



BRIEFING

KiwiBuild visa settings

Date:	8 December 2017	Priority:	Medium
Security classification:	In Confidence	Tracking number:	1352 17-18

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway Minister of Immigration	Note a KiwiBuild visa would impact a range of portfolios Direct MBIE to prepare further advice	22 December 2017
Hon Jenny Salesa Minister for Building and Construction	Note further advice could provide a basis for discussion and direction for further work	
Hon Willie Jackson Minister of Employment		

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Anna Butler	General Manager, Building System Performance	04 901 1602	s 9(2)(a)	✓
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The following departments/agencies have been consulted

- 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 Withdrawn |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



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Date:	8 December 2017	Priority:	Medium
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Purpose

This paper sets out the proposed scope of work to respond to your request for further information on the settings for a potential KiwiBuild visa.

Recommended action

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

- a. **Note** a KiwiBuild visa has implications across a range of portfolios *Noted*
- b. **Note** the design of a KiwiBuild visa should consider the current immigration settings, the drivers of skills shortages in the sector and broader changes to address supply constraints. *Noted*
- c. **Direct** MBIE to provide further advice to joint Ministers by end of February 2018 covering:
 - the wider drivers of skills shortages in the building and construction sector
 - the current immigration settings
 - lessons learnt from the immigration response to the Canterbury earthquakes
 - the potential impact of adjustments to the current immigration settings.*Agree / Disagree*
- d. **Note** that this February 2018 briefing would provide a basis for discussion and direction on further work to develop a KiwiBuild visa. *Noted*


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General Manager, Labour and Immigration Policy
Labour, Science and Enterprise, MBIE
8.../12/17

Hon Iain Lees-Galloway
Minister of Immigration
..... / /


Anna Butler
General Manager, Building System Performance
Building, Resources and Markets, MBIE
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Hon Jenny Salesa
Minister of Building and Construction
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Hon Willie Jackson
Minister of Employment
..... / /

MBIE can provide you with material to support decisions about a potential KiwiBuild visa

1. The Minister for Building and Construction has requested advice about the settings for a potential KiwiBuild visa as one measure to address skills shortages facing the building and construction sector. A range of portfolios are impacted by a potential KiwiBuild visa, including Building and Construction, Immigration and Employment. MBIE is responsible for advice across all of these portfolios. This briefing proposes the scope of further advice on the sector and important aspects of immigration settings to inform the development and design of a KiwiBuild visa.
2. It will be important to position the KiwiBuild visa settings within a broader skills strategy for the construction sector. The Minister for Building and Construction has been provided with initial advice on a skills strategy (refer Appendix One: The Building and Construction Workforce: Approach to a Skills Strategy).

There are many drivers of skills shortages in the sector

3. Many employers in the construction sector have reported difficulties in attracting skilled staff. The residential construction sector is mainly made up of small businesses working on small-scale projects. The sector makes considerable use of subcontracting to manage financial risks and adjust quickly to market changes. s 9(2)(g)(i)
4. Immigration can help act as a pressure valve to address short term skills shortages, but it is important to ensure that the incentives remain for business to employ and train New Zealanders. Many construction businesses do not have the resources or desire to engage in training given their tight margins and the volatility of the sector. The focus most firms have on a project-by-project approach does not incentivise long-run workforce training.
5. MBIE proposes to provide you with further information about the factors influencing the skills shortages facing the building and construction sector. This information may provide an insight into how changes to immigration settings may affect the skilled labour supply and what wider changes might assist with this aim.
6. KiwiBuild also presents an opportunity to work with the sector to develop a joint approach to meeting its skills and labour needs – including a potential focus on employment and training outcomes for groups which have poorer labour market outcomes. The labour and skills needs for the sector are wide ranging, including those experienced in project management, business management and working with new and disruptive technologies as well as a variety of skilled and unskilled building practitioners.
7. Government relationships with the sector could build on the work of the Sector Workforce Engagement Programme (SWEP). SWEP is a cross-agency initiative¹ that works with employers to trial approaches to improve their access to reliable, appropriately skilled staff at the right time and place, with a focus on supporting more New Zealanders, including young people and those currently on benefits, into work.

Current immigration settings are enabling for employers to recruit skilled migrants to the construction sector

8. The immigration system already plays a role in supplying labour for New Zealand's construction sector. The majority of construction workers entering New Zealand come in on

¹ SWEP is a cross-portfolio and cross-agency operational initiative comprising MBIE, the Ministry of Social Development, the Ministry of Education and the Tertiary Education Commission. It is supported by a small programme office housed within MBIE.

an Essential Skills work visa. Many construction-related occupations appear on existing skills shortages lists (meaning that there is no requirement to demonstrate that there are no New Zealanders available) and a very high proportion of applications for construction-related occupations are approved.

9. The current system settings were driven by the need for migrant workers to help meet strong current and projected demand in the construction sector being driven by continuing population growth in Auckland and the after-effects of the earthquakes in Christchurch and the surrounding Canterbury region.
10. MBIE proposes to provide you with further information on:
 - current visa settings which apply to construction-related occupations
 - the number of migrants working in the construction sector and their employers, although MBIE has limited information on the number of migrants working specifically in the construction sector at any one point in time
 - the trends in construction-related migration over time
 - how changes to the immigration settings over time have affected migrant flows.

There are some lessons from the Canterbury rebuild to consider

11. In 2011, a number of initiatives were introduced to attract skilled labour into the Canterbury region, in response to the major construction demands in Canterbury following the earthquakes. These included:
 - an adjustment to immigration settings to introduce a Canterbury-specific list of desired migrant occupations on the Canterbury Skills Shortage list
 - the Canterbury Skills and Employment Hub which provides job-matching, information-sharing, and immigration facilitation services.
12. MBIE proposes to provide you with further information about the initiatives introduced in Canterbury to support the flow of skilled labour into the region and provide information on the lessons learnt from these initiatives.

Skills shortages are likely to persist even if there is a short-term boost in skilled migrant labour, so wider changes to alleviate supply constraints are likely to be beneficial

13. Migrant labour is often considered a shorter-term solution to skills and labour shortages. Training and developing New Zealand workers is likely to be a more enduring solution although hard to achieve at scale in the short-term. The structure and practices in the building and construction sector and the current demands on the sector that are driving skills shortages are likely to persist even if there is a short-term boost in skilled migrant labour. For this reason it is likely to be beneficial to think about a wider package of policy changes to alleviate supply constraints.
14. MBIE proposes to provide information on the role adjustments to immigration settings may have in alleviating supply constraints. MBIE can also provide an initial indication of where broader changes to address skills shortages in the building and construction workforce might be beneficial.

Recommended next steps

15. MBIE proposes to provide joint Ministers with information on immigration settings including:
 - the drivers of skills gaps in the building and construction sector

- current immigration settings
 - lessons learnt from Canterbury and the adjustments made to immigration settings to support the rebuild process
 - an indication of the impact adjustments to the current immigration settings could have on the supply of building and construction labour.
16. MBIE proposes to provide a briefing on this information by end of February 2018 to enable a discussion between the relevant Ministers to determine the next steps for further advice.
17. Further work in 2018 could then focus on detailed advice on options for the design of a KiwiBuild visa, including:
- testing design assumptions about a potential KiwiBuild visa proposal
 - application and design options that could make the policy attractive to potential employers
 - an indication of the likely impact of proposed adjustments to the immigration settings
 - how adjustments to immigration settings would tie in with broader work aimed at supporting New Zealanders into construction-related jobs.

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Annex One: The Building and Construction Workforce: Approach to a Skills Strategy (MBIE briefing 0841 17-18)

RELEASED UNDER THE
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BRIEFING

The Building and Construction Workforce: Approach to a Skills Strategy

Date:	10 November 2017	Priority:	Medium
Security classification:	In Confidence	Tracking number:	0841 17-18

Action sought		Action sought	Deadline
Hon Jenny Salesa Minister for Building and Construction	a	Note the building and construction sector is facing a number of persistent issues	17 November 2017
	b	Note a skills strategy would require cross-government and industry leadership and coordination	
	c	Note the Ministry of Business, Innovation and Employment would like to discuss possible approaches to the development of a skills strategy	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
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The following departments/agencies have been consulted [double click box & click 'checked']					
<input 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 or [Insert agency]; [Insert agency]			

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:



BRIEFING

The Building and Construction Workforce: Approach to a Skills Strategy

Date:	10 November 2017	Priority:	Medium
Security classification:	In confidence	Tracking number:	0841 17-18

Purpose

1. You have asked to be briefed about a possible skills strategy for the building and construction sector. This briefing outlines issues facing the sector and critical success factors for an effective skills strategy, and provides initial advice on approaches that could be taken to developing such a strategy.
2. This briefing also serves as background for the discussion on 'The People Lever' on Monday 13 November.

Executive summary

3. The building and construction workforce is vital to delivering safe, durable and affordable housing to New Zealanders. However, the sector is facing a number of persistent issues exacerbated by the current high levels of demand for housing and labour.
4. The building and construction sector has historically experienced considerable volatility with pronounced boom and bust cycles. This uncertainty incentivises firms to remain small and engage in subcontracting, as this may make it easier to manage financial risks and adjust quickly to market changes. As a result, the building and construction sector is fragmented and the residential building market is dominated by small firms working on small-scale projects. These factors may have disincentivised investment in skills, training and innovation, and contributed to low labour productivity growth.
5. The sector faces a challenging period. A building and construction workforce with enough capacity and the right mix of skills will be central to enabling the sector to rise to the challenges of unprecedented demand. This presents an opportunity to support the sector, both by helping to meet pressing short-term needs, and to support changes that will improve the long-term ability of the sector to deliver. A strong focus on capability alongside capacity will help ensure quality is maintained.
6. A skills strategy could support the sector to increase the workforce's capacity and capability. It would fit within a broader government agenda across the building regulatory system, housing strategy and skills and employment policy, and play an important role in supporting KiwiBuild. A skills strategy would involve a mix of approaches and a range of levers. These could include direct levers sitting within the building regulatory system, like occupational regulation, as well as many levers sitting across other government areas and industry.
7. This briefing provides initial advice about possible approaches to the development of a skills strategy for the building and construction sector.

Recommended action

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

- a **Note** the building and construction sector is facing a number of persistent issues and unprecedented levels of demand, placing significant pressure on the system

Noted

- b **Note** the successful development and implementation of a skills strategy would require cross-government and industry leadership and coordination

Noted

- c **Note** the Ministry of Business, Innovation and Employment will provide you with further information in the coming weeks on:

- a. Occupational regulation in the building and construction sector, including on the regulation of professional engineers
- b. Building consent officials
- c. The issues and barriers to productivity in the sector
- d. The role of the building regulatory system in supporting KiwiBuild

Noted

- d **Note** the Ministry of Business, Innovation and Employment would like to discuss possible approaches to the development of a skills strategy for the building and construction workforce

Noted

P.P. *[Signature]*
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Hon Jenny Salesa
Minister for Building and Construction

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The building workforce plays an essential role in the delivery of safe, durable, affordable buildings

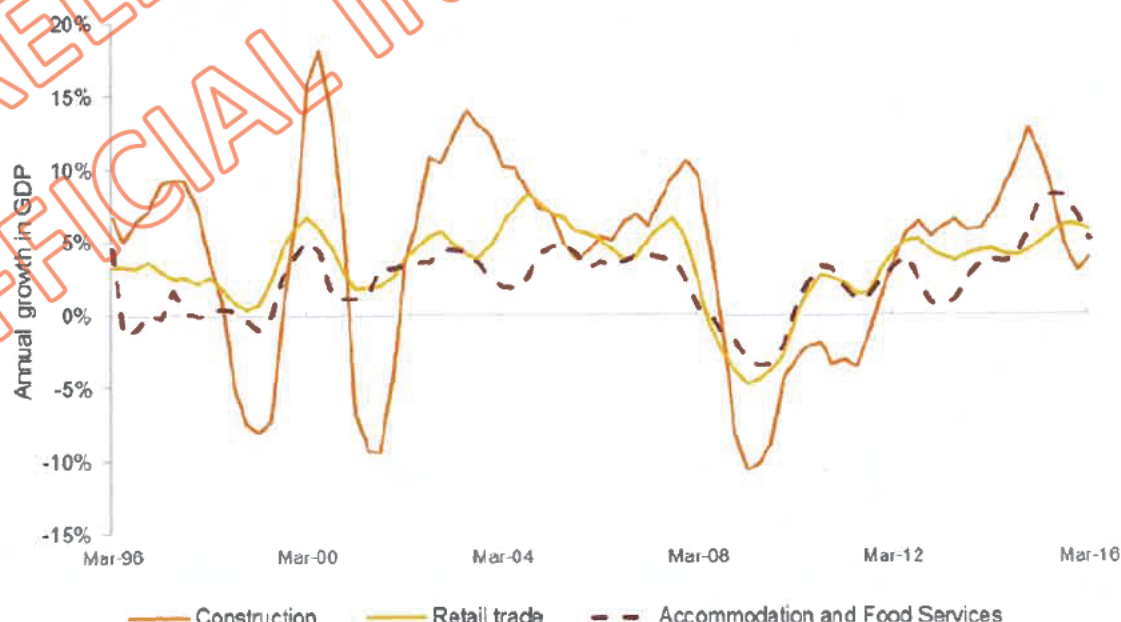
8. The building and construction workforce plays a vital role in delivering affordable housing to New Zealanders. The building sector employs almost 10 per cent of New Zealand's workforce and demand for housing and labour is still growing.
9. The construction industry employed 243,000 people on average during the year to September 2017, of whom 86 per cent were male and about half were over 40 years old. The industry employed 22,300 more people in September 2017 than the same time a year before. Between 2012 and 2015 the construction sector directly contributed one out of every five new jobs in New Zealand. The nationwide boom is expected to increase demand for an additional 56,000 construction-related workers from 2016 to 2022.
10. The work of the construction sector and the performance of the building regulatory system affect all New Zealanders – the safety, health and wellbeing of all New Zealanders depend on the performance of the buildings they use. It is important that people living in and visiting New Zealand can have confidence in the buildings they use and occupy.
11. See **Appendix 1: The People Story for the Building and Construction Workforce** for further information about these groups of people and the government levers that affect them.

The sector is facing a number of issues

12. The sector is facing a number of persistent issues coupled with unprecedented demand, placing significant pressure on the system.

The sector experiences pronounced boom and bust cycles

13. The building and construction sector operates in a rapidly changing environment. The sector is very cyclical, typically experiencing more pronounced booms and busts than other industries, as seen in the figure below.



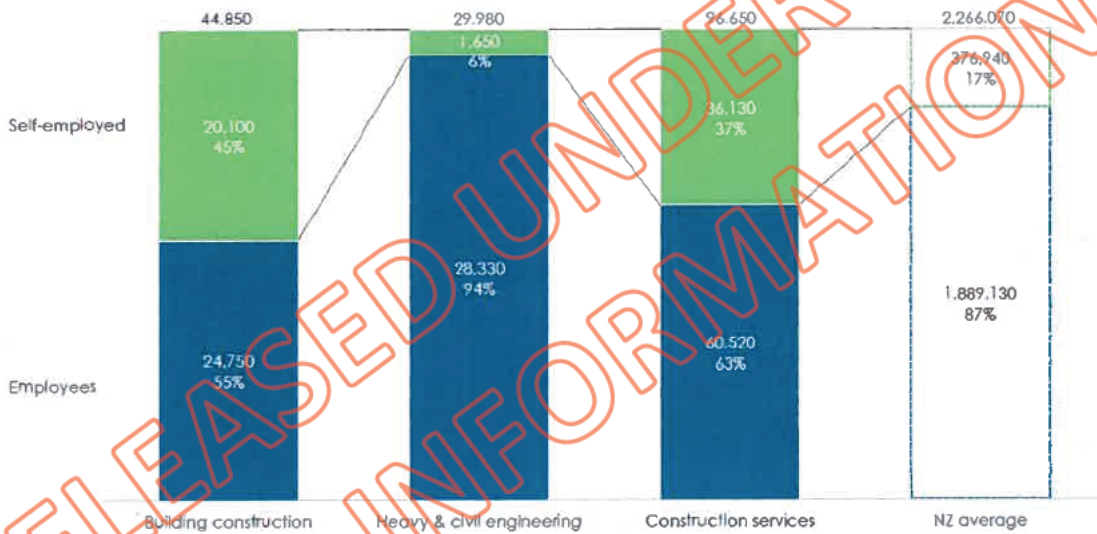
Source: PwC analysis, Statistics New Zealand

14. This volatility results in a high degree of business churn and labour movement in and out of the sector. Construction businesses often work on a project-by-project basis and there is significant uncertainty about the prospect of future work. The same concerns apply to individuals considering entering the sector, possibly making it less attractive for people seeking a stable career.

The sector is fragmented and diverse in response to uncertainty

15. The historical business model has been for many businesses to remain small; this may be in order to better manage financial risk and enable rapid adjustment to market changes. The sector is characterised by large numbers of small, diverse businesses with many self-employed people. In 2015, 90 per cent of businesses involved in construction had five or fewer employees.

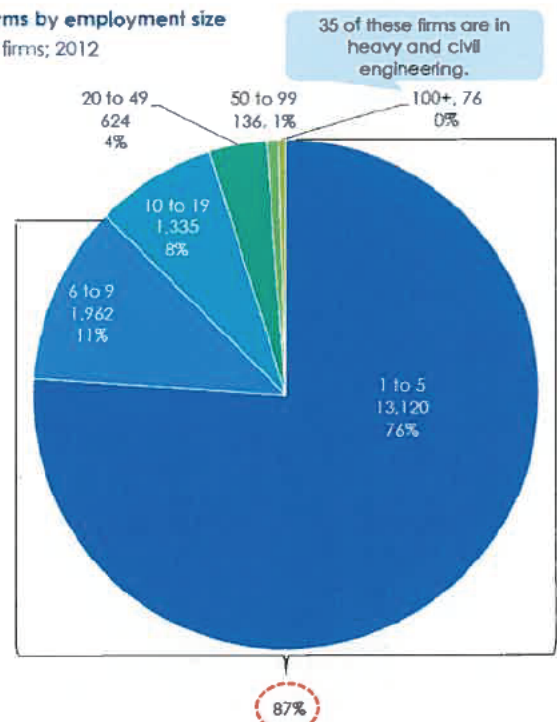
Employees & self-employed, share of overall workforce
% employees and self-employed; 2010



Note: The Labour Employee-Employer Database does not include the residential and non-residential subsectors.
Source: Statistics New Zealand, United Employee-Employer Database (2011)

16. Businesses tend to engage in fragmented contracting arrangements, working on small-scale developments. There are few incentives to make large capital investments in labour-saving technology because these costs are significant and upfront. Relying heavily on labour and sub-contracting on a project-by-project basis may be seen as a less-risky and cheaper option in the short term for businesses.
17. Labour-only contracts are also used to limit the risks associated with broader responsibility for the outcome of a project. Labour-only contracts allow a builder to be paid for the building work they carry out without the responsibility of hiring other tradespeople, procuring the building materials and managing coordination, supervision and quality control for the project.

Firms by employment size
% firms; 2012



18. Holdups or constraints in one part of a building project can impose significant time costs and delays on the project overall, and this can discourage innovation in building products and techniques. This problem is exacerbated by New Zealand's small market size and the limited competition in some product markets.

There is low productivity growth and limited investment in training and development

19. The construction sector has historically had low labour productivity growth and low skills. The volatile nature of the sector limits productivity, as many gains in labour skills are lost during 'busts'.
20. The lack of confidence that there will be a pipeline of demand for work limits the sector's investment in developing scale, innovation, and productivity. It also limits businesses' incentives to invest in skills and capability development for the long term. A common operating model is for businesses to sub-contract on an as-required basis rather than training and developing people internally.

The residential construction sector is reaching its capacity limits

21. The residential building and construction sector is experiencing capacity constraints. Construction investment has risen significantly since 2010 and this is expected to continue through to 2022. This growth has resulted in increased demand for construction workers. As outlined in MBIE's 1 November briefing to the Minister of Housing and Urban Development [0645 17-18 refers], there has been a marked rise in employment in the construction sector from March 2011 to September 2017.

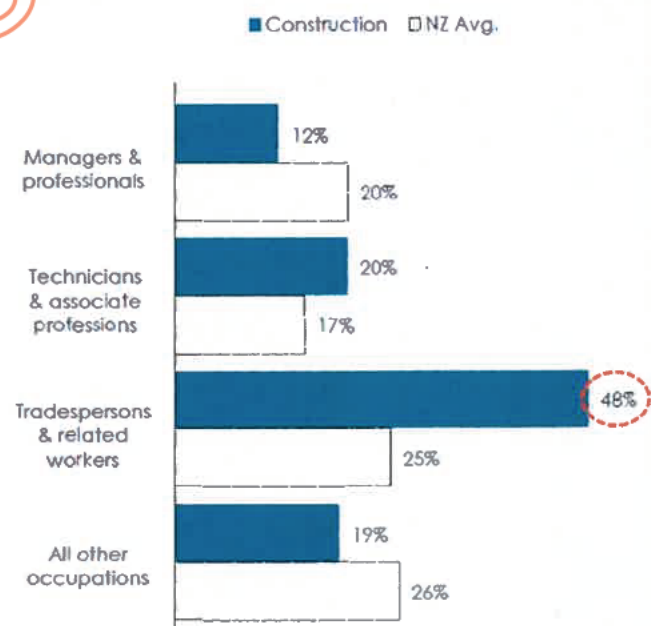
22. This rise in construction employment is similar to continued high demand for labour across a range of industries with the unemployment rate for the September 2017 quarter at 4.6 per cent, the lowest rate since December 2008. This wider demand for labour across the economy limits the opportunities for growing and upskilling the construction labour force by attracting people from other sectors or who are currently unemployed.

23. The increased demand for construction labour has led to rising labour costs with wage rises in the sector well above the 'all industries' average. Many employers in the construction sector have reported difficulties in attracting skilled staff.

24. KiwiBuild will further increase the peak demand for labour. New solutions will be needed to meet the increased demand for labour, which could include labour-saving ways of working and removing barriers in the consenting system as well as increasing the workforce.

25. An increase in the demand for housing will result in an increase in building consents. This will put further pressure on Building Consent Authorities (BCAs) and the consenting process. Many BCAs have been carrying vacancies for some time and are actively looking for building consent officials (BCOs), indicating that there may already be a shortage in the sector. During building booms there is increased demand from the construction sector for people with similar skills to those required of a BCO. This makes it hard for BCAs to find staff when they most need them.

% of respondents reporting 'severe' or 'moderate difficulty' hiring the following occupations
% 2012 (excludes firms with less than 6 employees)



Source: Statistics NZ, Business Operations Survey 2012

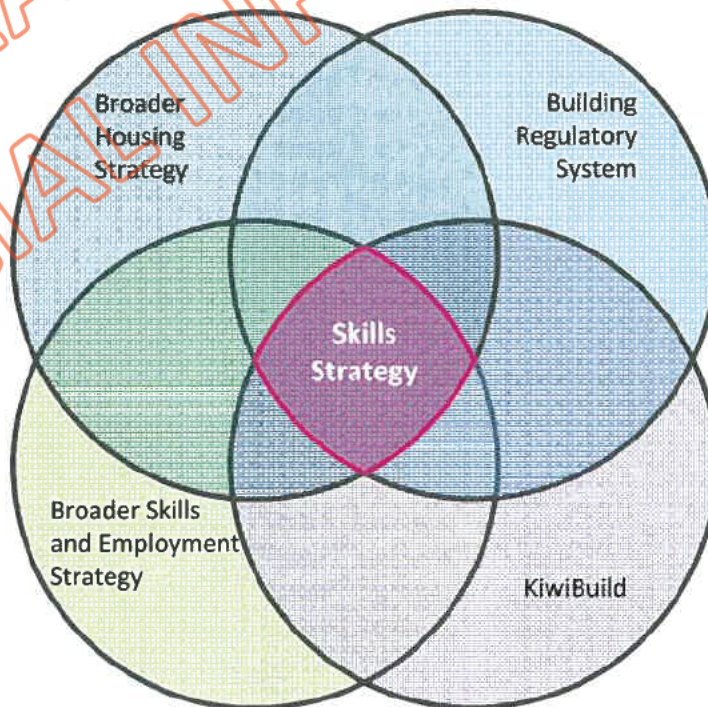
26. Building work that is critical to a residential building's structural soundness or weathertightness is restricted and must be carried out or supervised by a Licensed Building Practitioner (LBP). There are indications that LBPs supervising Restricted Building Work are already stretched thin in some parts of the country, including Auckland. An increase in demand for housing will place particular pressure on the LBP scheme.
27. The sector has historically demonstrated good labour market flexibility in responding to changes in demand, although current conditions are particularly difficult. However, while the supply of construction-related workers may support the growth of the construction workforce, it is likely to be slower and more difficult to attract or train new LBPs.

It will be important to meet demand without compromising quality

28. In order to meet rising demand pressures, there is likely to be an influx of many new and unskilled workers entering the industry. Businesses will also face time and cost pressures that will incentivise building cheaply and quickly. All these factors increase the risks of poor quality building work, particularly in combination with the previously-mentioned stresses on LBP supervision and the consenting system.
29. It will be important to balance cost, quality and speed when looking to increase production. As government and the sector work to increase production to meet demand, a strong focus on capability alongside capacity will be needed to ensure quality is maintained.

A skills strategy could help address these challenges

30. A skills strategy for the building and construction sector could provide a strategic, coordinated approach to supporting the industry to develop the workforce and skill-sets it will need to meet the challenges outlined above.
31. It would sit within the context of a larger government agenda and have important linkages with other policy areas, including both the broader housing area and the skills and employment areas.



32. The diagram below shows how a skills strategy for the building and construction sector could fit within the broader housing and construction context:



A successful skills strategy would depend on multiple factors

33. The successful development of a skills strategy for the building and construction sector will depend on a number of critical success factors.

A multi-pronged approach will be required

34. Increasing the capacity of the building and construction workforce is only one of the possible ways to meet demand; emphasis could also be placed on increasing sector productivity through new technology or importing prefabricated components from overseas, for example.

Factors to balance:

focus on labour productivity

focus on capacity

With the sector already at capacity, increasing production will require increasing productivity, increasing capacity, or both.

35. MBIE will provide you with information on issues and barriers to increasing productivity in the building and construction sector on 17 November.

36. These other approaches could alleviate workforce pressures, but they could also change the type of skills required – for example, increasing demand for digital or specialised skill-sets. The skills strategy should ensure the right skill-sets are present to support the broader housing strategy.

37. MBIE will provide you with information about how possible changes to the building regulatory system, including consenting, could support KiwiBuild on 17 November.

A balance of short- and long-term objectives and interventions will be needed

38. There are both short-term, acute workforce needs and longer-term drivers for change; a skills strategy should balance these. Short-term interventions will play an important role in delivering 'quick wins' to address acute skills shortages and provide labour that is needed immediately to support initiatives like KiwiBuild. As short-term solutions may not address the range of underlying issues, they must be balanced by work that considers the long-term

strategic direction of the workforce and the sector. For example, the last 1,000 homes built under KiwiBuild may be produced quite differently than the first 1,000, incorporating new, innovative methods and using new business models within the sector.

Factors to balance:

short-term
intervention

long-term
change

Meeting the commitments of KiwiBuild will mean both quickly ramping-up production of housing and making long-term changes for a more productive and adaptable sector. A balance of both short- and medium/long-term actions will be required.

39. One example of the balance between short- and long-term drivers is the balance between drawing on temporary labour from overseas and developing the workforce locally over time. A tool like the proposed KiwiBuild visa that aims to make it easier to bring skilled labour from overseas could help address immediate labour shortages, ideally supported by a training requirement to ensure people have sufficient understanding of the New Zealand Building Code and their responsibilities. This could be combined with job fairs overseas, like the recent 'LookSeeBuild' initiative to attract skilled people from the UK to New Zealand. Job fairs in New Zealand could be used to attract people from other industries. Tailored work-ready training for job-seekers on benefits could help fill immediate gaps.
40. On a longer-term basis, instead of or in addition to temporary labour from other countries and sectors, emphasis can be placed on growing the workforce skills base within New Zealand. The government's plan to incentivise more apprenticeships through the Dole for Apprenticeships initiative is an example of a long-term policy to increase the supply of skilled labour over time. Another possibility is linking in with first-year-free tertiary education, encouraging students to take up construction-related careers. This could be coupled with sustained efforts to change the way the industry is perceived, in particular looking to increase the representation of currently under-represented demographic groups like women.
41. Other examples of possible interventions are listed in **Appendix 2: Possibilities for a Building and Construction Skills Strategy**.

Industry leadership and coordination are essential

42. Success will rely on industry and employers buying in to the development of a strategy and taking a leadership role. This is because a number of the key interventions rely on significant changes to the behaviour and business models within the sector. While government also has an essential role to play, for the changes to be sustainable, the industry must be committed to making and embedding new ways of working, including training and development.
43. Key industry stakeholders include but are not limited to:
 - a. Industry groups and bodies (eg. Master Builders, Master Plumbers, New Zealand Certified Builders, Construction Industry Council, IPANZ, Engineering NZ)
 - b. Employers and contractors
 - c. Architects and designers
 - d. Training/tertiary providers (eg. industry training organisations, universities)
 - e. Building Advisory Panel (advisory to MBIE)
44. New Zealand's building and construction sector is complex and fragmented, with the high level of market volatility serving to keep firms small and incentivising sub-contracting to manage risks. There are a variety of stakeholders with diverse interests and needs. The sector does not have a combined voice on the key issues and priorities, or the preferred direction for strategic change. This makes achieving consensus a challenge, as views are usually disparate and contradictory across the sector. For this reason, sector-led coordination and collaboration will be necessary.

A cross-government skills strategy is an opportunity to show leadership

45. A skills strategy for the building and construction sector provides an opportunity to coordinate a range of government levers (such as immigration, tertiary education, skills, employment and welfare settings, as well as government-led skills initiatives for specific groups). The government may also have a role to play in requiring or supporting changes to behaviour in the sector that would not otherwise happen. It is therefore important to gain ministerial- and ministry-level agreement to a way of working, to ensure the effectiveness of a skills strategy.
46. The skills strategy could involve a variety of portfolios, including but not limited to:
- Building and Construction
 - Education
 - Immigration
 - Employment
 - Social Development
 - Pacific People
 - Maori Development
 - Women
47. The success of a skills strategy will depend on coordination, both between government agencies and between government and the sector. Experience suggests that joined-up approaches are most likely to be successful; however, there are a range of possible approaches to joining up. These are explored further in the 'Approaches' section of this briefing.

Factors to balance

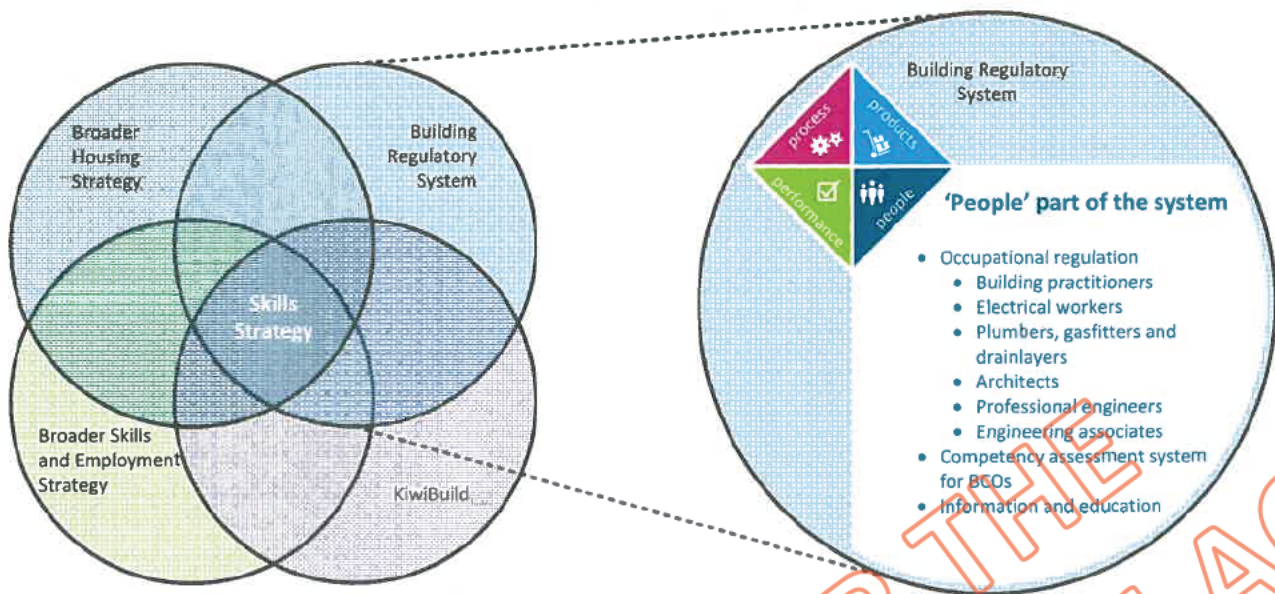
government led

sector-led

While both government and sector involvement will be required, there are a range of approaches that can be taken to how initiatives are led, resourced and governed.

You can influence the workforce through direct regulatory levers

48. The 'People' component of the building regulatory system is the key element of the building regulatory system that overlaps with thinking about a building and construction skills strategy. MBIE's levers in this area include:
- occupational regulation
 - competency assessment for BCOs
 - information and education.



The key 'People' lever in the building regulatory system is occupational regulation

49. A skilled and accountable workforce is essential for a well-functioning building and construction sector. Occupational regulation in the building and construction sector aims to protect the public from harm, by restricting the type of work that can be carried out by unlicensed people, holding individuals to account for poor work, lifting standards and ensuring people are adequately skilled to carry out safety-critical work.
50. Six independent statutory boards oversee the six occupational regulation regimes. Around 64,000 people of the roughly 243,000 employed in the sector are directly regulated by one of the six occupational regulation regimes. The six occupational groups are:
- Building Practitioners
 - Engineers
 - Engineering associates
 - Plumbers, gasfitters and drainlayers
 - Architects
 - Electrical workers.
51. While the current occupational regulation system has its strengths, there are indications that there are a number of areas that could be improved, including:
- Regulation for some occupations may not be proportionate to the risk to the public
 - Serious complaints are not always managed effectively
 - Common services across separate occupations are delivered separately, creating duplication of effort.
52. *MBIE will provide you with further information on the occupational regulation regimes, including on the licensing of professional engineers, on 24 November 2017.*

Building consent officials are regulated through building consent authorities

53. While regulation often operates at the level of the individual practitioner, as with the six occupations listed above, it can also operate at the level of the organisation. This is the case for BCOs.
54. BCOs are employed by BCAs, and are responsible for processing consent applications, carrying out inspections and certifying compliance with the Building Code. It is estimated that around 1,500 people work as BCOs. Recent changes to the BCA accreditation requirements have made it mandatory for BCOs to have a qualification; however, final responsibility for assessing the competency of BCOs and ensuring they are assigned work within their competency rests with BCAs. To do this, many BCAs use the National Competency Assessment System. Work is currently underway to review this system.
55. *MBIE will provide you with a fuller briefing on BCOs on 24 November.*

Example approaches

56. Given the factors to balance discussed in the sections above, there are a spectrum of approaches that could be taken to developing a cooperative skills strategy across government and industry.
57. Possible approaches exist on a spectrum from government-led to industry-led. The following sections provide a high-level overview of three points along that spectrum, with examples of these approaches in action on a smaller scale to help illustrate how they could work. A successful strategy will require elements of all of the approaches below; these are meant to illustrate the spectrum of approaches, rather than as exact templates.

Approach A: Industry-led collaboration

58. Given the importance of industry leadership to the success of a skills strategy, one possible approach is for industry leaders to lead the development of a strategy in collaboration with government.
59. Advantages of this type of approach can include the following:
 - Industry leaders and employers may be more likely to participate than if government-led
 - Facilitates the sharing of industry best-practice and leading by example
 - Employer-designed solutions can be tailored specifically to employer needs.
60. Disadvantages of this approach can include the following:
 - Less ability for the government to direct the development of the strategy
 - Tend to be aspirational, with limited ability for the government to ensure goals are met
 - May not be as specifically focused on meeting the government's objectives (eg. meeting the workforce requirements of KiwiBuild)
 - May tend to focus more on industry levers, placing less emphasis on government levers.

EXAMPLE: Construction Sector Workforce Plan for Greater Christchurch

This was an industry-led initiative that, with the support of MBIE and the Canterbury Earthquake Recovery Authority, identified challenges and opportunities facing the construction sector workforce in the Canterbury rebuild. It outlined a wide range of recommendations to address skill shortages, the quality of the workforce, training, industry standards, social issues, accommodation and funding. The plan also outlined roles and responsibilities in accordance with each recommendation and was dependent upon the collaboration of industry leaders and Government.

Approach B: Industry-government partnership

61. A way of leveraging the contributions of both government and industry is to attempt a balanced partnership between industry leaders and government agencies. Roles and responsibilities are allocated to the participants who are best placed to influence change. This type of approach generally requires robust, independent governance arrangements.
62. Advantages of this type of approach can include the following:
 - Allows for the inclusion of both the government and industry's goals, and therefore can help ensure buy-in from both industry and government
 - Requires parties to take accountability for their own role, as they can be held to account by the others
 - Distributes the burden of providing funding and resources more evenly.
63. Disadvantages of this approach can include the following:
 - Can be complex with many players involved; requires strong coordination across all parties
 - As it depends on all parties taking responsibility for their role, if some parties are less willing to do so it can compromise outcomes
 - As it often takes a long time for results to become apparent, it can be challenging to ensure continuing buy-in and commitment of resources without the immediate ability to demonstrate outcomes
 - Requires a dedicated project team; this generally comes from government resourcing.

EXAMPLE: Sector Workforce Engagement Programme (SWEP)

SWEP is a joint agency initiative funded by MSD and MBIE which develops labour market solutions in sectors critical to New Zealand, including construction. SWEP aims to improve employers' access to reliable, appropriately skilled staff at the right time and place while giving priority to domestic job seekers and beneficiaries. It achieves this through working across government and connecting government agencies (MBIE, MOE, TEC, MSD and Immigration) in addition to connecting with key stakeholders within each sector. SWEP's goals are to:

- improve supply and matching of skills in the labour market
- reduce the number of working-age beneficiaries and the cost of long-term welfare dependence
- increase the responsiveness of the skills development system to labour demand
- remove skills constraints to enable business growth and improved productivity
- reduce reliance on low-skilled, temporary migrant labour.

MBIE has dedicated staff members who facilitate the programme, connecting the various parties involved to each other. Multiple agencies have also contributed resources, including staff members from MSD, to the programme.

The SWEP programme in the construction sector has focused on three major projects in Auckland, centred on jobs and skills hubs located in Ara (Auckland International Airport), Auckland CBD and Tamaki.

As an example, Ara is the Auckland Airport jobs and skills hub, connecting employers with South Aucklanders looking for work, and helping to up-skill the workforce at the airport. Auckland Airport expects that its development could generate around 27,000 new jobs over the next 30 years, building and running the airport and surrounding businesses. Ara is a charitable trust owned by Auckland Airport, led by industry and supported by the South Auckland community, government and training providers.

Approach C: Government-led collaboration

64. The government can also take the lead, either by pulling together a dedicated task force to coordinate actions across government and collaborate with the sector, or by assigning the lead to a specific agency which is given the mandate to work across agencies and the sector.
65. Advantages to this type of approach can include the following:
- Government is well positioned to design a programme that will meet government objectives, and to monitor progress to ensure goals are being met
 - Government has more ability to control risks
 - Well placed to make use of government levers.
66. Disadvantages to this approach can include the following:
- Industry may be less likely to participate
 - Proposed solutions may be less employer-centric and less tailored to meet the needs of the sector
 - Requires high levels of government commitment, including funding and resources
 - Scope may be limited to a single focus.
67. As mentioned above, the development of a skills strategy would in reality involve a mix of the approaches outlined above. It would include a balance of short- and long-term interventions; these would include direct levers sitting within the building regulatory system, like occupational regulation, and a range of levers sitting across other government areas and industry.

Next steps

68. MBIE would like to discuss possible approaches to the development of a skills strategy for the building and construction sector, to inform the development of more specific next steps.
69. Next steps are as follows:
- By 17 November MBIE will provide you with further information on:
 - a. the issues and barriers to productivity in the sector
 - b. the role of the building regulatory system in supporting KiwiBuild.
 - By 24 November MBIE will provide you with a detailed briefing on:
 - a. occupational regulation, including engineers
 - b. building consent officials.



Appendix 1: The People Story for the Building and Construction Workforce

Goals

An accountable workforce with the right skills, which the public can have confidence in

Building users understand the system, and have confidence in the buildings they use and occupy

Building owners know the system and their rights

The building and construction sector has the capacity and capability to deliver high-quality, timely building services

The building and construction sector has the capacity and capability to deliver accurate, timely consenting

The workforce is professional, accountable and continually learning and adapting

Levers

Building Act 2004

Education and information

Consumer protection measures

Education and information

Compliance monitoring

Education and information

Compliance monitoring

Occupational regulation

Skills and employment (MBIE)

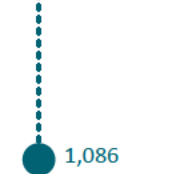
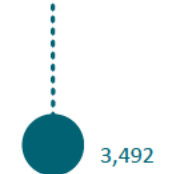
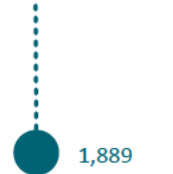
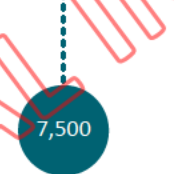
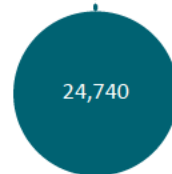
Immigration (MBIE)

Education and information

Building Consent Authority accreditation

Competency assessment system for BCOs

People



Building Practitioners

Mandatory licensing
for restricted building work only

Reassessment
every 2 years

Complaints received
217 (2016/17)

Who investigates complaints
MBIE, the Board

Illegal/unlicensed activity
can be prosecuted by many parties, including MBIE, TAs, BCAs

Electrical Workers

Mandatory licensing
yes, for all work

Reassessment
every 2 years

Complaints received
96 (2015/16)

Who investigates complaints
MBIE-appointed internal investigator

Illegal/unlicensed activity
investigated/prosecuted by the Board

Plumbers, Gasfitters and Drainlayers

Mandatory licensing
yes, with some exceptions

Reassessment
annually

Complaints received
44 (2015/16)

Who investigates complaints
Board-appointed investigator

Illegal/unlicensed activity
investigated/prosecuted by the Board

Architects

Mandatory licensing
no, voluntary only

Reassessment
every 5 years

Complaints received
7 (2015/16)

Who investigates complaints
the Board

Illegal/unlicensed activity
no agency seeks out or prosecutes practitioners falsely using title

Professional Engineers

Mandatory licensing
no, voluntary only

Reassessment
every 6 years at least (usually 4-6)

Complaints received
24 (2014/15)

Who investigates complaints
Engineering NZ (formerly IPENZ)

Illegal/unlicensed activity
no agency seeks out or prosecutes practitioners falsely using title

Engineering Associates

Mandatory licensing
no, voluntary only

Reassessment
every 4 years

Complaints received
1 (2014/15)

Who investigates complaints
Minister-appointed committee

Illegal/unlicensed activity
no agency seeks out or prosecutes practitioners falsely using title

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Critical success factors

- A multi-pronged approach that strikes a balance between increasing workforce capacity/capability and increasing productivity through other labour-saving means (eg. use of prefab, innovative business models)
- A balance of short- and long-term objectives and interventions
- Industry leadership and coordination
- Cross-government leadership and coordination
- A balance of direct levers within the building regulatory system (eg. occupational regulation) and other levers across government and industry

Stakeholders

Government:

- Ministry of Education
- Ministry of Social Development
- MBIE (Building System Performance, Immigration, Skills and Employment, Construction and Housing Markets)
- Department of Corrections
- Tertiary Education Commission
- Ministry for Pacific Affairs
- Te Puni Kokiri
- Ministry for Women
- Occupational Boards
- Building Consent Authorities

Industry:

- Employers
- Industry organisations (IPANZ, Master Builders, New Zealand Construction Industry Council etc.)
- Tertiary providers and training organisations (Universities, BCITO etc.)

Possible interventions

A skills strategy for the building and construction sector would rely on a range of levers across many government and sector parties

- **Review occupational regulation:** Ensure occupational regulation is fit-for-purpose, and that it protects the public from risk without unduly limiting the entry of people into the workforce (Building and Construction portfolio)
- **Adjust immigration settings:** Explore options to make it easier to bring labour from overseas, eg KiwiBuild visa (MBIE)
- **Make the workforce more reflective of the general population:** Explore whether the current employment environment may not be suited to or attractive to people from different backgrounds. Work on strategies for addressing barriers and making the work environment more accessible and inclusive (employers, MBIE, agencies, community groups)
- **Better promote the industry:** Leverage sector self-promotion; better use the Occupation Outlook app and Short-term Employment Forecasts to show long-term opportunities; improve careers guidance in schools; connect with under-represented demographic groups (employers, MBIE, MOE, ITOs, industry ass'ns)
- **Support apprenticeships:** Dole for Apprenticeships programme (MSD, employers, industry associations)
- **New business models:** Encourage/incentivise different ways of working, like 'builder/developer' model for large-scale residential developments, which may offer stable career paths and training (employers, industry organisations, MBIE)
- **Make the industry more appealing to overseas businesses:** Ensure market settings encourage international firms to invest in NZ construction sector (MBIE, T&E, MFAT)
- **Incentivise expatriates to return:** Attract skilled workers back from overseas, eg. with stipends, accommodation (MBIE, industry associations, employers)
- **Tailored training:** Support shared learning across the sector; develop and deliver tailored training courses, eg. for job-seekers (employers, industry associations, ITOs, MOE, TEC)

Example approaches

A joined-up way of working will be required to coordinate a skills strategy across the many levers and parties. There are a range of approaches across a spectrum from industry- to government-led collaborations, although in any case multiple approaches and extensive collaboration would be required. The below are examples to illustrate what an approach could look like

Industry-led collaboration

Industry leaders lead the development of a strategy in collaboration with government

Example: Construction Sector Workforce Plan for Greater Christchurch

Industry-government partnership

Balanced partnership between industry leaders and government agencies. Roles and responsibilities are allocated to the participants who are best placed to influence change. This type of approach generally requires robust, independent governance arrangement

Example: Sector Workforce Engagement Project (SWEP)

Government-led collaboration

The government takes the lead, either by pulling together a dedicated task force to coordinate actions across government and collaborate with the sector, or by assigning the lead to a specific agency which is given the mandate to work across agencies and the sector

Next steps

MBIE would like to discuss possible approaches to the development of a skills strategy for the building and construction sector with you, to inform the development of further advice.

Next steps are as follows:

- By 17 November MBIE will provide you with further information on:
 - the issues and barriers to productivity in the sector
 - the role of the building regulatory system in supporting KiwiBuild.
- By 24 November MBIE will provide you with a detailed briefing on:
 - occupational regulation, including engineers
 - building consent officials.



BRIEFING

Report back on in-study work rights for international students

Date:	12 December 2018	Priority:	Low
Security classification:	In Confidence	Tracking number:	1822 18-19

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway Minister of Immigration	<p>Agree that no further work will be undertaken at this time on comprehensive changes to in-study work rights.</p> <p>Agree to refer this briefing to Hon Chris Hipkins, Minister of Education, for information.</p>	At your earliest convenience.

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Siân Roguski	Manager, Immigration Policy	04 901 3855	s 9(2)(a)	✓
Paige Wilburn	Policy Advisor, Immigration Policy	04 978 3142		

The following departments/agencies have been consulted

Ministry of Education, New Zealand Qualifications Authority, the New Zealand Treasury, Education New Zealand, Tertiary Education Commission and the Ministry of Foreign Affairs and Trade.

- 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





BRIEFING

Report back on in-study work rights for international students

Date:	12 December 2018	Priority:	Low
Security classification:	In Confidence	Tracking number:	1822 18-19

Purpose

This briefing provides advice on whether comprehensive change to in-study work rights for international students will support your objectives for international education.

Executive Summary

Following implementation of the policy changes to post-study work rights, officials have considered whether comprehensive changes to in-study work rights are needed to achieve your objectives for international education [3893 17-18 refers]. These objectives are to:

- a. ensure that pathways for international students are fit-for-purpose and contribute to the skills and qualifications New Zealand needs;
- b. reduce the likelihood of international students being exploited by unscrupulous employers, education providers and agents; and
- c. minimise the losses of genuine international students.

If your objectives for international education are applied to in-study work rights there is not a strong case for comprehensive policy change, because a reduction in or removal of in-study work rights:

- a. will not meet your objective to ensure that pathways are fit-for-purpose as there is not a strong link between in-study work rights and residence pathways;
- b. may increase the likelihood of exploitation as the reduction or removal of in-study work rights may result in either international students being in financial distress as they will be less able to support themselves during their study, or may result in increased non-compliance with visa conditions; and
- c. is more likely to discourage bona fide international students from choosing New Zealand as a study destination as the majority consider the ability to work important for reasons not motivated by migration.

In addition the impact of previous changes to immigration settings are yet to flow through the international education 'pipeline', therefore officials recommend no comprehensive change to in-study work rights is required. This will allow officials to consider and analyse the impact of earlier changes, alongside monitoring the impact of tightening post-study work rights.

Officials have identified minor and technical amendments to improve the workability of in-study work rights, including granting study abroad international students in-study work rights and clearly defining the Christmas-New Year vacation period during which many international students can work full time.

Officials welcome a discussion with you about whether you would like to progress these minor and technical changes in light of your respective priorities for the immigration work programme.

Recommended action

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

- a. **Agree** that no further work will be undertaken at this time on comprehensive change to in-study work rights.

Agree / Disagree

- b. **Discuss** whether you would like to progress minor and technical changes to in-study work rights in light of your other priorities for the immigration work programme.

Do not progress at this time. Discuss

- c. **Agree** to refer this briefing to Hon Chris Hipkins, Minister of Education, for his information.

Agree / Disagree



Siân Roguski
Manager, Immigration Policy
Labour and Immigration Policy, MBIE

U / 12 / 2018
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Hon Ian Lees-Galloway
Minister of Immigration

13 / 12 / 18
..... / /

Background

1. You have identified your two priority areas for policy development on immigration settings for international students are in-study and post-study work rights with the following objectives:
 - a. to ensure that pathways for international students are fit-for-purpose and contribute to the skills and qualifications New Zealand needs;
 - b. to reduce the likelihood of international students being exploited by unscrupulous employers, education providers and agents; and
 - c. to minimise the losses of genuine international students.
2. With these objectives in mind, officials undertook a review of post-study work rights in early 2018 as this was assessed as the policy area where there was the most immediate opportunity to make changes to meet your objectives. A review of in-study work rights was recommended as the second stage of policy advice to give officials the opportunity to consider whether further changes would be needed once post-study work rights changes were implemented.
3. On 8 August 2018 you announced changes to post-study work rights in line with your objectives which:
 - a. reduce the length of post-study work visas for international students studying qualifications at lower levels on the New Zealand Qualification Framework and international students living in Auckland (which will incentivise higher level study and study in the regions as well as directing international students studying at lower levels into other visa options, such as the labour market tested Essential Skills visa); and
 - b. remove the employer link to the granting of a post-study work visa (reducing the risk of exploitation).

4. Following implementation of the policy changes to post-study work rights on 26 November 2018, officials have considered whether comprehensive changes to in-study work rights are needed to achieve your objectives for international education.

Current in-study work rights for international students

5. Most international students are allowed to work for up to 20 hours per week while they study, and full time during scheduled vacations (e.g. over Christmas-New Year vacation period and semester breaks).
6. To be eligible for these work rights, international students must be enrolled in a full time programme of study that is either: eligible for points under the Skilled Migrant Category (SMC); a one year student exchange programme; a six month English language course; or a 14 week English language course at a University or high performing provider.
7. Masters by research and PhD students do not have any limit on their working hours.

Comprehensive changes to in-study work rights may not support your objectives for international education

Objective One: to ensure that pathways for international students are fit-for-purpose and contribute to the skills and qualifications New Zealand needs

8. There is not a strong link between in-study work rights and residence pathways. The majority of international students leave New Zealand on completion of their studies, but while they are studying a significant portion work.
9. In-study work rights do not attract migration motivated students in the same way that post-study work rights do. In-study work rights are of value to international students, separate to migration related motivations, because they help make international study more affordable, give the student the opportunity to integrate into their local community and provide a practical way to improve English language skills.
10. In the 2017/18 year 94 per cent of international students studying at tertiary level were granted in-study work rights as part of their student visa. Although having in-study work rights does not mean that a student has entered paid employment, a survey commissioned by Education New Zealand, *Economic Valuation of International Education in New Zealand 2018*, found that between 70 to 90 per cent of tertiary students reported that they have paid employment.
11. This high number of international students who work during study is compared to 43 per cent of students that finished tertiary study and went on to post-study work rights in the January to December 2016 year.
12. There is also evidence that in-study work rights improve the labour market outcomes for New Zealanders. The 2018 report on the *Impact of Temporary Migration on Employment and Earnings of New Zealanders* concluded that international students while studying have a significant positive employment effect for youth and beneficiary hires.¹

Objective Two: reduce the likelihood of international students being exploited by unscrupulous employers, education providers and agents

13. Policy changes that reduce or remove in-study work rights for international students may increase the likelihood of exploitation. It is already known that international students can be particularly vulnerable to exploitation for a number of reasons, including (but not limited to) financial pressures and reluctance to report exploitation, especially if there may be consequences for their immigration status.

¹ The positive effects for youth hires were both direct (had an impact in the same region and industry) and combined (had an impact on different industries in the same region).

14. When applying for a student visa, applicants must provide evidence that they have funds to support themselves for the duration of their study. However, we know that many international students also rely on part-time work to support their study.
15. A reduction in in-study work rights may increase international students' vulnerability to exploitation through:
 - a. higher non-compliance with visa conditions, such as sex work or working 'under the table' in excess of allowed hours in order to earn enough money to support themselves;
 - b. an increase in the number of international students relying on loans to afford to live in New Zealand, and having to find means to pay back these loans; or
 - c. students working outside of formal employment contracts.

Objective Three: minimise the losses of genuine international students

16. International education is a global market and international students consider New Zealand as one of the many destinations available to them. In-study work rights settings are one of the ways New Zealand competes with other countries for international students.
17. Our current in-study work rights settings are broadly similar to our main competitors. Both Australia and Canada allow international students to work 20 hours a week and full time during semester breaks. The United Kingdom allows international students studying at degree level or above to work 20 hours per week, but international students studying at sub-degree level are allowed to work 10 hours a week. All levels can work full time during vacations.
18. While it is difficult to predict the volume of students who may chose not to study in New Zealand as a result of changes to in-study work rights, changes would likely discourage bona fide international students from choosing New Zealand as a study destination (more so than changes to post-study work rights). A reduction or removal of in-study work rights would decrease New Zealand's relative desirability compared to our key comparator countries.
19. The I-Graduate survey found that 67 per cent of international students reported that the ability to work while studying is either important or very important when deciding where to study. As discussed above the majority of international students take up in-study work rights and for reasons not related to migration motivation, therefore the reduction or removal of in-study work rights is likely to discourage non-migration motivated students.

The impact of previous changes to immigration settings are yet to flow through the international education system

20. Changes to post-study work rights were implemented on 26 November 2018. Grand-parenting the changes to post-study work rights mean the effects of the changes will take time to flow through the system. Figure 1 below sets out that the changes to post-study work rights will not apply to all international students until 2024 due to grand-parenting and the sunset clause of the regional proposal.

Figure 1: Interaction of current grandparenting and additional sunset clause



21. In addition there have been other policy changes to address issues in international education, including strengthening of English language proficiency settings in 2015 and 2017 and changes to Skilled Migrant Category requirements in 2017.
22. The effects of all of these changes are still making their way through the international student 'pipeline'. Therefore officials recommend that no further work is undertaken on changes to in-study work rights. This will allow officials to consider and analyse the impact of earlier changes, alongside monitoring the impact of tightening post-study work rights.
23. If the recent reduction in international students studying sub-degree programmes is sustained, it is unlikely that there will be a need for further revisions to in-study work rights. It is possible that many students motivated by work and/or residence rather than study would already be deterred from studying in New Zealand by the changes introduced since 2015 and through the tightening of post-study work rights.

There are minor and technical changes that could be progressed to improve in-study work rights settings

24. Officials have identified minor and technical amendments to improve the workability of in-study work rights:
 - a. **Study abroad international students:** Study abroad students arrive in the middle of their study, pay international fees and then return to their home country to complete their qualification. These students fit the same high value low risk profile as exchange students, who are granted in-study work rights. Extending in-study work rights to study abroad students is relatively low risk and may encourage more high value international students to choose New Zealand as their study destination.
 - b. **Christmas-New Year vacation period:** International students are allowed to work full-time over the Christmas-New Year vacation period. However current immigration instructions do not specifically define the beginning and end of this period, which has caused confusion for international students about when exactly when they are able to commence full time employment. In the absence of formal clarification Immigration New Zealand has released guidance for staff clarifying how this instruction should be applied.
25. These amendments would require Cabinet agreement and possibly public consultation. We would welcome a conversation with you on your respective priorities for the immigration work programme.

Next steps

26. As New Zealand competes on a global stage for international students, it is important for the sustainable growth of the sector that regulators, education providers and international students can confidently plan for study and study provision from an informed position.
27. Subject to your agreement to undertake no further work on comprehensive change to in-study work rights, officials recommend communicating this decision with the international education sector.