a typical migrant working in the tourism and hospitality industry who may have met the previous points threshold of 140, would now fail to meet the new threshold under the proposed changes. Our view is that the changes to the SMC of increasing the points from 140 to 160 are likely to have a negative impact on the tourism and hospitality industry. In addition, any further tightening of points eligibility could be significantly detrimental to the tourism and hospitality industry.

31. In the following sections, we will discuss the 4 suggested proposals.

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Proposal 1 – Minimum salary/wage for claiming points for skilled employment

32. The notion that salary is an important factor when assessing skills under the SMC is contentious. Other factors such as the migrants' willingness to work in tourism hotspots or remote locations, and skills to lead small business units are potentially more important factors. Take the scenario of a small-business manager – there are many small business units in the industry. The economics of the business means that the managers' salary may not meet the minimum salary/wage threshold, but the skill sets remain critical to the business.

33. We are opposed to adding a minimum salary/wage component to the SMC points assessment under the proposed thresholds.

34. The table below compares salaries for a range of roles relevant to the SMC. The data is drawn from TIA's 2016 Hotel Salary Survey (Average) - \$NZD

	Region A	Region B	Region C	Region D	Region E
Chefs					
Executive Chef	78,000	70,784	70,000	75,000	56,000
Head Chef	59,004	58,186	58,000	60,200	61,826
Sous Chef	50,000	46,500	46,500	52,000	40,760
Pastry Chef	53,000	40,780	39,250	41,600	40,000
Chef de Partie	38,959	41,350	40,152	46,000	40,152
Manager					
Restaurant Manager	47,000	45,000	40,997	46,987	50,000
Hotel/Motel Manager *	128,422	119,642	70,000	96,000	129,500

Source: TIA's 2016 Hotel Salary Survey

*Data is for Hotel General Manager only because source is TIA Hotel Salary Survey

35. The table below summarises how many average salaries in the five regions meet the proposed minimum thresholds for SMC

	Option 1A (\$47,486)	Option 1B (\$52,228)	Option 1C (\$56,992)
Executive Chef	5 regions/5	5/5	5/5
Head Chef	5/5	5/5	5/5
Hotel/Motel Manager *	5/5	5/5	5/5
Sous Chef	2 regions/5	0/5	0/5
Pastry Chef	1/5	1/5	0/5
Chef de Partie	0/5	0/5	0/5
Restaurant Manager	1/5	0/5	0/5

Source: TIA's 2016 Hotel Salary Survey

36. Executive Chefs, Head Chefs and Hotel Managers would meet the proposed minimum thresholds.

37. In regards to the other roles:

- Sous Chef – only two regions would meet the lowest threshold (1A). No region meets the higher options of Option 1B or Option 1C.
- Pastry Chef – Only one region meets Option 1A and 1B. No region meets Option 1C.
- Chef de Partie – No regions would meet any of the proposed minimum thresholds.
- Restaurant Manager – Only one region meets the lowest proposed threshold. No regions meet Options 1B or 1C.

38. It is clear that the proposed minimum thresholds are too high for the roles of Sous Chef, Pastry Chef, Chef de Partie, and Restaurant Manager. The proposed thresholds need to be re-evaluated to recognise the salaries that are paid for these roles.

39. Additionally, in some sectors -particularly accommodation- remuneration can consist of benefits such as meals and accommodation. It is unclear how these benefits will be addressed under the minimum wage/salary proposal.

40. The government should not be layering more barriers to the SMC via minimum wage/salary when the points requirement has already been increased. TIA recommends that instead of a salary/wage category, there is a 'capability' category introduced. Refer further in the submission for more details.

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Proposal 2 – Using salary/wage level as a means of identifying highly skilled employment, regardless of the ANZSCO level.

41. The example given in the proposal is not one that might apply in the tourism / hospitality sector as there are unlikely to be many Level 4 roles earning \$91,000. The roles in the tourism and hospitality industry at ANZSCO Level 4 include waiters, receptionists and outdoor adventure guides.
42. Immigration NZ's proposed minimum salary thresholds for Level 4 roles range from \$66,476 to \$80,704. It is unlikely that many of these Level 4 roles in the tourism and hospitality industry would attract this annual rate of pay, particularly at the top-end of the proposed thresholds.

Proposal 3 – Requiring a minimum number of years of relevant work experience

43. It would be normal practice for employers when offering employment to migrant staff to also consider previous work experience. We are therefore supportive of the requirement for relevant work experience.
44. There is no rationale why the minimum threshold should increase from two to three years. We would suggest that the current minimum of two years fulltime or approximately 4,000 hours of relevant work experience is a sufficient minimum.

Proposal 4 – Realigning the points system to better recognise highly skilled migrants

45. We do not support awarding additional points for high salary levels. Our rationale for this is provided earlier in the submission.
46. We do not support reducing the points for migrants aged 20-29. Many tourism and hospitality employees in this age bracket have the required skill levels to work to residency under the SMC. As noted earlier, the increase in points already made by government will create enough barriers for the tourism and hospitality industry without reducing current point allocations. If change is required, the points for age brackets 30-39 and 40-44 should be raised to the level of the 20-29 bracket.
47. We do not support the proposal to remove bonus points for qualifications relating to roles on the Long-term Skill Shortage List (LTSSL). Chefs are currently on the LTSSL and it would make sense that work to residence applications for these roles are encouraged, not discouraged.
48. The reasons are unclear on why points for work experience in New Zealand would be reduced. We are of the opinion that employees who already have work experience in New Zealand and then made a commitment to work to residence in New Zealand should receive some recognition for this. INZ are doing a lot of work in improving migrants settling-in processes and so it would seem that previous work experience would appear to be consistent with improving migrant retention outcomes.

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Capability Assessment

49. We believe there is value in considering a 'capability' category either alongside the current categories or expanding the current work experience category. The capability assessment enables points to be earned for skillsets important to the industry such as team leadership, financial management, and bilingual skills. A drop-down list of skills supported by relevant evidence would enable the assessment to occur and would be a much more worthwhile proxy than the proposed minimum wage/salary if there is a need to widen how 'skill' is demonstrated.
50. This proposed category would help to solve the problem of migrants who are being promoted into a new role as part of the SMC process. In the current model, these people do not get any points for relevant work experience as the role is new. Using a capability assessment, they could get recognition for that wider range of skill sets they have.

FOLLOW-UP PROCESS

51. TIA wishes to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism and hospitality are adequately represented.

CONCLUSION

52. TIA is of the opinion that the timeframe for making this submission is very unreasonable. This means TIA has not had an opportunity to consult widely with members ahead of making the submission and the government will be making decisions without detailed knowledge and input from employers.
53. TIA's People & Skills Strategy clearly shows that as well as attracting and developing a workforce of capable New Zealanders, the tourism and hospitality industry will require migrant labour where no suitable New Zealanders are available.
54. The government must be very careful in changing immigration settings when the pathways to work for New Zealanders are not matching the workforce demand. One of the ways the tourism and hospitality industry can address the time-lag between the demand and supply of skilled labour is via the Skilled Migrant Category (SMC) visa. We are very concerned that these proposed changes to the SMC may impact negatively on the response to increased industry demand for skilled staff.
55. We are very concerned that the automatic selection mark for residents applying under the SMC has been raised without warning or consultation from 140 to 160 points as this clearly will make the residence process more complicated.
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59. We are of the opinion that the current minimum of two years fulltime or approximately 4,000 hours of relevant work experience is sufficient.
60. We do not support awarding additional points for high salary levels, nor do we support reducing the points for migrants aged 20-29. If change is required, the points for age brackets 30-39 and 40-44 should be raised to the level of the 20-29 bracket.
61. We believe there is value in considering a 'capability' category either alongside the current categories or expanding the current work experience category. The capability assessment enables points to be earned for skillsets important to the industry such as team leadership, financial management, and bi-lingual skills.

BACKGROUND

62. Tourism for New Zealand is big business as the country's largest export sector. It is a major contributor to the New Zealand economy that will always be here and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean and pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
63. The tourism industry delivers the following value to New Zealand's economy:
- Tourism in New Zealand is a \$95 million per day and \$34.7 billion a year industry. Tourism delivers around \$40 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$55 million in economic activity every day
 - The tourism industry directly and indirectly supports 13.2% of the total number of people employed in New Zealand. That means 332,322 people are working in the visitor economy.
 - Tourism is one of New Zealand's biggest export industries, earning \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2016).

End.

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