



**BRIEFING**

**Briefing on findings and high level options regarding  
the Parent Category Review**

|                                 |               |                         |            |
|---------------------------------|---------------|-------------------------|------------|
| <b>Date:</b>                    | 21 April 2017 | <b>Priority:</b>        | Medium     |
| <b>Security classification:</b> | In Confidence | <b>Tracking number:</b> | 2887 16-17 |

| <b>Action sought</b>  |                                    |                 |
|---|------------------------------------|-----------------|
|   | <b>Action sought</b>               | <b>Deadline</b> |
| <b>Hon Michael Woodhouse</b><br>Minister of Immigration       | Agree to the recommendations       | 30 April 2017   |
| <b>Hon David Bennett</b><br>Associate Minister of Immigration | Copy attached for your information | N/A             |

| <b>Contact for telephone discussion (if required)</b> |                             |                  |         |                    |
|---|-----------------------------|------------------|---------|--------------------|
| <b>Name</b>   | <b>Position</b>             | <b>Telephone</b> |         | <b>1st contact</b> |
| Andy Jackson  | Manager, Immigration Policy | 04 901 3855      | 9(2)(a) | ✓                  |
| Zuleika Chang   | Senior Advisor              | 04 901 3825      | N/A     |                    |
| Abi Wiseman   | Advisor                     | 04 901 8206      | N/A     |                    |

9(2)(a)

| <b>The following departments/agencies have been consulted</b> |                              |                               |   |                              |                              |
|---|------------------------------|-------------------------------|---|------------------------------|------------------------------|
| <input type="checkbox"/> Treasury                             | <input type="checkbox"/> MoJ | <input type="checkbox"/> NZTE | <input checked="" 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:                               |                              |                               |   |                              |                              |

**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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## BRIEFING

# Briefing on findings and high level options regarding the Parent Category Review

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## Purpose

This paper reports to you on the findings of the Review of the Parent Category and provides high level policy options for further development.

## Recommended action

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

- a **Note** that in 2016 the Parent Category was temporarily closed and the cap was reduced to 4000 applications over a two year period [CAB-16-MIN-0500], Cabinet agreed to reduce migrants' access to benefits [SOC 17-MIN-0023], and a review of the Parent Category commenced

*Noted*

- b **Note** that the Review of the Parent Category has compared fiscal costs associated with two cohorts of Parent Category migrants, those approved in 2011 and those approved following the policy changes in 2012

*Noted*

- c **Note** that preliminary findings of the Review are that the 2012 policy changes appear to have achieved their intended economic outcomes, as demonstrated by:

- i) A reduction in the proportion of Parent Category migrants accessing benefits
- ii) An increase in the proportion of sponsors earning above \$60,000 per annum
- iii) A very high proportion of sponsoring children remaining in New Zealand after their parents have been approved under the Parent Category

*Noted*

- d **Agree** to consider re-opening a revised Parent Category, after the impact of the Skilled Migrant Category policy changes on the New Zealand Residence Programme become clearer

*Agree / Discuss*

- e **Agree** that officials work on the detailed policy design for the following changes to the Parent Category, which aim to further enhance the economic contributions of these migrants and better manage demand

9(2)(f)(iv)

*Agree / Discuss*

9(2)(f)(iv)



*Agree / Discuss*

9(2)(f)(iv)



*Agree / Discuss*

9(2)(f)(iv)



*Agree / Discuss*

- f **Indicate** whether you would like to discuss the finding of the Review of the Parent Category at the upcoming Skilled and Safe Workplaces Ministerial meeting on Tuesday, 9 May, noting there is already an agenda item on immigration

*Agree / Discuss*

9(2)(f)(iv)



- h **Discuss** your preferences for timing for the report back to EGI with officials

*Discuss*

Andy Jackson  
Manager, Immigration Policy

21.4.17  
..... / ..... / .....

Hon Michael Woodhouse  
Minister of Immigration

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## Background

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*Cabinet agreed to temporarily close the Parent Category in November 2016 and invited you to report back on the outcome of the review by the end of July 2017*

1. In order to meet the agreed caps on the New Zealand Residence Programme and maintain the approximate stream proportions<sup>1</sup>, the capped family categories within the Family Stream have been reduced to 4000 over two years (a reduction of 7000 places) [CAB-16-MIN-0500]. As of September 2016, there were around 4000 people who had applications being processed, had Expressions of Interest (EOIs) that had been selected, or had already been approved this financial year.
2. Ministry of Business, Innovation and Employment (MBIE) officials are looking to adjust the Parent Category settings to manage demand under the new lower cap without inviting very long queues.

*The Parent Category was previously reviewed in 2014*

3. Changes were considered and a draft Cabinet paper was developed proposing the introduction of a two year temporary parent category visa to reduce access to benefits. These changes were not agreed.

*Cabinet recently approved changes to tighten migrant access to benefits and Superannuation*

4. Cabinet recently approved proposals to tighten access to benefits for migrants. The changes include extending the minimum residence period for accessing a main benefit from two to three years, and introducing a three year residence period for partners of beneficiaries accessing benefits [SOC-17-MIN-0023].
5. Separately, in March 2017, Cabinet agreed that the residence requirement be amended so that new applicants for New Zealand Superannuation must have lived in New Zealand for twenty years, with five of those after the age of 50 [CAB-17-MIN-0074].

*The development of a compliance data-match between INZ and MSD is underway*

6. Immigration New Zealand (INZ) is leading work on establishing an information matching agreement with the Ministry of Social Development (MSD) to share data to identify sponsored migrants under the Parent Category who have been accessing benefits from MSD. Accessing a benefit is indicative of a sponsor not meeting the obligations placed on the Parent Category resident visa. Officials are currently finalising the technical standards associated with the storage of personal information and are consulting with the office of the Privacy Commissioner.

## Current eligibility criteria

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7. The current Parent Category policy was introduced in 2012. It is a two-tier system that prioritises applicants who can support themselves financially, or are being sponsored by children with higher incomes. (Previously there were no tiers: all sponsors were subject to minimum income requirements - the threshold was set at \$31,547 per annum - and demand was managed through criteria based on family relationships rather than economic benefit to New Zealand.)
8. All applications are subject to an EOI process, and draws are made every three months. Selected applicants have four months to apply. Applications are prioritised for decision in the following order (a) Tier One applications, (b) applications received before the 2012 changes, and (c) Tier Two applications. The eligibility criteria for the two tiers are outlined in Annex 1. All applicants must also meet generic criteria relating to health and character requirements. The level of demand from eligible Tier One applicants means that almost no approvals have been made under Tier Two.

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<sup>1</sup> The Family Residence Categories comprise the parent, partnership, dependent child and parent retirement categories. The former adult sibling and adult child categories were closed to new applications in 2012.

## Preliminary findings of the recent Review of the Parent Category

### *The IDI analysis compared Parent Category visa holders approved in 2010 and 2012*

9. The 2017 Review of the Parent Category analysed data in the Integrated Data Infrastructure (IDI). The IDI is a large research database containing data from a range of government agencies, Statistics New Zealand surveys and non-government organisations<sup>2</sup>.
10. The IDI analysis looked at the fiscal impacts of two cohorts of Parent Category migrants. These two cohorts comprise a baseline cohort that arrived on any Parent Category visa in 2011<sup>3</sup> (the “2011” or “first” cohort), and a second cohort that arrived on a Parent Tier One or Tier Two visa between 1 July 2012 and 30 June 2013 (the “June 2013” or “second” cohort). The second cohort was approved under the current Parent Category policy conditions, following the changes that were implemented in 2012. The final results of the IDI analysis will be available early May 2017.

### *The 2012 policy changes appear to have achieved their intended outcomes*

11. The 2012 policy changes established an objective for the Parent Category, as set out in Immigration Instructions at F4.1.1:

*The objective of the Parent Category is to support family connections, in order to:*

- a. progress New Zealand Government economic objectives for immigration; and*
- b. attract and retain skilled and productive migrants, while also limiting the costs of New Zealand Government benefits.*

12. The IDI analysis indicates that the 2012 changes to policy settings have improved the outcomes of the category in terms of these economic objectives (specifically, a reduction in the fiscal costs of Parent migrants and an increase in the number of high income sponsoring children).

### *The second cohort had much lower uptake of benefits during the sponsorship period*

13. There appears to have been negligible uptake of benefits during the period when conditions are placed on the Parent Category visa for the second cohort (1 per cent accessed the unemployment benefit and accommodation supplement during their first two years in New Zealand). This compares with indications that about a third of the first cohort accessed the accommodation supplement and/or first tier benefits within two years of arriving in New Zealand with a Parent Category residence visa.
14. The most common type of tier one benefit accessed over five years for the first cohort was Job Seeker Support (20 per cent) followed by the emergency benefit (16 per cent). There was no recorded use of Job Seeker Benefit by the second cohort.

### *Both cohorts showed high numbers of sponsors remaining in New Zealand*

15. Both cohorts showed a relatively high rate of sponsoring children remaining in New Zealand after their parents arrived. However, for sponsors of the second cohort, retention data is only available for the first year after their parent arrived (98 per cent were still in New Zealand). This appears to be slightly lower for sponsors of the first cohort (94 per cent were still in New Zealand after six months, and about 90 per cent after 36 months).

<sup>2</sup> The data, including results, is anonymised to protect the privacy of individuals. All the IDI analysis findings have been rounded to base 3, for example, a count of 30 people meeting a certain criteria could be rounded from between 28 and 32 to protect the anonymity of individuals. Where the counts of people are very low, they are suppressed. Access to the anonymised data used in this study was provided by Statistics New Zealand in accordance with security and confidentiality provisions of the Statistics Act 1975, and secrecy provisions of the Tax Administration Act 1994.

<sup>3</sup> The first cohort (4,026 visa holders) arrived on any parent visa between 1 December 2010 and 30 November 2011 and the second cohort (720 visa holders) arrived on a parent tier one or parent tier two visa between 1 July 2012 and 30 June 2013.

16. The analysis confirmed that, in line with the tighter income requirements introduced in 2012, the income distribution for sponsors was higher for the second cohort. The mean and median incomes for this cohort were \$67,569 and \$63,309, compared with \$48,204 and \$45,436 for the first cohort. Almost 14 per cent of sponsors for the second cohort were earning over \$100,000.

*Both cohorts showed similar uptake of healthcare*

17. The two cohorts had similar healthcare costs after being inflation adjusted to 2016 costs. That is despite the second cohort being slightly older – with 36 per cent compared to 30 per cent aged 65 years and over.

*Further information on uptake of benefits by Parent Category migrants will be available in 2019*

18. As already noted, for the second cohort, the IDI only holds information on their first three years in New Zealand. We do not yet have information on their benefit uptake, healthcare costs and income earned when the conditions on their visas expire. Officials will be able to report on benefit uptake after conditions expire when this information becomes available in the IDI in 2019.

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## Proposed next steps

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40. Subject to your agreement to the recommendations, we will follow the timeline below:

|  | Date                |
|--|---------------------|
| Finalised report on IDI analysis of fiscal costs of Parent Category migrants to Minister | Early May 2017      |
| SSW Ministers meeting, including immigration discussion <sup>6</sup>                     | Tuesday, 9 May 2017 |
| Draft Cabinet paper to Minister  | Mid-June 2017       |

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<sup>6</sup> At your request, officials could provide you with a briefing to inform a discussion about the findings of the IDI analysis.

## Annex 1: Current Parent Category eligibility criteria

| Criteria                        | Tier One  | Tier Two   |
|---------------------------------|---|--|
| Financial                       | Guaranteed minimum income of NZ\$27,319 per annum (single person) or \$NZ40,084 (couple) <b>OR</b> at least \$NZ500,000 (which can be gifted) <b>OR</b> sponsor has annual income of at least \$NZ65,000 (single) or \$NZ90,000 (joint) | Sponsor has annual income of at least \$NZ 33,675 per annum  |
| Centre of gravity               | No requirements regarding which countries other children live in  | Any other children must live outside home country  |
| English language                | At least IELTS <sup>7</sup> level 4 (minimum two competencies) if unable to demonstrate through other means <b>OR</b> prepay English language tuition   | At least IELTS level 4 (minimum two competencies) if unable to demonstrate through other means <b>OR</b> prepay English language tuition |
| Dependent children <sup>8</sup> | Must not have any   | Must not have any  |

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<sup>7</sup> International English Language Testing System

<sup>8</sup> Dependent children are generally those under the age of 25 who are single with no children and who are substantially reliant on their parents for financial support.