



**ROAD TRANSPORT FORUM NEW ZEALAND INC
SUBMISSION
ON
A NEW APPROACH TO EMPLOYER-ASSISTED WORK
VISAS AND REGIONAL WORKFORCE PLANNING**

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SUBMISSION BY RTFNZ TO THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT ON A NEW APPROACH TO EMPLOYER-ASSISTED WORK VISAS AND REGIONAL WORKFORCE PLANNING

1.0 Road Transport Forum New Zealand

1.1 Road Transport Forum New Zealand (RTF) is a nationwide organisation representing the road transport industry. The Forum provides services to and public policy advocacy for its affiliated members who comprise owner-drivers, fleet operators and international corporates engaged in freight and logistics.

1.2 The Forum's Constituent Associations include:

- National Road Carriers (Inc)
- Road Transport Associations NZ (Inc)
- NZ Trucking Association

1.3 The Forum's member associations have in excess of 3,000 members and associate members who operate approximately 17,000 trucks over 3,500 kg.

1.4 The Forum is the authoritative voice of New Zealand's road transport industry which employs 22,600 people (3.0% of the workforce), has a gross annual turnover of \$6 billion and carts over 70% of New Zealand's land-based freight on a tonnes/kilometre basis.

Forward

2.0 In her 13 February 2019 speech on the government's proposed Polytechnic mega-merger the prime Minister noted "*We have a vocational education system that is in many cases struggling. Take the building sector for example. We know we need more tradies and yet they are just not coming through fast enough. Now that is absolutely no reflection of the people involved in the sector, far from it. What it is though is a damning statement that the system has been left to drift, to muddle through*".¹

¹ https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12203337

- 2.1 Robustly linked immigration and education/training regimes are key to reducing labour shortages. One of Immigrations purposes is to anticipate changing skill demand and support industry needs by maintaining an adaptive immigration and education/training systems. The recent “mega-merger” announcement appears to be pulling those disparate parts together. The difficulty will be seamlessly transitioning and meshing them coherently and cohesively. That can only be achieved successfully with high level focused industry input.
- 2.2 The situation commented on by the Prime Minister should have come as no real surprise to Government. The penchant of successive governments to push academic qualifications while neglecting the vital importance of vocational occupations have been ostensibly responsible for creating skills shortages.
- 2.3 The road freight transport sector’s situation is slightly different to other vocational trades. While Government encourages participation in those occupations that congeniality doesn’t extend to career pathways in the road freight transport industry.
- 2.4 It is incongruous for New Zealand’s leaders to expect our industry to do more to encourage people to enter the sector, or remain in it, while at the same time discourage that by framing the road freight transport industry as undesirable. That is compounded by limiting access to migrants.
- 2.5 The malaise is furthered by Government’s reluctance to improve the driver licensing regime which further hinders new entrant uptake in the road freight transport industry.
- 2.6 This Government’s rhetoric focuses on addressing “the widening wage gap”. We support that. But the Government’s aims are hampered somewhat by disingenuous messaging that vocational careers are of less worth to society than higher skilled occupations. Proposals to limit residency opportunities for less skilled workers only reinforce the message their occupations are less worthwhile than others.

- 2.7 Policy writers insist employers increase wage rates and have set potential migrant remuneration rates higher than the normal average rate to encourage that. That is a blunt tool that in the past has not addressed skill shortages or had substantial effect on remuneration quantum. One fundamental issue is how less “skilled” workers are considered in New Zealand. Until less skilled people are recognised as valuable contributors to the economy they will continue to be undervalued. Immigration policy reinforces that message and that must change.
- 2.8 Ever since truck drivers were taken off the Immediate Skills Shortage list in 2009 transport operators have struggled to keep up with New Zealand’s ever-growing freight demand. Predictions are that the freight task will double by 2050. Industry considers that a conservative estimate.
- 2.9 In their 2003 report TERNZ² identified annual growth in transport demand of 4% per annum was 1.6 times the growth in GDP. That was consistent with the European experience where transport grew by 1.5% for each 1% growth in industry production. The situation is similar today. TERNZ recommended unless action was taken this would have a major impact on the New Zealand economy, especially as the level of skill required to be a driver is similar to those required by a number of other sectors in the economy who are also experiencing major labour shortages.
- 2.10 The road freight transport industry has invested significantly to fill the immediate skills gap and address future demand by boosting the industry’s profile and the career opportunity’s available to young New Zealanders. From streamlining qualifications to developing career pathways through programmes like the Sector Workforce Engagement Programme (SWEPE), Women in Road Transport, improving qualifications in conjunction with the industry training organisation, attracting new people to the industry and retaining existing resource has been a major focus for RTF and our associations.

² Driver recruitment/retention in the heavy truck transport industry

- 2.11 While immigration will never be a long-term substitute for developing homegrown talent, Government must recognise that some sectors require solutions to meet demand that is outstripping supply.
- 2.12 The solution is not to invite people to New Zealand for a short period of time and then insist they leave without the opportunity to settle long-term. It is certainly not in employers' best interests to facilitate short term solutions. It is proposed that after three years migrants must stand down for one year before being able to return to work in New Zealand. The stand down period is intended to prevent a pool of lower-skilled, lower-paid migrants building up in New Zealand that are well-settled but have no pathway to residence.
- 2.13 This proposal significantly underestimates the value lower skilled occupations have on the economy. Business and Economic Research (Berl), research shows that workers once thought to be unskilled or blue collar were actually a vital cog in the economy, particularly the export sector. *"What's interesting from my perspective is that 70 per cent of school leavers don't go to university,"* said Mark Oldershaw, chief executive of the Industry Training Federation. *"We've got a significantly funded university sector which caters for only 30 per cent of school leavers. So the key for us is, what do we do with the other 70 per cent?"*³
- 2.14 That does not mean we do not welcome the news the Government is looking at major changes to temporary work visas or that industry has not been complacent in attempting to make itself a more attractive environment to be in. However, until those fundamental issues are addressed the wider recruitment, training and retention sphere will remain a disconnected dichotomy.
- 2.15 We support Immigration NZ increasing its investigation activities and visibility. We are opposed to labour exploitation or unacceptable working

³ <http://www.stuff.co.nz/editors-picks/6141781/Blue-collar-workers-vital-to-economy-Berl>

conditions in any occupation or workplace. MBIE intend to increase oversight and enforcement to combat non-compliance.

- 2.16 We are acutely aware of the resource required to support the proposals. The regulator's resource is already stretched and the proposed punitive approach will test that further. New Zealand is already in a highly traumatised state resultant of insufficient regulator engagement in the animal tracing and vehicle compliance disciplines. We suspect the necessary Immigration resource requirement has been under-estimated.
- 2.17 We are not convinced that "*employers are the main beneficiaries of migration*". That neglects to recognise benefit myriad ways, as does new Zealand's economy and social standing.
- 2.18 Restricting the flow of migrant workers can only create negative working conditions. Conceivably, if there are less workers for any volume of required output that demand can only be compensated for by incumbent personnel working longer or harder. Neither conditions fit with the policy writer's intention.
- 2.19 The highlight of the Government's plan is the institution of "sector agreements" in order to assist employers with workforce issues in industries that traditionally rely on migrant workers. The Immigration Minister states that the current immigration system is overly complex, includes a number of different visa options and isn't adequately responsive to sectoral or regional differences in the labour market. Sector agreements have been designed to provide employers with greater certainty of access to temporary migrant workers (over the three-year duration of the agreement), more efficient visa processing and possibly more favourable visa conditions. In return, employers would need to commit to improvements to industry productivity, investment in the training and development of domestic workers and better conditions for both domestic and migrant workers. The Government's proposal is that the agreements are made compulsory for employers seeking to recruit migrants into that sector.

- 2.20 The road transport sector agreement, which is proposed to be up and running by 2020, will not be the panacea to solve all our workforce issues, however it might potentially alleviate some of the most acute shortages in certain parts of the country and give us necessary opportunity to attract more domestic workers to our industry. Employers who benefit from sector agreements will need to commit to employing more New Zealanders over time and reduce their reliance on immigration. Employers would need to commit to improvements to industry productivity, investment in the training and development of domestic workers as a long-term solution to their workforce issues and provide better conditions for both domestic and migrant workers.
- 2.21 New Zealand has a proud and strong multicultural and diverse history. The workers identified in the Berl research underpin our strong economic performance and sectors rely on being able to maintain a suitably skilled and efficient workforce. The current low unemployment rate does increase the vulnerability of local employers to increasing global competitiveness. This is particularly relevant to the road freight transport industry in New Zealand as seasoned and skilled drivers in large numbers seek employment overseas.
- 2.22 We are concerned a number of policy changes will not be complied with, for a variety of reasons. The 2000 OECD report "Reducing Policy Failure: Challenges for Regulatory Compliance"⁴ is worth referencing. *"A key determinant of government effectiveness is how well regulatory systems achieve their policy objectives. Rapid increases in regulation and government formalities in most OECD countries since the 1970s have produced impressive gains in some areas of economic and social well-being, but too often the results of regulation have been disappointing. Dramatic regulatory failures tend to produce calls for more regulation, with little assessment of the underlying reasons for failure. Though there is little hard evidence, a growing body of anecdotes and studies from OECD countries*

⁴ <https://www.oecd.org/gov/regulatory-policy/46466287.pdf>

suggests that inadequate compliance underlies many such failures. This is a common but little understood form of regulatory failure”

2.23 The report lists the following primary reasons for non-compliance:

- The degree to which the target group knows of and comprehends the rules.
- The degree to which the target group is willing to comply – either because of economic incentives, positive attitudes arising from a sense of good citizenship, acceptance of the policy goals, or pressure from enforcement activities.
- The degree to which the target group is able to comply with the rules

2.24 Each of these navigates the proposed policies. To ensure compliance is maintained and regulator input minimised it is essential they be addressed effectively. Future policy must be understood by all participants associated with the migration system and RTF welcomes the opportunity to assist disseminating and tailoring information to the road freight transport industry. The second bullet point reaches to the heart of existing issues in terms of exploitation, predatory behaviour and generally the regulator’s inability to monitor and carry out their function appropriately. Compliance is also dependent on how those simply those rules can be conveyed to the respective audiences.

COMMENT

3.1 Partnership. Participation

We welcome a more partnered approach to immigration. It is important to have a feedback loop between officials and employers to more readily deal with issues as they arise and to give and receive advice on how the system functioning. We see the restructuring of the immigration process as a positive step towards alleviating end user and regulator concerns through improved communication.

3.2 **Visa simplification**

We support simplifying the visa system-within reason. There are a number of classifications that would fit in the lower and skilled temporary migrant worker categories⁵ not currently considered in the discussion document although they are within scope and subject to renegotiation of Free Trade Agreements.

- 3.3 Effective immigration policy should target higher demand occupations and skills in demand yet it doesn't. The road freight transport industry is short a significant number of skilled drivers. That shortage is negatively impacting New Zealand's economy. As discussed in our forward (para 2.6) it is inequitable to consider that any worker contributes more to New Zealand's economic growth and social cohesion than any other irrespective of background or occupation.

4.0 **GATE 1: EMPLOYERS**

We support extending employer accreditation from 12 months to a longer period of time. The premise that once they are accredited, employers will not be subject to recurring checks by officials for every worker on an employer assisted visa is acceptable. That enables greater resource to be channelled into focusing on people entering New Zealand and operating under a high trust relationship without burdensome intervention for businesses need access to workers abroad.

- 4.1 Our support is governed by recognition that issues with access for small business require resolving. Eighty percent of road freight transport businesses fit in the small business category. The immigration process is likely to be difficult for those business owners to access and understand without qualified and knowledgeable assistance. This is especially so in cases where a worker may have been hired on an open work visa and then desires to switch to an employer-assisted visa. All businesses wishing to

⁵ Such as religious workers

access the suitably skilled migrant pool should expect to be able to readily and easily manage the immigration process.

4.2 We expect the Labour hire Accreditation and Sector Agreements will assist improving this.

4.3 Premium Accreditation

The premium accreditation period is for an initial period of three years with renewal period of five years. A longer extension period will assist businesses that have no option than to utilise migrant resource. That is likely to assist them with workforce planning while also reducing long term compliance costs. The regime's integrity is utterly dependent on the resilience of the partnership between Immigration and businesses that have attained premium accreditation. Discussions on fast tracking premium accreditation have merit.

4.4 Immigration proposals insist remuneration rates for migrants should remain relative to the average New Zealand income. The remuneration threshold of \$55,000 per annum set in 2008 remains higher than the average New Zealand average income. The proposed increase to \$78,000 (150% of the average income) is ludicrous and will have a significant impact on employers. As mentioned in our forward setting that level is a blunt tool for increasing remuneration levels.

4.5 For immigration purposes skill level is defined by ANZSCO rating. Generally, a higher ANZSCO rating translates to higher remuneration. We are unsure the ANZSCO rating is fit for purpose. While it identifies skill level it shouldn't be used as an arbitrary gauge of remuneration level or vice versa. For a number of years the road freight transport industry has argued for recognising different skill levels within the industry. The ANZSCO rating bands truck driver together at Level 4. Clearly higher skilled drivers belong in a higher qualification level than that.

5.0 **GATE 2: JOBS**

We support sensible mechanisms to address short- and long-term skills shortages in new Zealand's regions. There is considerable unease with the prospect of Immigration interfering with the ease of sourcing resource at regional level. That must be matched with education and training initiatives and very little indication of how that will be achieved is provided in the discussion document. We will monitor this with interest.

5.1 Undoubtedly there is significant benefit to be had circulating regional skill shortages information well in advance and should be matched with advice on demand so that resource can be accessed accordingly. Collaborative partnership and participation are paramount. That must be matched with sensible planning foresight. The current system is rearwards looking, based on short to long term historical evidence and all labour market indicators must be forward looking. That can only be achieved by forming closer industry links.

5.2 The labour market system

Government is promoting significant changes to the vocational training and education sector and that is coupled with extreme uncertainty how that will be delivered to industry. We welcome that change and anticipate that if carried out with sensible forethought and planning will improve education and training for vocational careers. However, that will be very disruptive especially for Industry Training Organisations and the people they service.

5.3 Meshing that change successfully with immigration policy and plans will require meticulous planning. We welcome the opportunity to contribute to that.

5.4 It is imperative education options remain accessible, with onus on improving resource response in the regions. Regional skill hubs have been topical and a range of Government initiatives have attempted to address that. The varied successes so far suggest a greater linkage to business and industry is required and future objectives must be handled meticulously to

obtain greatest benefit. We doubt Government can achieve that without close partnership to business and industry.

6.0 **GATE 3: MIGRANTS**

This piece of policy is closer to existing policy than the Employer and Job Gate proposals. The global competition for skills also has not changed significantly in recent times and it will be necessary if New Zealand is to benefit from the globally available skills the process is simple and responsive.

- 6.1 We do not support the intention to raise remuneration rates to the proposed quanta. The OECD research into avoiding policy failure is particularly relevant in this respect as the proposed quantum is likely to induce business owners and their employees to fudge remuneration figures. This situation is not at all in the same realm as employers exploiting migrant workers. By making this comment in no way do we condone non-compliance. However, the reality is (as pointed out by the OECD research) while the target group may wish to comply external forces beyond their control is likely to impact their ability to do so. The economic incentives will be too great, the sense of good citizenship will not be undone as the employer will perceive they are aiding migrant workers to realise their ambitions and enforcement activity may be inadequate to detect or address knowing (or conversely) ignorant non-compliance.
- 6.2 We briefly covered the Stand Down period for migrants earlier. That will directly negatively impact employment relationships in areas with ongoing and growing labour shortages and does not take into account relationships formed by employers and employees and the mutual time and effort they put into benefitting each other lives.
- 6.3 The proposed stand down will negatively affect productivity and the associated disruption to the work place will increase the magnitude of that effect. In no way will a stand down period improve the employment opportunities for New Zealanders. We have seen no supporting evidence

that since the stand-down period was introduced increased numbers of New Zealand workers have been employed. About all the stand down period has managed to do is cause considerable anguish to employers and employees.

CONCLUSION

The road freight transport industry is opposed to labour exploitation or unacceptable working conditions.

Robustly linked immigration and education/training regimes are key to reducing labour shortages. The proposals do need tightening in this respect.

We recognise immigration will never be a long-term substitute for developing homegrown talent. Government must recognise that road freight transport requires particular solutions to meet demand that is significantly outstripping supply.

We suspect the necessary Immigration resource requirement to support proposals has been under-estimated. That will impact enforcement potential.

We welcome a more partnered approach to immigration. We envisage the proposals will alleviate end user and regulator concerns through improved communication but only if initiated with dexterity.

We support extending employer accreditation from 12 months to a longer period of time.

Discussions on fast tracking premium accreditation have merit.

The ANZSCO rating system requires attention. It is archaic and has the potential to perform better.

The proposed stand down period will negatively affect productivity. The disruption caused by that will be significant. That policy needs revisiting.

We are hopeful Immigrations intent comes to fruition. Businesses wishing to access the migrant pool should be able to do so and the immigration process should be simpler to manage. The global competition for skills remains and it will be necessary to streamline immigration processes if New Zealand is to benefit from the globally available skills.

We welcome the opportunity to discuss this further.