

At a glance

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ECONOMIC



THE LABOUR MARKET ADJUSTMENT OF IMMIGRANTS IN NEW ZEALAND

ECONOMIC IMPACTS OF IMMIGRATION WORKING PAPER SERIES

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This research uses data from the 1997—2007 New Zealand Income Survey to examine the path of economic outcomes of immigrants in New Zealand. It explores how employment rates, hourly wages, annual income and occupations for immigrants compare to those of similarly skilled New Zealand-born people and the extent that these change with years in New Zealand. Outcomes are estimated for immigrants from different birth regions and with different qualifications¹.

FINDINGS

The research shows that over the entire period analysed, newly arriving immigrants experience, on average, employment rates that are 20 percentage points lower than comparable New Zealand-born individuals. Their annual incomes are also \$10,000 to \$15,000 lower. Immigrants who gain employment work in slightly lower level occupations, and hourly wages are 10 to

15 percent lower than for comparable New Zealand-born workers. However, after around 15 years in New Zealand, outcomes have generally improved, and when compared to similar New Zealand-born people, they show that:

- employment rates for immigrants are about the same;
- the income difference is halved for men and eliminated for women;
- for employed immigrants:
 - » occupation is at about the same level
 - » wage differences of immigrant women closes to within 5 percent; however
 - » the wage disadvantage for employed immigrant men remains about 10 to 15 percent lower; and
- Overall, there is much stronger evidence of adaptation for employment rates than for wages.

PACIFIC

YOUTH

LISNZ

SETTLEMENT

FAMILY

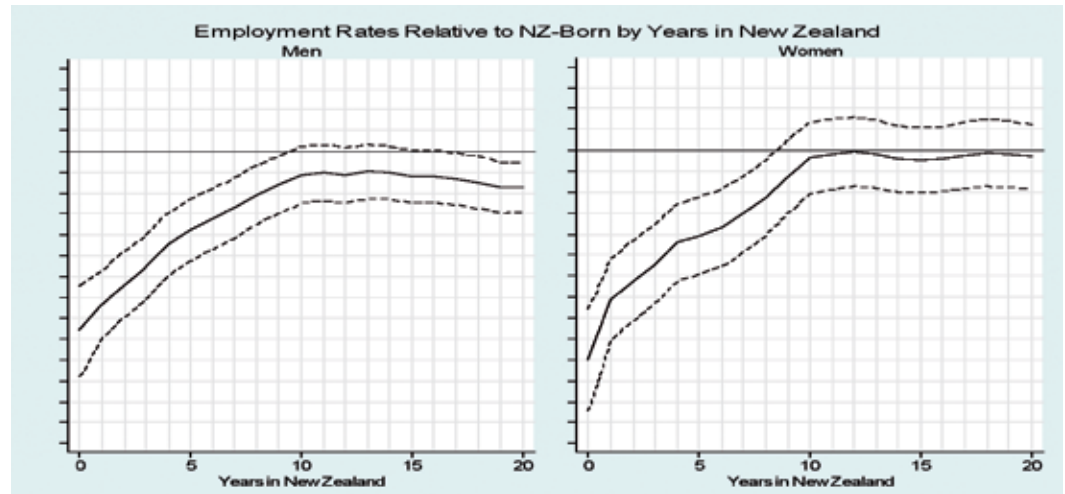
ECONOMIC

GLOBAL MOBILITY

REFUGEE

1. Note that no information on the immigrant category is included in the NZIS data.

Employment rate relative to New Zealand-born by years in New Zealand



Dotted lines indicate 95% confidence intervals

The major finding – that employment rates improve more quickly than wages for immigrants to New Zealand – is similar to results from Australia, but different to those from the United States. This may be expected since New Zealand has a relatively similar labour market to Australia. In fact, New Zealand's income distribution is smaller than that of Australia, the United States and Canada, suggesting limited opportunity for wage adjustments.

There is little evidence that the wage disadvantage reflects a low return on overseas qualifications. However, university-qualified immigrants receive a lower wage premium for their qualifications when compared with New Zealand-born university graduates, but immigrants with vocational qualifications are found to receive a higher wage premium.

DIFFERENCES BETWEEN IMMIGRANT GROUPS

Not all immigrant groups experience the same adjustment over time in labour market outcomes. Although the data did not identify what category immigrants were approved through, some differences in outcomes by other characteristics were found. Differences include:

- immigrants from Asia experience a significant pattern of entry disadvantage followed by swift improvement;
- immigrants from the Pacific Islands have relatively poor outcomes at the time of arrival, with no improvement as they spend more years in New Zealand;
- university-qualified immigrants recover their entry disadvantage relatively quickly, within around 10 years;
- immigrant men without qualifications have a much slower improvement, taking around 20 years to recover their entry disadvantage;
- immigrants who arrive before they turn 18 years of age have outcomes that are the same as comparable New Zealand-born individuals.
- employment rates are much better for the most recent male cohorts (1998-2007) when compared with earlier arrival cohorts; and
- wages are slightly worse for the 1998-2007 entry cohort, although once controlling for country of origin this finding loses statistical significance.

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