

Regulatory Impact Statement

Proposed changes to immigration family policies

Agency Disclosure Statement

This Regulatory Impact Statement (RIS) has been prepared by the Department of Labour (the Department). It provides an analysis of options to:

- reduce the fiscal costs associated with Family Category residence policies, while using family policies to gain competitive advantage in the worldwide competition for skilled and productive migrants, and
- streamline visa processes for parents who pose less fiscal risk (that is those who have a guaranteed income or funds or whose sponsor is high-contributing) and enable effective service delivery to visa applicants.

The recommended options have the following regulatory impacts:

- an amendment to the Immigration Act 2009 is required to extend the sponsorship term for Parent Policy from five to ten years, and
- amendments to the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 are required to:
 - amend Dependent Child Policy and generic residence policy for young adult children, and
 - introduce an Expression of Interest fee for Parent Policy.

The estimates of the benefit savings associated with the option to extend the sponsorship term for Parent Policy from five to ten years have been developed in liaison with the Ministry of Social Development (see Appendix One for an explanation of the assumptions upon which these estimates are based). The estimates of fiscal impact are limited to benefit savings. They do not include:

- Superannuation costs, because migrants are not eligible until they have held residence for ten years.
- Health costs, because the available data on health costs (District Health Board allocations based on age and gender) may differ widely from the actual health costs of this group of migrants. Applicants for residence are required to undergo health screening before approval. Those with high cost health conditions are generally not approved.
- Additional enforcement costs, as the number of Parent Policy migrants against whom the Department would take enforcement action because their sponsor has not carried out agreed undertakings is unknown. Any increased enforcement cost would be borne by the Department within baselines, but could involve trade-offs with other enforcement activity.

The following potential costs and benefits of the options in this RIS have not been included in this analysis:

- No estimate has been made of the number of skilled migrants who might leave New Zealand or choose not to come, and the resulting economic impact on New Zealand, because there is insufficient information on which to draw such conclusions. The opportunity to sponsor parents is important to skilled migrants. One third of skilled migrants surveyed in 2009 said they wanted to sponsor family members. Of that third, 67 percent said they wanted to sponsor parents. However, it is not known how many extra skilled migrants would be encouraged to come to New Zealand by the proposed changes to Parent Policy, or alternatively, how many would leave New Zealand if they lost the opportunity to sponsor parents. Any assessment of the economic impact would be speculative.
- No estimate has been made of the value of the current competitive advantage which New Zealand may be experiencing from its current five-year sponsorship term, and the loss that may be incurred if the sponsorship term were extended, as there is no information upon which to base such an assessment. If New Zealand extends its sponsorship term to ten years, it would be the same as the term Canada requires for all sponsored parents, and the same as the term Australia requires for its Contributory Parent (Migrant) visa.

The additional administrative costs from implementing the two tier approach (option four) and associated Expression of Interest process were assessed at \$330 to \$420 per applicant (depending on whether the applicant opted to submit their Expression of Interest online or manually), and would be met through fees charged to the applicant. If Parent Policy were rescinded and not replaced by an alternative, this would result in annual administrative savings of around \$2.26 million from not having to process applications. The additional administrative costs from option four, or savings from option two, would have no impact on the Crown's operating balance, as application processing is funded by third party fees on a cost recovery basis.

Only proposals to amend immigration legislation and policies have been described. The alternative of restricting access to benefits for certain classes of residents or citizens was raised with Ministry of Social Development officials at an early stage of policy development, but was not supported. Such changes would require an amendment to the Social Security Act 1964.

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Status quo and problem definition

Three problems and one opportunity have been identified:

- sponsored parents impose significant fiscal costs
- skilled migrants may be deterred by not being able to bring young adult children, and
- there are long queues for Parent Policy applicants.

Sponsored parents impose significant fiscal costs

The opportunity to sponsor parents is important to skilled migrants. This is recognised by other countries, such as Australia and Canada, who also seek to attract and retain skilled migrants. However, parents who are sponsored for residence in New Zealand impose substantial fiscal costs, including through benefit uptake. In 2009/10, 22 percent of parents approved for residence between July 1997 and June 2010 were receiving a benefit (excluding superannuation), estimated to cost around \$83 million in 2009/10.

Currently, migrants approved for residence under Parent Policy are sponsored by their child for five years. The requirement to have a sponsor is realised through a condition on a visa. The current five-year maximum period that conditions may be imposed on a visa is specified in the Immigration Act 2009. After five years, the sponsors of parents have no further responsibility for the costs associated with accommodation, maintenance, or repatriation, including deportation, of the sponsored parent.

Skilled migrants may be deterred by not being able to bring young adult children

Currently, the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 define a dependent child as someone who is totally or substantially reliant on the applicant (or applicant's spouse/partner) for financial support, irrespective of whether the child lives with the applicant. This means young adults (18 to 20 years) who are financially independent cannot be included within their parents' residence application or be eligible for residence under Dependent Child Policy, while an 18 to 24 year old without a job could be. This is a problem, because it may be a deterrent for skilled migrants who want to bring their children to New Zealand.

Long queues for Parent Policy applicants

The current wait for Parent Policy decisions is about two years, and is expected to grow, as demand well exceeds available places. The backlog is expected to double in ten years' time and triple in 15 years' time. This is a problem for two reasons. Firstly, long waits for decisions on applications from the parents of high-contributing sponsors may impact on New Zealand's ability to retain highly skilled migrants. Secondly, processing delays cause frustration for applicants and their New Zealand families.

Objectives

The policy objectives are to:

- improve competitive advantage for New Zealand in attracting skilled migrants while reducing the fiscal cost of family migrants, and
- streamline visa processes for parents who impose less fiscal risk and whose sponsor is high-contributing, and to enable more effective service delivery to visa applicants.

Regulatory impact analysis

Improve competitive advantage and reduce fiscal cost of family migrants

The following options were considered:

Parent Policy options

- (1) Retain the status quo
- (2) Remove Parent Policy altogether
- (3) Limit eligibility to parents who either have a guaranteed income or bring funds, or who have a high-contributing sponsor
- (4a) Retain the five-year sponsorship term and adopt a two tier approach to queue management, or
- (4b) Extend the sponsorship period from five to ten years and adopt a two tier approach to queue management.

Residence Policy options for young adult children

- (5) Allow financially independent young people aged 18 to 24 to be included within their parents' residence application or be eligible for residence under Dependent Child Policy, or
- (6) Allow financially independent young people aged 18 to 20 to be included within their parents' residence application or be eligible for residence under Dependent Child Policy.

Analysis of Parent Policy options

(1) Retain the status quo. Under the current policy, all eligible applicants are placed in the same queue. If this option were chosen, the backlog of Parent Policy applicants is expected to double in ten years' time, and triple in 15 years' time. Sponsors of parent applicants, including high-skilled and high-contributing migrant sponsors, will become increasingly dissatisfied and it may be more difficult for New Zealand to retain them. The fiscal cost of parents will continue to be large. No savings could be expected on the current annual benefit expenditure of \$83 million on sponsored parents.

(2) Remove Parent Policy altogether. This option, once the current backlog of applications was cleared, would reduce the risk of benefit uptake to zero for new applicants, and would

not generate enforcement costs. It would result in estimated annual benefit savings of \$5 million by year five of implementation, and \$42 million by year ten. It would also result in savings from future health and superannuation costs. However, this option could result in significant risk of loss of competitiveness in attracting and retaining skilled migrants, especially considering both Australia and Canada offer residence to sponsored parents.

(3) Limit eligibility to parents who either have a guaranteed income or bring funds or who have a high contributing sponsor. This option would reduce the risk of benefit uptake, because the guaranteed income is set at a level where the parent would not be eligible for any benefit. Based on current applications, changing the criteria could reduce the number of applicants approved by about 50 percent. It is estimated that this option would result in annual benefit savings by year five of implementation of \$3 million, and \$25 million by year ten if the current five-year sponsorship term was also maintained. If the sponsorship term were extended to ten years, the estimated benefit savings at year ten would be \$36 million. However, this option would impact on low-earning migrants, and would not provide an adequate balance between maintaining family connections and improving economic and fiscal outcomes.

(4a) Retain five year sponsorship term and adopt a two tier approach to queue management. A two tier approach to queue management would be adopted, whereby parents with guaranteed income or funds, or whose sponsor is higher earning, would get prioritised access over other applicants. If the sponsorship term remained at five years, it is estimated that the benefit savings of this option would be \$3 million by year five of implementation, and \$14 million by year ten.

(4b) Extend the sponsorship term to ten years and adopt a two tier approach to queue management. This option would apply the same queue management approach as option 4a. The difference is that the sponsorship term would be extended from five to ten years. Sponsors would be required to take responsibility for costs associated with accommodation, maintenance, repatriation and/or deportation of the sponsored parent for a longer period. This extension is estimated to result in reduced annual cost of benefit uptake of \$3 million by year five (the same as option 4a). However, by year ten, the estimated annual savings of the ten year sponsorship term totals \$34 million, \$20 million more than if the sponsorship term remained at five years. New Zealand's sponsorship term would be the same as Canada requires for all sponsored parents and the same as Australia requires for its Contributory Parent (Migrant) visa.

Table One: Estimated annual benefit savings of options 1 to 4b for changing Parent Policy from commencement of implementation

<i>Option</i>	<i>Annual benefit savings at year five</i>	<i>Annual benefit savings at year ten</i>
1. Status quo	\$0	\$0
2. Remove parent policy	\$5,000,000	\$42,000,000
3a. Limit eligibility (five year sponsorship)	\$3,000,000	\$25,000,000
3b. Limit eligibility (ten year sponsorship)	\$3,000,000	\$36,000,000
4a. Retain five year sponsorship term and two tier approach	\$3,000,000	\$14,000,000
4b. Extend to ten year sponsorship term and two tier approach.	\$3,000,000	\$34,000,000

Note: Refer to Appendix One for an explanation of the assumptions on which these benefit savings estimates are based.

Recommended Parent Policy option

Option (4b) *Extend the sponsorship term to ten years and adopt a two tier approach to queue management* is recommended because it achieves an appropriate balance between attracting and retaining skilled migrants and reducing the fiscal costs of family migrants.

Analysis of residence policy options for young adult children

(5) Allow financially independent young people aged 18 – 24 to be included within their parents' residence application or eligible for residence under Dependent Child Policy. This option could increase competitiveness for skilled migrants and treat 18 and 24 year olds consistently, whether or not they were financially dependent. Young adults with previous work experience may be at less risk of benefit uptake than young adults who are financially dependent on their parents.

It is not possible to accurately predict the impact of including financially independent young people in their parents' application in terms of numbers. In 2009/10, 1,905 secondary applicants of approved residence applicants were aged 18 – 24 years. There is a risk that these young people may have jobs in their home country, but not have the right skills for the New Zealand job market. However, having previous work experience is likely to be an advantage for young job seekers.

(6) Allow financially independent young people aged 18 – 20 years only to be included within their parents' residence application or eligible for residence under Dependent Child Policy. This option could increase competitiveness for skilled migrants, but limit the risk outlined above by limiting the age range to the younger age group. Migrant parents are likely to be more reluctant to leave behind their children in the younger adult age group. The impact is likely to be small – for example, in 2009/10, only 996 secondary applicants of approved residence applicants were aged 18 - 20 years.

Recommended residence policy option for young adult children

The recommended option is to allow financially independent young people aged 18 to 20 years to be eligible for residence, provided they are single, have no children and are included, or declared, in their parents' residence application. This option could increase competitiveness for skilled migrants, and would be at low risk of offering residence to many lower skilled young people.

Streamline visa processes for Parent Policy and enable effective service delivery to visa applicants.

The following are proposals designed to streamline visa processes and enable effective service delivery to visa applicants.

An Expression of Interest process and resulting fee for Parent Policy

Arising from policy proposals designed to improve comparative advantage in attracting and retaining skilled migrants, it is proposed to offer priority processing to Parent Policy applicants who have high income sponsors, or who bring a guaranteed income or settlement funds (see recommended option for Parent Policy). Those applicants in Tier One will experience a relatively swift decision on their residence application. Those who do not meet Tier One criteria will face much longer waits – initially up to seven years as the backlog of current applications is cleared. An Expression of Interest process means

applicants are not invited to formally apply until their application can be promptly decided. An Expression of Interest process would enable the introduction of a centralised global queue for Parent Policy, and would support equitable and effective queue management.

An Expression of Interest fee of \$420 (Manual) or \$330 (Online) for Parent Policy is proposed to recover extra administrative costs. This would require an amendment to Schedule 4 of the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010. The fee charged for the Expression of Interest process enables the recovery of costs associated with this extra step. Without this fee, it would not be possible for Immigration New Zealand to implement and actively manage the proposed two tier approach to Parent Policy.

Applicants would gain the following benefits from the Expression of Interest process for which the fee is payable.

- They would be advised promptly:
 - whether they were eligible, and, if so
 - which Tier they were in and the expected wait.
- Applicants who meet Tier One criteria would receive a much faster decision than currently.
- If applicants submitted an Expression of Interest and then decided not to seek New Zealand residence, they could withdraw without incurring the (non-refundable) residence fee.
- It would put into effect a process for enabling health and character documents to be requested when an applicant's Expression of Interest was selected and they were invited to apply for residence. This would avoid medical and police checks having to be redone, resulting in extra costs to applicants, and, in many countries, long delays for the police check documentation. This is particularly important for Tier Two applicants (the non-prioritised queue), where long waits are expected.
- It would enable centralised global management and equitable timeliness and outcomes, regardless of the source country of the applicant.

It has not been possible to reduce the residence fee (set at \$790 for New Zealand and the Pacific; \$1,350 for the rest of the world) in light of the proposed Expression of Interest fee, because the proposed policy requires more checks against eligibility criteria than the current policy, meaning that staff time is not reduced. Checks of guaranteed lifetime minimum income or settlement funds of Tier One applicants or income of their sponsors, as well as English language requirements, will need to be undertaken.

Consultation

Agencies consulted

The Ministries of Economic Development, Education, Foreign Affairs and Trade, Health, Justice, Pacific Island Affairs and Social Development, the Tertiary Education Commission, the Treasury, the Department of Internal Affairs, including the Office of Ethnic Affairs, and the Department of the Prime Minister and Cabinet have been consulted. If Cabinet agrees, Department and Ministry of Foreign Affairs and Trade officials will also consult with the Samoan Government under the terms of the 1983 Protocol to the 1962 Treaty of Friendship between the Governments of New Zealand and Western Samoa (the Treaty of Friendship).

Concerns raised

Department of Internal Affairs' concerns

The Department of Internal Affairs (DIA) has advised that the proposed extension of sponsorship from five to ten years would impact on how long those sponsored parents must be present in New Zealand as residents before being eligible for citizenship. DIA opposes the proposal to extend the period to ten years because the Citizenship Act 1977 requires that applicants for citizenship must have no conditions (such as sponsorship) on their visa. DIA considers that the proposal undermines the intention of Parliament to set a standard five-year presence period in the Citizenship Act 1977, and points out that the current five year wait period is longer than a number of comparable countries including Australia. The Department does not consider that an extended wait for citizenship for sponsored parents would impact on New Zealand's ability to attract skilled migrants.

Ministry of Pacific Island Affairs' concerns

The Ministry of Pacific Island Affairs (MPIA) has advised that it does not support the changes to Parent Policy and to Adult Child and Sibling Policy generally because it considers that Pacific families in New Zealand and abroad are likely to experience significant negative impacts. MPIA has indicated that it would support criteria that achieve a balance between the economic imperatives of immigration policy, and the reunification intent of the Family Category.

Conclusions and recommendations

Improve competitive advantage and reduce fiscal cost of family migrants

The two options supported are:

- Option 4b - Extend the sponsorship period for parents from five to ten years, and
- Option 6 - Allow financially independent young people aged 18 to 20 years to be included in their parents' residence application or eligible for residence under Dependent Child Policy.

The proposed extension of the sponsorship period from five to ten years is estimated to achieve substantial savings in benefit uptake. However, there is insufficient information to estimate the extent of competitive advantage New Zealand currently experiences from its shorter sponsorship period (and which it risks losing). Australia currently requires an Assurance of Support for ten years for its Contributory Parent (Migrant) visa, and Canada requires a ten year sponsorship term for all sponsored parents.

Allowing financially independent young people aged 18 to 20 years to be eligible for residence provided they are single, have no children and are included, or declared in, their parents' residence application would enhance competitive advantage, but limit the risk of possible increased benefit uptake from more young people gaining residence to New Zealand without necessarily having the job skills required.

Streamline visa processes for Parent Policy and enable effective service delivery to visa applicants

An Expression of Interest fee for Parent Policy is proposed so that the two tier approach to Parent Policy can be implemented and actively managed.

Implementation

Extend sponsorship period

The proposed extension of the sponsorship period for Parent Policy would need to be included in the Immigration Act 2009 Amendment Bill, which is currently under development and classified Category 4. Existing applicants would gain residence under the current policy, with a five year sponsorship term attached. Implementation risks will be minimised by providing good information to applicants and sponsors about their respective obligations.

Enforcement action against sponsors, and parents (who may be elderly) whose sponsors do not meet their sponsorship obligations, would need to be undertaken sensitively by the Department. This issue applies whether the sponsorship period is five years or ten years. Deportation, however, is more difficult to enforce on a well-settled older person.

Allow financially independent young people aged 18 – 20 to be included within their parents' residence application or eligible for residence under Dependent Child Policy

It is recommended that this change come into effect in July 2012. This will require an amendment to Schedule 4 of the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010, which would then be included in Immigration Instructions.

Expression of Interest fee for Parent Policy

The new Expression of Interest fee for Parent Policy would apply to new applicants. However, existing Parent Policy applicants who wished to be considered for Tier One priority processing could complete an Expression of Interest and would be charged the fee. These applicants would not be charged an additional residence (Family Category) fee because they would have already paid a residence application fee.

Monitoring, evaluation and review

The impact of the extension of the sponsorship period and other changes to Parent Policy on the cost of benefit uptake can be monitored by regular data matches between the Department and the Ministry of Social Development. A planned pilot data match will provide more accurate base data to monitor against than what is currently available.

The impact on the competitiveness of New Zealand in attracting and retaining skilled migrants is more difficult to assess, as there are a range of factors that are outside the scope of these policies, such as the job market and economic situation in New Zealand compared with other similar countries. However, the Department does use surveys, such as the Immigration Survey Monitoring Programme. This Programme encompasses new migrants to New Zealand (temporary and permanent), employers and the New Zealand public. Its purpose is to build an evidence base of information about migrants' settlement and labour market outcomes, employers' experiences with migrants and community attitudes towards immigration and migrant integration.

The new immigration fee will be reviewed along with other immigration fees as part of the regular immigration fees reviews undertaken by the Department.

APPENDIX ONE

ASSUMPTIONS FOR BENEFIT SAVINGS FROM PARENT POLICY PROPOSALS OUTLINED IN TABLE ONE

The benefit savings estimates are based on the following assumptions:

- No savings are made under any proposals for the first two years of a migrant's residence (residents are not eligible for benefits for the first two years).
- For Tier One applicants, zero benefit uptake is assumed for the sponsorship term, and then an estimated 12 percent benefit uptake, which is half the current benefit uptake, is estimated to take place after the sponsorship term ends. In 2009/10, 24 percent of parents approved for residence between July 2000 and June 2010 were receiving a benefit.
- For Tier Two applicants, and applicants under the current Parent Policy (who do not go into Tier One), 5 percent benefit uptake is assumed for the sponsorship period, and then 24 percent benefit uptake (the same as the current benefit uptake).
- The assumed annual benefit cost per person was the weighted average cost of \$9,455 person, based on a Ministry of Social Development/Department data match.
- No changes to current annual decision numbers, although the decision allocation is prioritised for Tier One applicants, then the backlog of current applicants, then the Tier Two applicants.
- Half of approved applicants are made up of Tier One and the other half Tier Two.
- There are no changes to current decline rates.
- An estimated 2.5 percent of parents per annum leave New Zealand long term after gaining residence. The estimates of fiscal impact have taken into account this attrition.
- Implementation commences in July 2012.