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FISCAL IMPACTS OF IMMIGRATION 2005/06

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Fiscal Impacts of Immigration 2005/06 estimates a defined fiscal impact of New Zealand's resident migrants on a set of government activities, and gives comparable figures for the New Zealand-born population. The report also summarises the fiscal impact of migrant sub-groups by the duration of residence, region of birth and region of residence. The study examines occupational and study characteristics of migrants, and considers migrants' long-run impacts on the economy.

SUMMARY

Migrants are grouped into three categories by duration of residence: recent migrants are those who are overseas born and usually resident in New Zealand for less than five years; intermediate migrants are overseas born and usually resident in New Zealand for between five and 15 years; earlier migrants are overseas born and usually resident in New Zealand for longer than 15 years.

As at the census night in March 2006, New Zealand had a migrant population of approximately 927,000. The study estimates that this migrant population had a positive net fiscal impact of \$3,288m in the year to 30 June 2006. The net impact of migrants estimated in this study represents growth of approximately 15% per annum in real terms, compared to a similar study by Business and Economic Research Ltd (BERL) in 2003. The New Zealand-born population of 3.1m people had a lower net fiscal impact of \$2,838m.

The net impact is made up of the difference between fiscal revenue and expenditure. The study estimated migrants contributed a total of \$8,101m through income taxes, GST and excise duties. Estimated fiscal expenditure on the migrant population was \$4,813m. This includes government spending on education, health, benefits/allowances and superannuation. In total migrants contributed 24.7% of government revenue and accounted for 18% of government expenditure. The overall magnitude of any effect will also be influenced by whether the current budget is in surplus or deficit.

The study shows that all sub-groups of the migrant population had positive net impacts, although these impacts differed by the duration of residence, region of birth and region of residence in New Zealand. The net fiscal impact of migrants climbs with duration of residence, although this is partly attributable to the age profile of these groups. The net fiscal impact per head was \$2,680 for recent migrants, \$3,470 for intermediate migrants and \$4,280 for earlier migrants, while the comparable figure for the New Zealand-born population was \$915 per head. The net fiscal impact of migrants grew 80% between 2002 and 2006 (in real terms). This change was driven by fiscal revenue growing more quickly than expenditure.

The total net fiscal impact of migrants rises with duration for all migrant groups with the exception of migrants from the other

- PACIFIC
- YOUTH
- LISNZ
- SETTLEMENT
- FAMILY
- ECONOMIC
- GLOBAL MOBILITY
- REFUGEE
- CRIME

region category (i.e. Africa, the Middle East and South America). The net impact per capita by region of birth differs markedly between recent and earlier migrants. It rises with duration for Pacific Island migrants but falls for migrants from the United Kingdom, Ireland, Europe and North America.

Migrants residing in the Auckland region dominate the overall fiscal impact, and this region is home to over 45% of all migrants in New Zealand. As migrants move into the 'earlier' category they tend to shift out of the metropolitan areas in and around Auckland and Christchurch to Wellington, the Rest of North Island and Rest of South Island regions.

Migrants tend to move to higher paid occupations as duration of residence increases. A higher proportion of migrants tend to be unemployed or not in the labour force than the New Zealand-born. The occupational mix of migrants differs by their region of birth, which may reflect differences in immigration criteria by region of birth. There does not appear to be a strong effect on the occupational mix by region of residence.

Fiscal Impacts of Immigration 2005/06 can be obtained from the New Zealand Department of Labour's website at <http://www.dol.govt.nz/publications/research/fiscal-impacts/index.asp>

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