
Immigration Research Programme

Working Holidaymakers in New Zealand

December 2004

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Working Holidaymakers in New Zealand

Workforce Group – Immigration Service
Department of Labour

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Introduction	1
Methodology	1
Limitations	1
Participants in the Newlands' study	2
Impacts of Working Holidaymakers on local labour markets	2
The effects of increases to Working Holiday Scheme numbers	4
Summary	4
1 INTRODUCTION AND OBJECTIVES	7
1.1 Introduction	7
1.2 Objectives	7
1.3 Methodology	7
1.4 Report structure	9
2 WORKING HOLIDAY SCHEMES: WHO IS USING THEM?	11
2.1 Description of the current New Zealand Working Holiday Schemes	11
2.2 Who is using New Zealand Working Holiday Schemes?	12
2.3 The Newlands' Study	16
2.4 The New Zealand - UK Working Holiday Scheme: Who is using it?	27
2.5 Working Holidaymakers subsequently approved for residence	31
3 IMPACTS OF WORKING HOLIDAY SCHEMES ON THE LABOUR MARKET AND THE LIKELY IMPACTS OF EXPANDING THE SCHEMES	35
3.1 Introduction	35
3.2 The Australian experience of Working Holiday Schemes	35
3.3 Number of jobs taken	36
3.4 Impacts of Working Holidaymakers on New Zealand employment conditions	36
3.5 The likely impacts of expanding the Working Holiday Schemes	37
3.6 Expenditure and job creation	42
3.7 The ability of the local labour market to absorb more workers	44
3.8 Summary	44
4 SUMMARY AND CONCLUSIONS	45
4.1 Introduction	45
4.2 Interpretation of the data	45
4.3 Characteristics and work patterns of Working Holidaymakers	45
4.4 Impacts of Working Holidaymakers on local labour markets	46
4.5 The Effects of increases to Working Holiday Scheme numbers	47
4.6 Overall conclusions	47
APPENDICES	49
Appendix A: The Newlands' study	49
Appendix B: The Survey of Work and Income regional offices	51
Appendix C: Onshore NZIS Branch Service Leaders' and Managers' perceptions of Working Holidaymakers	53
Appendix D: Summary of 'The Working Holiday Maker Scheme and the Australian Labour Market' (Harding and Webster, 2002)	55
Appendix E: The Effect of Working Holidaymakers in Australia on employment (annually)	59
Appendix F: Additional data tables	61
BIBLIOGRAPHY	63

LIST OF FIGURES AND TABLES

Figure 1.1	Total Working Holidaymaker approvals in 2003/04 and Newlands' study capture by country	9
Table 2.1	Current Working Holiday Schemes by number of places allocated and approval numbers	11
Figure 2.1	Working Holiday Scheme visas issued: 1998 to 2003 calendar years	12
Table 2.2	Annual Working Holiday Scheme approval totals: 1998 to 2003 calendar years	13
Figure 2.2	Working Holidaymakers by age group: 2003 calendar year	14
Figure 2.3	Working Holidaymakers by age group and country: 2003 calendar year	14
Table 2.3	Length of stay for Working Holidaymakers approved offshore by country: 2002 calendar year	15
Table 2.4	Length of stay for Working Holidaymakers approved onshore by country: 2002 calendar year	15
Figure 2.4	Main reasons for visiting New Zealand	17
Figure 2.5	Type of work Working Holidaymakers were engaged in before their visit to New Zealand	18
Figure 2.6	Length of stay for Working Holidaymakers	18
Figure 2.7	Main employment area for Working Holidaymakers	19
Figure 2.8	Main job in New Zealand and type of work for Working Holidaymakers	20
Figure 2.9	Percentage of time spent working	20
Figure 2.10	Number of jobs taken while in New Zealand per Working Holidaymaker	21
Figure 2.11	Length of time spent in main job	22
Figure 2.12	The job taken was advertised as short-term or temporary	22
Figure 2.13	Hourly rate of pay for Working Holidaymakers	23
Table 2.5	Expenditure by average Working Holidaymakers	24
Figure 2.14	Average spending by Working Holidaymakers	25
Table 2.6	Estimated expenditure by Working Holidaymakers by area of expenditure	26
Figure 2.15	Satisfaction with working holiday in New Zealand	26
Figure 2.16	Working Holiday visas issued by country in 2003	27
Figure 2.17	Time spent working in New Zealand for British Working Holidaymakers compared to non-British Working Holidaymakers	29
Table 2.7	Expenditure summary for British Working Holidaymakers compared to non-British Working Holidaymakers	30
Figure 2.18	Reason for return to New Zealand for British compared to non-British Working Holidaymakers	31
Table 2.8	Working Holidaymakers approved for residence 1998 to March 2004: All Working Holidaymakers	32
Table 2.9	Working Holidaymakers approved for residence 1998 to March 2004: British Working Holidaymakers	32
Figure 2.19	Cumulative take-up of residence by all former Working Holidaymakers	33
Figure 2.20	Cumulative take-up of residence by former British Working Holidaymakers	33
Table 3.1	Estimate of equivalent annual jobs taken for all Working Holidaymakers in New Zealand	36
Table 3.2	Estimated total earnings for all Working Holidaymakers annually	39
Table 3.3	A summary of the estimated economic impacts and number of jobs taken by increases to Working Holiday Schemes	40
Table 3.4	Projected number of jobs created by increases in Working Holidaymaker numbers	43
Table 3.5	Estimated net effects of Working Holidaymakers in terms of jobs (2003/04)	44
Figure D.1	Working Holidaymakers in Australia by country of origin	56
Table F.1	Estimate of equivalent annual jobs taken for all Working Holidaymakers in New Zealand (based on 31,000 Working Holidaymakers per annum)	61
Table F.2	Estimate of equivalent annual jobs taken for all Working Holidaymakers in New Zealand (based on an increase to 40,000 Working Holidaymakers per annum)	61

EXECUTIVE SUMMARY

Introduction

This research was carried out by the Department of Labour's Immigration Service as part of our work in responding to a Cabinet decision in November 2003 authorising a further increase in the Working Holiday Scheme cap [CAB Min (03) 38/12 refers]. Cabinet noted that the Department of Labour would gather evidence on Working Holidaymakers and their impacts to inform advice on increases to the annual cap over 31,000. The objective of the research was to review Working Holiday Scheme participation with a focus on Working Holidaymakers' labour force participation in New Zealand, including any impact on regional labour markets.

New Zealand has established Working Holiday Schemes with 21 countries. The schemes allow young people (between the ages of 18 and 30 years) to visit New Zealand for a period not exceeding 12 months, and to undertake some employment during their stay. Most of the schemes are reciprocal. The number of Working Holiday Scheme visas approved increased by 137 percent in the six years between 1998 and 2003, largely due to the increase in the year 2000 total cap from 10,000 to 20,000. The two largest schemes in 1998 were Japan and the United Kingdom (UK), and these schemes remained the largest throughout the period ending in 2003.

Methodology

A variety of methods were used to meet the objectives of the research. Quantitative data about the demographic and immigration characteristics of Working Holidaymakers between 1998 and 2004 was extracted from the Department of Labour's Immigration database. Information about Working Holidaymakers' participation in the labour market was derived from an array of quantitative and qualitative sources including:

- a survey of Working Holidaymakers undertaken by Ken Newlands (Programme Leader in the School of Management and Entrepreneurship at Auckland's Unitec). This survey obtained responses from 218 Working Holidaymakers in New Zealand. Responses were received between August 2003 and April 2004
- a survey of New Zealand Immigration Service (NZIS) Branch Managers (Service Leaders and Service Managers) located onshore. This information was collected via semi-structured interviews conducted via phone and email
- a survey of the Ministry of Social Development's Work and Income Regional Commissioners in ten locations throughout New Zealand. This survey was conducted in 2000
- anecdotal information from two trade union officials (including a representative from the Council of Trade Unions).

A report titled 'The Working Holidaymaker Scheme and the Australian Labour Market' was published in 2002 and this report draws from its findings.¹

Limitations

Many of the findings reported in this report are based on relatively small samples. While every effort was made to make use of multiple data sources to increase the validity of this research, the results should be regarded as indicative only. The best available information sources were used, however there are certain limitations associated with each of the data sources. The Newlands' study was based on a survey of 218 self-selecting participants and was not a random sample. Compared to the total Working Holidaymaker approvals in 2003/04, British participants were over-represented and Japanese participants were under-

¹ Harding and Webster, 2002.

represented in the Newlands' study. Some of the smaller Working Holidaymaker source countries were not included. The interviews with NZIS Branch Managers and Work and Income Managers provided information based on their individual perceptions.

Participants in the Newlands' study

Working Holidaymakers in the Newlands' study were generally well-educated, with nearly 90 percent having received some form of post-secondary education. Sixty-three percent were in paid employment and 34 percent were studying immediately prior to their visit to New Zealand. Forty percent had worked in an occupational class they described as 'professional' before coming to New Zealand. Ten percent had worked in clerical areas, 7 percent in sales and 5 percent as semi-skilled or manual workers.

Fifty-two percent of the Working Holidaymakers in the Newlands' study stayed in New Zealand for between eight and 12 months. Thirty-eight percent of participants spent between 60 and 80 percent of their time in New Zealand working, and a further 12 percent spent over 80 percent of their time working. On average, participants spent 55 percent of their time in New Zealand working. Most worked in paid employment, although 14 percent said volunteer work was their main occupation in New Zealand. The top areas of paid employment were:

- hospitality (17 percent)
- agriculture other than fruit picking (14 percent)
- fruit picking (7 percent)
- sales (7 percent)
- backpacker or hostel worker (5 percent).

Working Holidaymakers in the Newlands' study had an average of 3.3 jobs in New Zealand. There was variation by country of origin, with Canadian, Dutch and British Working Holidaymakers more likely to take fewer jobs. Most accessed their main job via a direct approach to an employer.

The average take home pay was \$12.06 per hour (calculated to include eight people who worked on a volunteer basis). The highest amount paid was \$75 per hour and the smallest amount was \$3 per hour (which is below the minimum wage). Most Working Holidaymakers were paid via direct credit to their bank account. Most worked between 31 and 40 hours per week when they were employed. The areas that Working Holidaymakers were most likely to seek work were Auckland, the Bay of Islands, the Hawkes Bay, Otago (including Queenstown), Canterbury and Nelson.

British Working Holidaymakers

Since 1998, British Working Holidaymakers have comprised almost half of all Working Holiday Scheme visa approvals, and so are of particular importance and relevance to this research. Overall, British Working Holidaymakers were similar to other Working Holidaymakers, although they did differ in a few areas. More British Working Holidaymakers in the Newlands' study had a university degree. Data from the Immigration database shows that British Working Holidaymakers were more likely than other Working Holidaymakers to subsequently return to New Zealand to take up residence.

Impacts of Working Holidaymakers on local labour markets

The impacts of Working Holidaymakers on local jobs markets have been evaluated using the following methodologies:

- analysis of the types of jobs they were taking
- analysis of their income and expenditure
- job creation estimates

- qualitative surveys of Work and Income Regional Offices and NZIS onshore Branch Managers
- an application of the Australian experience in analysing job displacement by Working Holidaymakers.

Types of work

The Newlands' study, as well as a survey of NZIS onshore Branch Managers, indicates that Working Holidaymakers take low-paid, short-term and often seasonal jobs in areas where there are large numbers of tourists. The jobs are generally low-skilled or unskilled.

Income and expenditure

Based on income and expenditure data from the Newlands' study, it is estimated the 20,604 Working Holidaymakers in 2003/04 took approximately \$176 million out of the economy via paid employment in the equivalent of approximately 7,000 full-time jobs annually. They expended approximately \$309 million during their stay in New Zealand.

Job creation

Working Holidaymakers are estimated to have taken the equivalent of 7,000 full-time jobs in 2003/04. However, their expenditure is expected to have created around 11,000 jobs in the same year. This is similar to findings from the Australian study where an annual intake of 80,000 Working Holidaymakers were estimated to take 41,000 full-year jobs, but create 49,000 full-year jobs through their expenditure.

Job displacement

Some Work and Income and NZIS Managers expressed concerns that Working Holidaymakers were taking jobs that local job seekers would otherwise take. Some specifically felt students may be being displaced. Only one Work and Income office (out of ten surveyed) reported that the presence of Working Holidaymakers in New Zealand impacted their ability to place local job seekers. Other Work and Income and NZIS Managers said they had no evidence to verify whether or not displacement was occurring and were, overall, positive about the presence of Working Holidaymakers in New Zealand. It should be noted that this research was conducted at a time when the economy is performing strongly, for example, unemployment is down to 4 percent.²

The Australian study provides an estimate of the types of people Working Holidaymakers may be displacing. The study authors specifically questioned whether long-term unemployed Australian youth would take the jobs occupied by Working Holidaymakers if the Working Holiday Schemes did not exist. If the schemes did not exist, the authors concluded that around one quarter of the jobs typically taken by Working Holidaymakers (in the low-skill, casual sector) would be taken by long-term unemployed youth and the remainder would be taken by students and mature age women.

Effects on working conditions

Some concerns were expressed that Working Holidaymakers **might** have negative impacts on working conditions in New Zealand, for example contributing to low rates of pay through the types of jobs they filled. Some Working Holidaymakers in the Newlands' study reported being paid below the minimum wage (12 out of 198 respondents reported being paid less than \$8 per hour). This may have negative impacts on the working conditions for local workers, although it is difficult to know the context in which the low rates of pay occurred. Work and Income and NZIS onshore Branch Managers had no evidence that Working Holidaymakers were having negative impacts on working conditions in New Zealand.

² Household Labour Force Survey – June 2004.

The effects of increases to Working Holiday Scheme numbers

An analysis of the impacts of the current 31,000 Working Holiday Scheme cap and increases to 36,000 and 40,000 (based on the assumption that overall increases to the Working Holiday Scheme will lead to proportional increases from each source country) indicates the following effects are likely to occur:³

- there is likely to be an increase in the overall numbers of young people (between 18 and 30 years) visiting New Zealand on Working Holidays (rather than young people merely shifting from a visitor to a Working Holidaymaker permit)
- an increased number of Working Holidaymakers will take an increased number of jobs:
 - it is estimated that 31,000 Working Holidaymakers would result in an additional 3,500 jobs being taken (compared to the estimated number of jobs taken by Working Holidaymakers in 2003/04)
 - an increase to 40,000 Working Holidaymakers would mean an additional 6,500 jobs would be taken (compared to 2003/04)
- the overall economic effects of their presence in the country is likely to be positive, providing the local job markets absorb increasing numbers of Working Holidaymakers. There is no evidence of displacement at this point in time
- the number of British Working Holidaymakers will significantly increase.⁴ This will likely to lead to more applications for residence in New Zealand from this group
- Japan is likely to remain a significant source of Working Holidaymakers. Japan is the second largest source country of Working Holidaymakers to New Zealand and the numbers approved have remained relatively stable over the past six years. However, because few Japanese Working Holidaymakers responded to the Newlands' study and because the scheme is uncapped, it is difficult to predict the size of any increase. Data from the International Visitors' Survey shows that Japanese visitors are among the highest spenders while in New Zealand
- there are likely to be more opportunities for New Zealand youth to travel and work overseas under reciprocal arrangements with countries participating in Working Holiday Schemes
- there will be benefits to New Zealand in terms of people-to-people and country-to-country links.

Summary

While the evidence in this study was compiled from a number of sources and there are limitations on the Newlands' study material, the report provides previously unavailable information on Working Holidaymakers in New Zealand. It is estimated that the 20,604 Working Holidaymakers who visited and worked in New Zealand in 2003/04 had an overall positive effect on the economy. What they earned through paid employment was more than off-set by their expenditure. Working Holidaymakers spend considerably more per visit, on average, than people in the same age group who visit New Zealand on other types of permits.

The two broad objectives of this research were to identify the occupational areas in which Working Holidaymakers were employed, and to provide evidence of any impacts of Working Holidaymakers on regional labour markets. Working Holidaymakers were found to generally take jobs in the low-skill and low-pay areas, even though their skill levels are usually higher. Working Holidaymakers bring benefits to employers and local communities through their

³ On 22 November 2004, after a review of the Working Holiday Scheme, the government announced some changes to the Scheme that will take effect from 1 July 2005. These changes include increasing the number of places allocated to all Working Holiday Schemes from 31,000 in 2004/05 to 36,000 in 2005/06 and 40,000 in 2006/07 and lifting the cap on the Schemes with Germany, the Netherlands, Sweden and the United Kingdom. This research informed the review of the Working Holiday Scheme.

⁴ From 1 July 2005 there will be no upper limit on the number of places for the Working Holiday Scheme with the UK.

willingness to take such jobs. Some Working Holidaymakers reported being paid below the minimum wage. The statutory minimum wage applies to all employees, including those on casual contracts, and breaches of the minimum wage raise concerns. However, it is difficult to know the context in which the low rates of pay occurred, for example, there are some situations where deductions to the minimum wage may be made if board or lodgings are provided. There was little concrete evidence from other sources that Working Holidaymakers are having a detrimental impact on local working conditions.

Working Holidaymakers bring benefits in terms of improved bilateral relations with other countries. Working Holiday Scheme reciprocation offers opportunities for travel and work to other countries for young New Zealanders, which is valuable. NZIS and Work and Income Managers noted the benefits of Working Holidaymakers in terms of adding diversity, filling skill shortages, increasing tourism by word of mouth and having useful skills such as being multilingual.

An increase in Working Holiday Scheme numbers over the next three years is likely to have, at best, a positive effect on both the economy and society of New Zealand. At worst, it is likely to have a neutral effect. One area of concern into the future is around the ability of the local labour market to continue to absorb increasing numbers of Working Holidaymakers, particularly in times of high unemployment. The point at which the local labour market can no longer absorb Working Holidaymakers is unknown.

1 INTRODUCTION AND OBJECTIVES

1.1 Introduction

New Zealand has established Working Holiday Schemes with 21 countries, most of which are reciprocal. In general, the schemes allow young people aged 18 to 30 years to visit each other's countries for a period not exceeding 12 months. While the main purpose of the trip is to holiday, they may also undertake some employment during their stay.

In November 2003, Cabinet agreed to raise the Working Holiday Scheme annual cap from 25,000 to 31,000 places for 2004/05. As part of the process of raising the cap, the Department of Labour was asked to gather evidence on the areas in which Working Holidaymakers were employed and on their impacts on local labour markets. This information has been used to assist in formulating policy advice about increasing the annual cap further to 36,000 places in 2005/06 and up to a maximum of 40,000 places in 2006/07 [CAB Min (03) 38/12 refers]. This report contains the results of that investigation. On 22 November 2004, after a review of the Working Holiday Scheme, the government announced some changes to the Scheme. These changes include increasing the number of places allocated to all Working Holiday Schemes to 36,000 in 2005/06 and 40,000 in 2006/07 and removing the cap on the number of places for the Working Holiday Schemes for Germany, the Netherlands, Sweden and the United Kingdom. These changes will take effect on 1 July 2005.

1.2 Objectives

The research in this report had two broad objectives. The first was to identify occupational areas in which Working Holidaymakers are employed. The second was to provide evidence of any impacts of Working Holidaymakers on regional labour markets. The reason for this focus was to provide some data that would allow the impacts of future increases to the Working Holiday Scheme annual cap to be better understood.

Working Holidaymakers from the United Kingdom (UK) have traditionally formed a significant number of the Working Holidaymakers who have visited New Zealand under the Working Holiday Schemes. They are of particular importance and relevance to this study and some sections of this report focus specifically on these Working Holidaymakers (since 1998, British Working Holidaymakers have comprised almost half of all Working Holiday Scheme visa approvals).

The specific objectives were to review recent Working Holiday Scheme participation with regard to:

- A Identifying the type of work Working Holidaymakers undertook
- B Determining Working Holidaymakers' areas of employment and impacts on regional labour markets
- C Gauging Working Holidaymakers' intentions to revisit New Zealand
- D Identifying any conversion to residence by:
 - category
 - duration after holding a Working Holiday Scheme permit
- E Describing the immigration and demographic characteristics of Working Holidaymakers
- F Providing specific information on British Working Holidaymakers and their characteristics.

1.3 Methodology

A variety of methods were used to meet the objectives of this research. Quantitative data about the demographic and immigration characteristics of Working Holidaymakers was

extracted from the Department of Labour's Immigration database. The most recent available data (which was from the 2003 calendar year) was used.

Information about where Working Holidaymakers worked, how they were paid, their motivations and behaviours, and their presence in regional labour markets was derived from an array of quantitative and qualitative sources including:

- a survey of Working Holidaymakers undertaken by Ken Newlands, Programme Leader in the School of Management and Entrepreneurship at Auckland's Unitec. This survey obtained responses from 218 Working Holidaymakers in New Zealand, mostly in the following areas: Tongariro National Park, Christchurch, Queenstown, Motueka, Wanganui, Hawkes Bay, Rotorua and Taupo. Responses were received between 1 August 2003 and 30 April 2004. Respondents were asked to complete the survey near the end of their stay in New Zealand
- a survey of New Zealand Immigration Service (NZIS) Branch Managers (Service Leaders and Service Managers) located onshore. This information was collected via semi-structured interviews conducted via phone and email
- a survey of the Ministry of Social Development's Work and Income Regional Commissioners in ten locations throughout New Zealand. This survey was conducted in 2000
- anecdotal information from two trade union officials (including a representative from the Council of Trade Unions).

The Appendices outline the methodologies used in more detail.

This report draws from the findings of an Australian report 'The Working Holidaymaker Scheme and the Australian Labour Market'.⁵ Australia's Working Holiday Schemes are similar to New Zealand schemes in terms of source countries and conditions. The Australian report has relevance to this study as it provides some estimates of the effects of Working Holidaymakers on the Australian labour market, including the impacts of further extending the schemes to other countries (see Appendix D for more detail).

This research was conducted in accordance with the Association of Social Science Researchers Code of Ethics. All information about Working Holidaymakers and employers has been kept in the strictest confidence. In order to protect anonymity, no individual cases have been detailed in this report.

1.3.1 Limitations

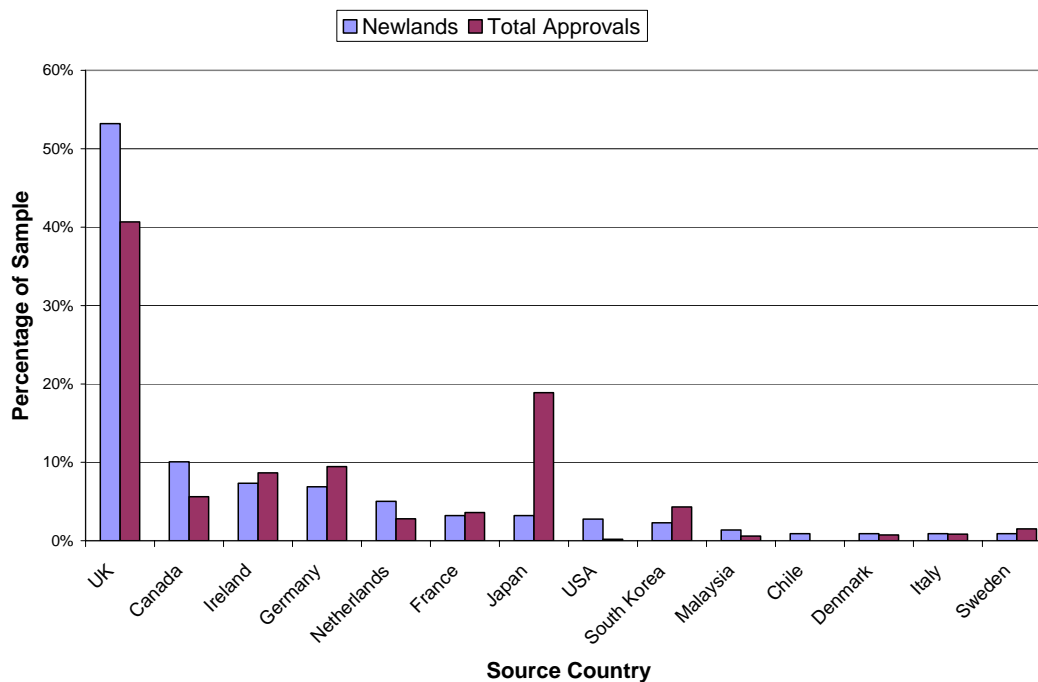
Since many of the findings of this research have been based on relatively small samples, the results should be regarded as indicative. However, it has been possible to identify patterns in the employment, behaviour and experiences of Working Holidaymakers.

Each data source was accompanied by certain limitations, which are listed below:

- the Newlands' study obtained 218 completed interviews from Working Holidaymakers during their stay in New Zealand. This was a small sample based on snow balling techniques rather than random selection of participants. British participants were over-represented in the Newlands' study and Japanese were under-represented. Some nationalities were not captured by Newlands at all. They were Argentina, Chile, Uruguay, Taiwan, Singapore and Hong Kong (although these countries represented less than 1 percent of total Working Holidaymaker approvals in 2003/04). Figure 1.1 shows the proportion of respondents to the Newlands' study by country of origin compared with total approvals for the 2003/04 year.

⁵ Harding and Webster, 2002.

Figure 1.1 Total Working Holidaymaker approvals in 2003/04 and Newlands' study capture by country $n = 218$ (Newlands), $n = 20,604$ (total approvals)



- the interviews with NZIS and Work and Income Managers provided information based on their individual perceptions. While these people could be expected to have a degree of expertise and knowledge in their area, their views can be taken as indicative only
- all of the onshore NZIS Branch Managers spoken to were aware of the presence of Working Holidaymakers in the areas serviced by their respective branches. However, a number of Managers noted that staff in onshore branches tended to deal infrequently with Working Holidaymakers as Working Holidaymaker visas were generally issued offshore. Branch Managers derived their knowledge of Working Holidaymakers through links with employers, industry groups, local Work and Income staff, as well as through direct contact with Working Holidaymakers if they sort variations to the conditions of their permit, or applied for a residence, student or work permit.

1.4 Report structure

This report is structured as follows:

- 1 Introduction, objectives and methodology
- 2 The current Working Holiday Schemes: Who is using them?
- 3 The impacts of Working Holiday Schemes on the labour market and the likely impacts of expanding the schemes
- 4 Summary and conclusions
- 5 Appendices and bibliography.

2 WORKING HOLIDAY SCHEMES: WHO IS USING THEM?

2.1 Description of the current New Zealand Working Holiday Schemes

Through the Working Holiday Schemes young citizens of selected countries may travel to New Zealand for a holiday and undertake some employment during their stay. There are currently 21 such schemes in place, with more under negotiation. Working Holiday Scheme participants can undertake incidental employment, up to three months with any one employer, to supplement their income and enhance their appreciation of New Zealand culture. To be eligible for a work permit under these schemes participants must:

- be aged between 18 and 30 years
- not be accompanied by children
- provide evidence of sufficient funds to purchase return travel
- have a minimum of at least NZ\$4,200 available funds for living expenses⁶
- have medical and accident insurance.

People are entitled to only one Working Holiday permit in their lifetime. Working Holidaymakers may, however, convert onshore to a long-term work permit, student permit or to residence. At a later date, a former Working Holiday Scheme participant may re-enter New Zealand on a different type of temporary or permanent permit. Each Working Holiday Scheme has a slightly different configuration, with the number of places available to the citizens of the different countries varying. Countries and the current annual cap numbers for each scheme are shown in Table 2.1. The numbers of Working Holiday Scheme visas approved in 2003/04 are also set out below. Not all schemes are fully subscribed.

Table 2.1 Current Working Holiday Schemes by number of places allocated and approval numbers in 2003/04 (Immigration database)*

Working Holiday Scheme	Places available per annum (as at Aug 2004)	Number of visas Issued 2003/04
Argentina	300	143
Canada	2,000	1,155
Chile	400	214
Denmark	200	155
*Finland	200	0
France	1,000	740
Germany	2,000	1,949
Hong Kong	200	16
Ireland	2,700	1,786
Italy	250	171
*Japan	4,000	3,894
*South Korea	800	891
Malaysia	100	124
Malta	50	0
Netherlands	500	577
Singapore	200	6
Sweden	500	310
*Taiwan	400	39
*United Kingdom	10,000	8,383
USA	500	38
Uruguay	100	13
TOTAL	26,200	20,604

* Scheme arrangements with different countries have different annual cycle dates. That is, for some countries the quota for the year may commence in June; for some others, January. This makes it difficult to present information on the number of places taken in one calendar year by any scheme with absolute accuracy. For example, the South Korea Working Holiday Scheme runs from April through to March (which is why the number of visas issued was higher than the cap of 800).

* The Taiwan Scheme was implemented during 2003/04.

* The Finland Scheme was implemented in August 2004.

* The USA Scheme was implemented in May 2004.

* The Japan Working Holiday Scheme is not capped. The figure of 4000 is an estimate based on historical flows.

⁶ The financial maintenance requirement has remained static and has not been related to measures such as inflation and exchange rates.

In November 2003, Cabinet agreed to increase the overall cap from 25,000 to 31,000 places in 2004/05 and authorised the Ministers of Immigration and Foreign Affairs and Trade to approve 36,000 places in 2005/06 and up to a maximum of 40,000 places in 2006/07 [CAB Min (03) 38/12 refers]. Cabinet agreed that the expansion or establishment of standard Working Holiday Schemes with visa-free countries would be based on the following principles:

- prioritising according to the scheme's contribution to positive outcomes for New Zealand
- focussing on young people whose primary intention is to holiday
- reciprocity, with flexibility to adopt a unilateral scheme where it is in New Zealand's interests.

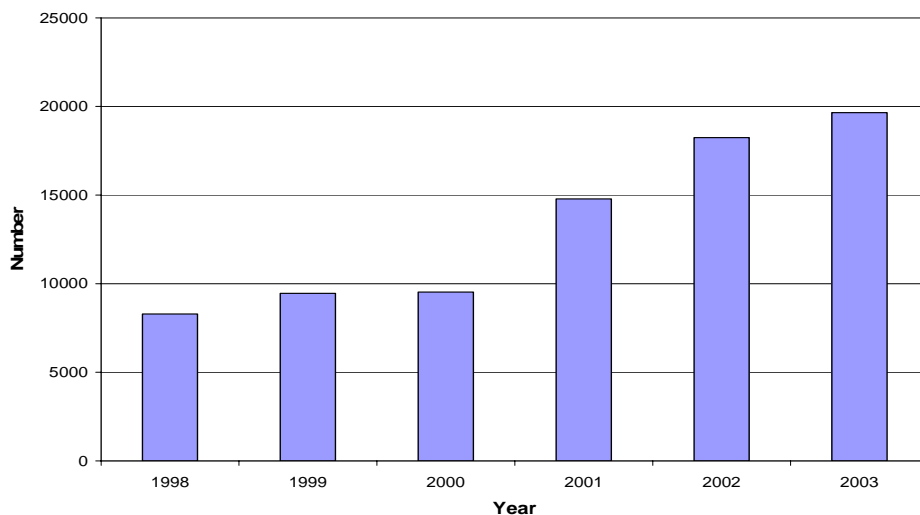
2.2 Who is using New Zealand Working Holiday Schemes?

The number of people approved through the various Working Holiday Schemes and their nationality, age, gender and length of stay are described in this section. The data presented below was extracted from the Immigration database covering the 1998 to 2003 calendar years.

2.2.1 Number of approvals 1998 to 2003

The number of people on Working Holiday Schemes increased from 8,288 in 1998 to 19,652 in the 2003 calendar year, an increase of 137 percent over the five year period (see Figure 2.1). The increase can be largely explained by an increase in the total cap from 10,000 to 20,000 in 2000. Year 2001 showed the largest annual increase of approvals (56 percent). In subsequent years Working Holiday Scheme caps were further raised and new schemes were introduced. This has led to continuing increases in approval numbers.

Figure 2.1 Working Holiday Scheme visas issued: 1998 to 2003 calendar years (Immigration database)⁷



The two largest Working Holiday Schemes in 1998 were Japan and the UK, and these schemes remained the largest throughout the period ending in 2003 (see Table 2.2). The cap on the UK Working Holiday Scheme was incrementally lifted to meet demand and approvals rose by 143 percent over the period 1998 to 2003.

Over the same six year period, Japanese Working Holiday Scheme numbers remained relatively stable, although the numbers were not capped. Japan is the only country to have

⁷ 'Permits' and 'visas' are referred to throughout this report. In the NZIS's operational reporting, an application is said to be finalised when either a visa is issued to an offshore applicant or a permit is issued to an onshore applicant. When a person arrives in New Zealand with a visa, they are issued with a corresponding permit – which is not counted again.

an uncapped scheme.⁸ Of the Working Holiday Schemes with relatively large approval numbers, the Irish scheme has increased at the fastest rate, starting with 258 approvals in 1998 and growing by 552 percent to 1,682 approvals by 2003. There was also a 199 percent increase in approvals through the Canadian Scheme in this period; however, the numbers were smaller than the increase in either UK or Irish approvals. Similarly, approvals through the Dutch Scheme rose by 178 percent between 1998 and 2003 (although this represented only an additional 363 people).

Table 2.2 Annual Working Holiday Scheme approval totals: 1998 to 2003 calendar years (Immigration database)

WHS	1998	1999	2000	2001	2002	2003
Japan	3,836	3,482	3,249	3,782	4,039	4,001
United Kingdom	3,666	4,820	4,680	7,266	8,697	8,910
Canada	321	395	407	840	891	961
Ireland	258	249	601	1,092	1,336	1,682
Netherlands	204	294	250	430	549	567
Malaysia	3	24	20	54	106	94
South Korea		201	202	402	402	800
France		15	99	256	414	502
Germany			21	440	985	1,016
Sweden				120	314	392
Italy				100	167	248
Hong Kong				68	17	167
Chile				26	182	11
Denmark					145	151
Argentina						144
Uruguay						6
Total	8,288	9,480	9,529	14,876	18,244	19,652

2.2.2 Gender

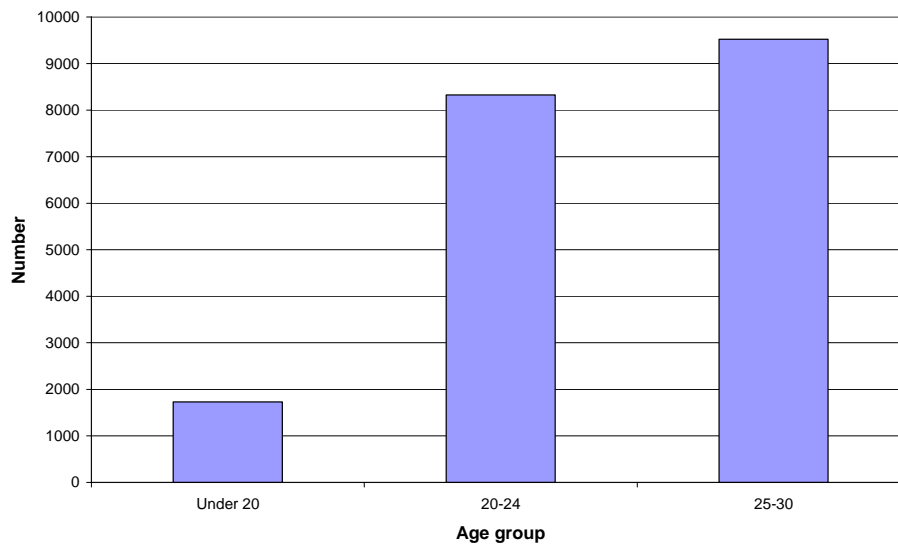
In 2003 there was a slight gender imbalance in favour of females. Fifty-four percent of those approved for a Working Holiday visa in 2003 were female and 46 percent were male.

2.2.3 Age

The Working Holiday Scheme is available to young people aged between 18 and 30 years. Figure 2.2 shows that 42 percent of visas issued in 2003 to Working Holidaymakers were to people aged between 20 to 24 years. Forty-nine percent were issued to people between the ages of 25 and 30 years. The remainder were issued to those 18 or 19 years of age.

⁸ From 1 July 2005, there will be no upper limit on the number of places for the Working Holiday Schemes for Germany, the Netherlands, Sweden and the United Kingdom.

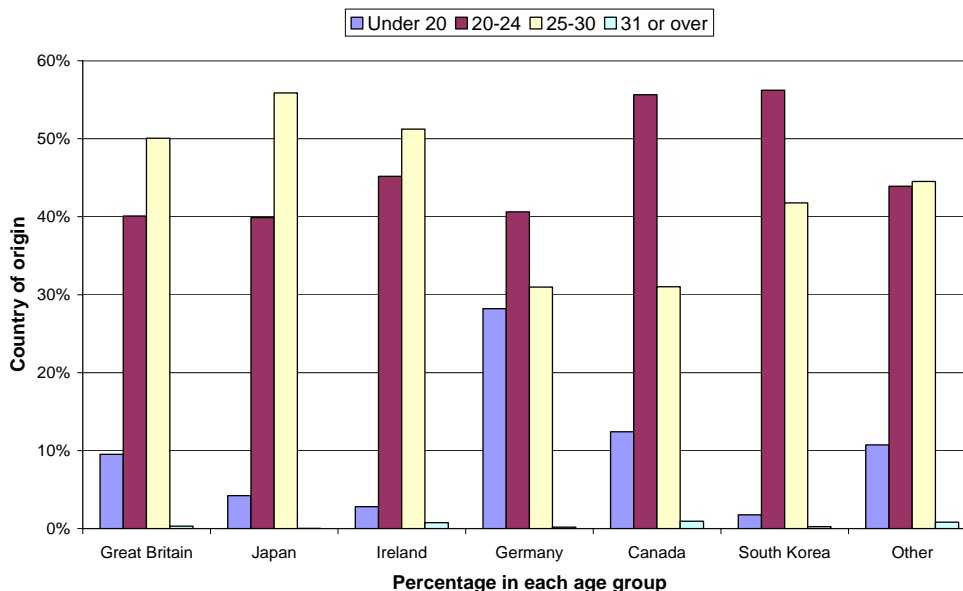
Figure 2.2 Working Holidaymakers by age group: 2003 calendar year (Immigration database) $n = 19,652$



* A small number of Working Holidaymakers were older than 30 years as they turned 31 after arriving in New Zealand (less than 1 percent). These people are not included in this Figure.

A large proportion of German Working Holidaymakers (28 percent) were under 20 years of age (see Figure 2.3). Consistent with the overall number, at least 40 percent of the Working Holidaymakers from all countries were in the 20 to 24 year age group, with Canada and South Korea having over one half of their approvals in this age group. Around half of Working Holidaymakers from Great Britain, Japan and Ireland were aged between 25 and 30 years.

Figure 2.3 Working Holidaymakers by age group and country: 2003 calendar year (Immigration database) $n = 19,652$



* The small number aged 31 years or older reflects those who turned 31 after approval.

2.2.4 Length of stay

Since Working Holidaymakers may come and go from New Zealand during the period of their Working Holiday permit, calculating average length of stay in New Zealand is complex.⁹

⁹ Working Holidaymakers are generally granted a one-year multiple entry visa from their date of arrival.

Some may convert onshore to a different permit type (such as a work or residence permit) and others may have been approved but have not yet arrived.¹⁰ To give an indication of Working Holidaymakers' length of stay in New Zealand, the analysis below includes those with 'clean' data. That is, those who arrived in New Zealand, stayed for up to 12 months and did not come and go during their stay. Data from the 2002 year was used to enable analysis for a complete year (Working Holidaymakers generally have 12 months to arrive in New Zealand from their date of approval, and so those approved in 2002, who intended to take up their visa, would have done so in the period covered by this analysis).

Of the 18,244 people approved for Working Holiday Scheme visas in 2002, 10,180 of those approved offshore and 111 approved onshore had 'clean' data and were included in this analysis (approximately 56 percent of the 18,244).¹¹ The average length of stay in New Zealand for those approved offshore was 181 days (approximately 6 months). South Korean and Japanese Working Holidaymakers tended to stay the longest (an average of 254 and 253 days respectively), followed by Irish (186 days), Germans (172 days) and Canadians (169 days). The average length of stay for British Working Holidaymakers was shorter (157 days) (see Table 2.3). Similar length of stay patterns were evident for the Working Holidaymakers approved in 2003 (based on those who had so far arrived). Length of stay patterns may well be longer if those who came and went from New Zealand were included.

Table 2.3 Length of stay for Working Holidaymakers approved offshore by country: 2002 calendar year (Immigration database) *n* = 10,180

WHS Country	Length of stay				Average length of stay	Total
	1 to 90 days (< 3 months)	91 to 180 days (3 to 6 months)	181 to 270 days (6 to 9 months)	271 to 365 days (9 to 12 months)		
	%	%	%	%	days	n
UK	34%	29%	19%	18%	157	4,939
Japan	12%	16%	17%	55%	253	1,973
Ireland	24%	23%	26%	26%	186	740
Germany	19%	44%	21%	16%	172	694
Canada	22%	39%	21%	18%	169	525
South Korea	9%	13%	24%	55%	254	198
Other	27%	41%	17%	15%	155	1,111
Total	26%	28%	19%	26%	181	10,180

* Includes only those Working Holidaymakers approved offshore who arrived, stayed for up to 12 months and did not come and go from New Zealand during their stay.

The average length of stay for those approved for a Working Holiday permit onshore was 142 days (4.7 months). The average length of stay by nationality ranged from 117 days for Dutch participants to 151 days for Canadians (see Table 2.4).

Table 2.4 Length of stay for Working Holidaymakers approved onshore by country: 2002 calendar year (Immigration database) *n* = 111

WHS Country	Length of stay				Average length of stay days	Total
	1 to 90 days (< 3 months)	91 to 180 days (3 to 6 months)	181 to 270 days (6 to 9 months)	271 to 365 days (9 to 12 months)		
	n	n	n	n	n	n
Canada	26	23	16	11	151	76
Malaysia	10	4	1	3	135	18
Netherlands	9	5	1	2	117	17
Total	45	32	18	16	142	111

* Includes only those Working Holidaymakers approved onshore who stayed for up to 12 months and did not come and go from New Zealand during their stay.

¹⁰ Working Holidaymakers generally have one year to arrive in New Zealand from the date their Working Holiday visa is approved.

¹¹ Only applicants from Canada, Malaysia, the Netherlands and Singapore are able to apply for a Working Holiday permit from onshore in New Zealand. Applicants from other countries must apply offshore.

2.3 The Newlands' Study

The analyses presented in this section are based on data from the Newlands' study, as well as feedback from NZIS and Work and Income Managers. The Newlands' study captured a small sample of Working Holidaymakers in New Zealand in 2003 and 2004 (see Appendix A). The number of people who responded to the Newlands' study was 218, although responses for individual questions ranged depending on the question and the number of responses is noted each time the data is quoted.

This section describes the Working Holidaymakers who took part in the Newlands' study in terms of their:

- age
- gender
- education levels
- reasons for visiting
- work status and occupation prior to visiting New Zealand
- duration of stay
- types of work in New Zealand
- expenditure and earnings
- satisfaction with visit and likelihood of return.

2.3.1 Age

Just over half the respondents (52 percent) in the Newlands' study were aged between 25 and 30 years, with a further 39 percent in the 20 to 24 year age group. Five percent were aged between 18 and 19 years. Four percent indicated that they were over 30 years of age when they travelled and worked in New Zealand. The small number aged over 30 years represents those who turned 31 after arriving in New Zealand.

2.3.2 Gender

Fifty-six percent of respondents in the Newlands' study were female and 44 percent were male. This is similar to the gender distribution of the total Working Holidaymaker approvals in 2003 (see 2.2.3 above).

2.3.3 Education levels

Working Holidaymakers who took part in the Newlands' study were generally well-educated, with nearly nine in ten having received some form of post-secondary education.¹² Twelve percent recorded high school education as their highest level, 9 percent had some tertiary education, 11 percent had completed an undergraduate degree and 12 percent had completed a post-graduate degree.

Education levels varied with nationality. Thirty-three percent of German respondents left study after secondary school, reflecting the high proportion of 18 and 19 year olds (see Figure 2.3) who may be travelling in the gap between secondary school and further study. Fifty-seven percent of Japanese respondents had achieved a diploma level qualification and over 50 percent of British and the Dutch respondents held an undergraduate degree. Twenty-five percent of Irish respondents had a post-graduate degree.

2.3.4 Reasons for visiting New Zealand

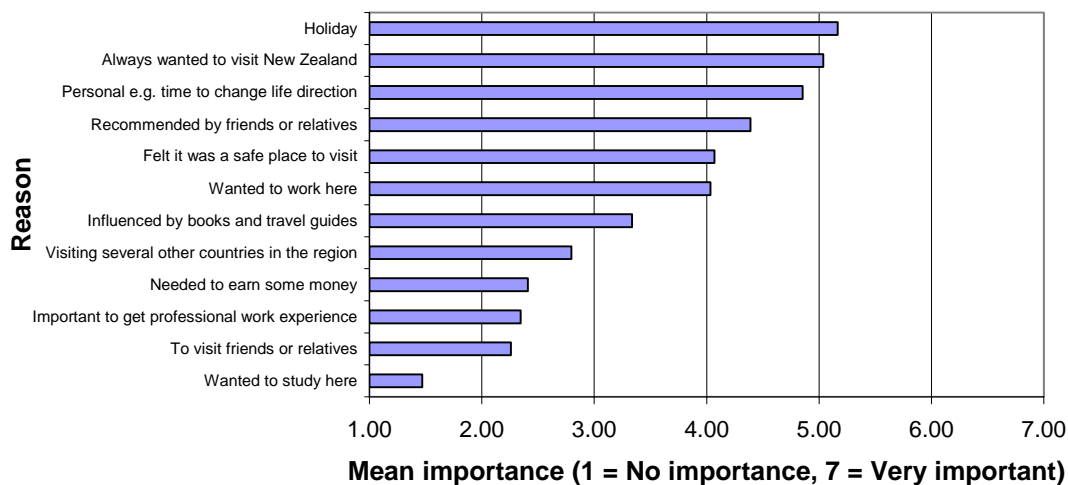
Working Holidaymakers in the Newlands' study visited New Zealand for a number of reasons. Participants were asked to rate their reasons for visiting on a scale from one (of no

¹² For this question in the Newlands' survey, n = 211.

importance) to seven (very important). See Figure 2.4. Some of the reasons that were considered important were:¹³

- for a holiday
- they had always wanted to visit New Zealand
- for personal reasons
- a visit had been recommended to them by family or friends
- because New Zealand is considered a safe place
- they wanted to work here

Figure 2.4 Main reasons for visiting New Zealand: multiple answers per respondent (Newlands' study) $n = 218$



2.3.5 Work status prior to visiting New Zealand

Sixty-three percent of respondents in the Newlands' study had worked immediately before coming to New Zealand.¹⁴ Most of the remaining respondents came to New Zealand directly from studying (34 percent). Less than 2 percent were actively looking for work prior to their visit.

2.3.6 Occupations and incomes prior to visiting New Zealand

The Newlands' study respondents were not only reasonably well educated but nearly 40 percent of respondents classified their pre-New Zealand occupation as 'professional'.¹⁵ Nineteen percent classified their occupation as student, 10 percent as clerical work, 7 percent as sales work and 5 percent as semi-skilled or manual work (see Figure 2.5).

A large number of respondents were well-paid by New Zealand standards, with 41 percent earning in excess of, the equivalent of, NZ\$40,000 annually before coming to New Zealand. This compares with an average New Zealand income of NZ\$28,028.¹⁶

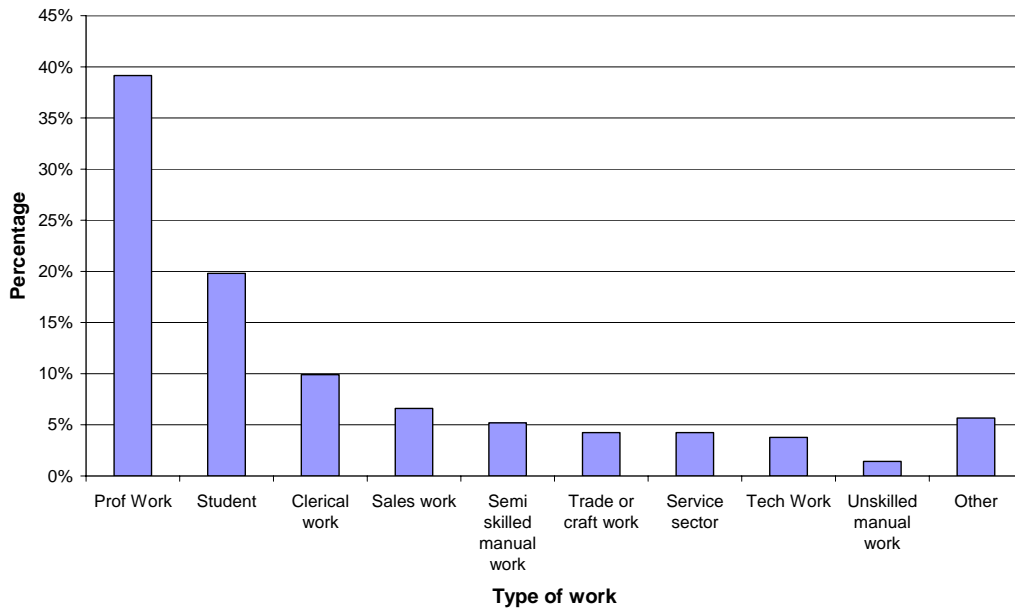
¹³ For this question in the Newlands' survey, $n = 218$.

¹⁴ For this question in the Newlands' survey, $n = 212$.

¹⁵ For this question in the Newlands' survey, $n = 205$.

¹⁶ Source: Statistics New Zealand Average Weekly Income (Year to June 2003).

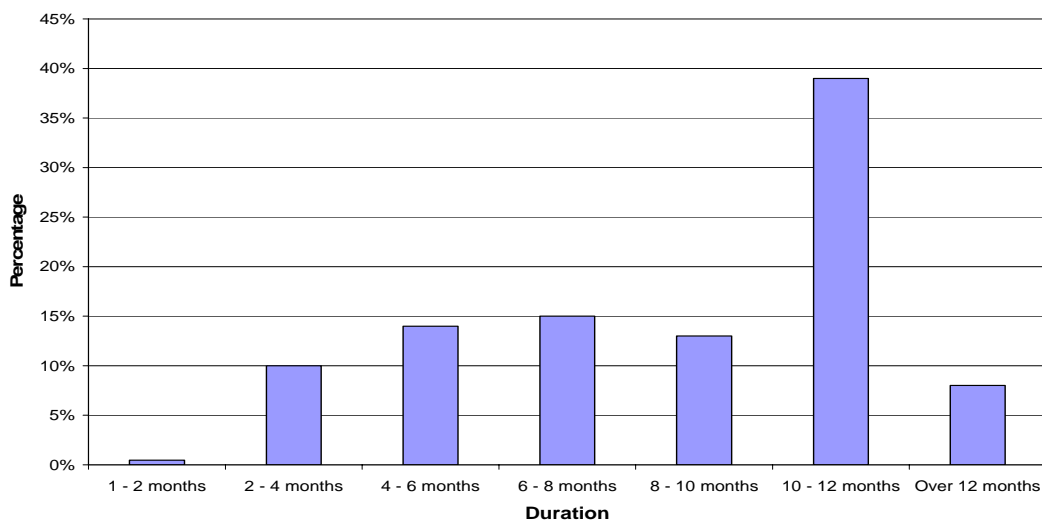
Figure 2.5 Type of work Working Holidaymakers were engaged in before their visit to New Zealand (Newlands' study) $n = 212$



2.3.7 Duration of stay in New Zealand

As would be expected, length of stay is a good predictor of the number of jobs taken while in New Zealand. The longer Working Holidaymakers stayed, the higher the number of jobs taken and the longer the time spent in work.¹⁷ Overall, over half of Working Holidaymakers in the Newlands' study stayed for eight to 12 months (see Figure 2.6) and most of these worked for over 50 percent of their time here. The average length of stay of the study participants was nine months (257 days). This is longer than the average length of stay for Working Holidaymakers approved in 2002 who had an average length of stay of 181 days (see section 2.2.4 above). However, the length of stay analysis for Working Holidaymakers approved in 2002 did not include those who left and returned to New Zealand during the currency of their permit. It is possible that those who come and go during their stay spend more time, on average, in New Zealand than other Working Holidaymakers.

Figure 2.6 Length of stay for Working Holidaymakers (Newlands' study) $n = 215$



¹⁷ For this question in the Newlands' survey, $n = 215$.

2.3.8 Work in New Zealand

Most Working Holidaymakers in the Newlands' study (90 percent) had intended to work during their stay in New Zealand.¹⁸ All of the Working Holidaymakers in the Newlands' study took part in paid or unpaid work while in New Zealand, including 93 percent who took part in paid employment.

Types of work

NZIS onshore Branch Managers were asked their perceptions of the types of work taken by Working Holidaymakers. In their view, the types of jobs filled by Working Holidaymakers were 'just about any type of work, particularly in the larger cities'. In addition to work in the hospitality industry and seasonal work such as fruit picking, other occupations mentioned included teaching, contracting for business services providers, tourism-related jobs, temping assignments, hairdressing and childcare. NZIS Managers also reported that some Working Holidaymakers possessed high skill levels and qualifications, and were employed in occupations such as nursing and accountancy.

This was supported by the Newlands' study, in which respondents reported a variety of jobs (see Figure 2.7). The most common jobs were in the area of hospitality (with 17 percent recording an occupation in this area as their main job in New Zealand). Other common occupations included agriculture other than fruit picking (14 percent), fruit picking (7 percent), sales assistant (7 percent) and backpacker or hostel worker (5 percent). Fourteen percent recorded voluntary unpaid work as their main occupation and this included people working on the following two schemes; Willing Workers on Organic Farms (WWOOF) and Farm Helpers in New Zealand (FHINZ).

Figure 2.7 Main employment area for Working Holidaymakers (Newlands' study) $n = 210$

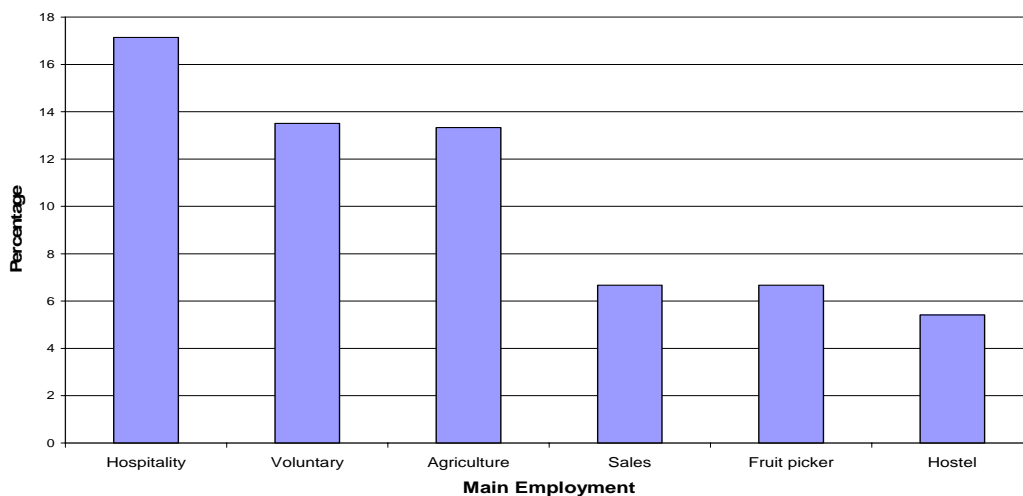
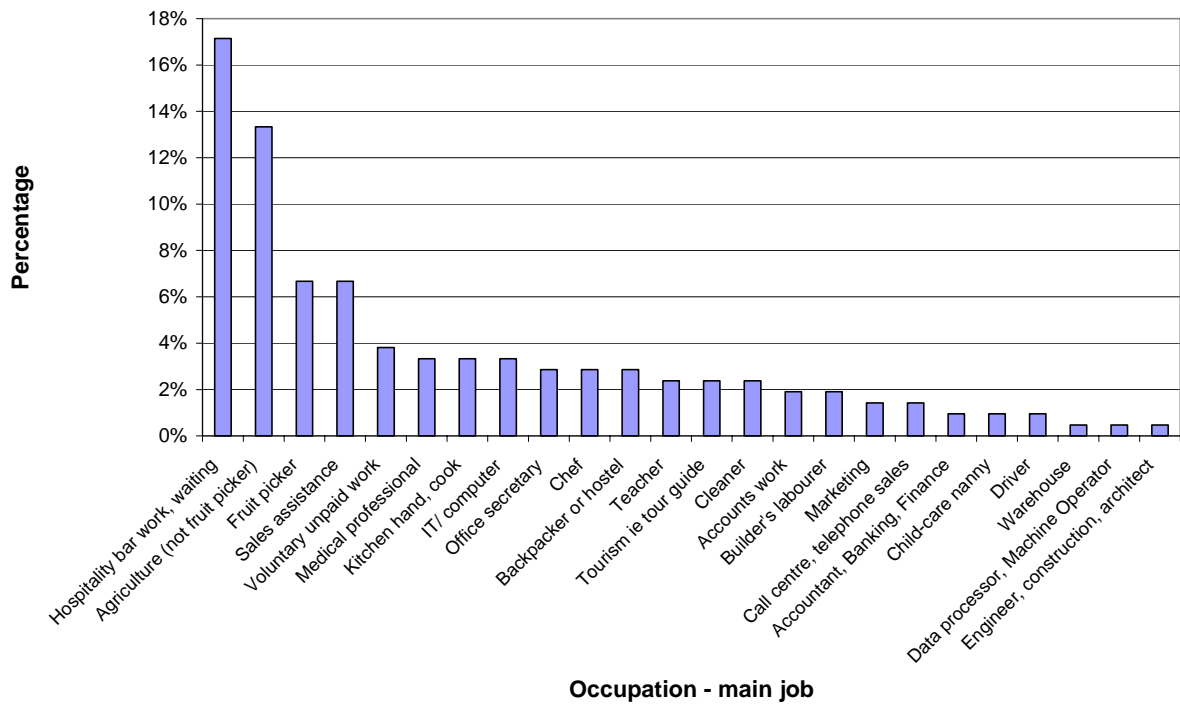


Figure 2.8 provides some more detail of the types of work Working Holidaymakers took part in while in New Zealand.

¹⁸ For this question in the Newlands' survey, $n = 218$.

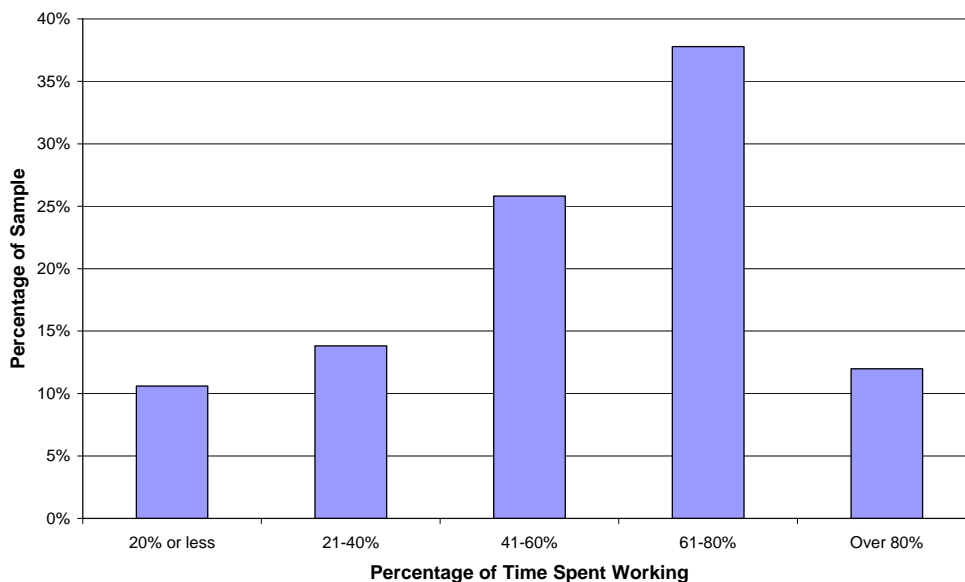
Figure 2.8 Main job in New Zealand and type of work for Working Holidaymakers (Newlands' study) $n = 210$



Amount of time spent working in New Zealand

Thirty-eight percent of Working Holidaymakers who responded to the Newlands' study spent between 60 and 80 percent of their time in New Zealand working. Twelve percent spent over 80 percent of their time in New Zealand working (see Figure 2.9). The average amount of time the Working Holidaymakers spent working while in New Zealand was 55 percent.

Figure 2.9 Percentage of time spent working (Newlands' study) $n = 217$

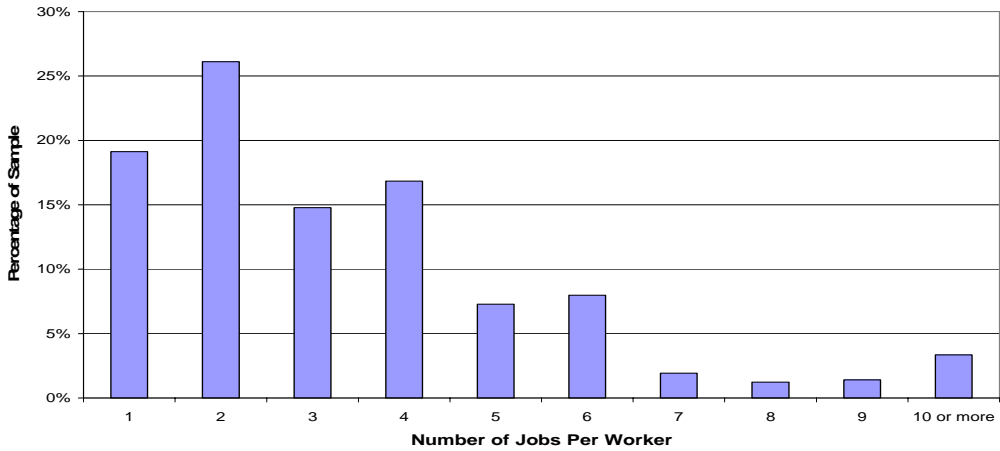


Number of jobs taken

Many Working Holidaymakers in the Newlands' study had more than one job during their stay, with most having four or less but some having as many as ten or more (see Figure 2.10). All Dutch, most Canadian (90 percent), most British (83 percent) and most Irish (62 percent) took

four or less jobs during their stay in New Zealand. The average number of jobs taken while in New Zealand was 3.3.

Figure 2.10 Number of jobs taken while in New Zealand per Working Holidaymaker (Newlands' study) $n = 216$



Time spent in main job

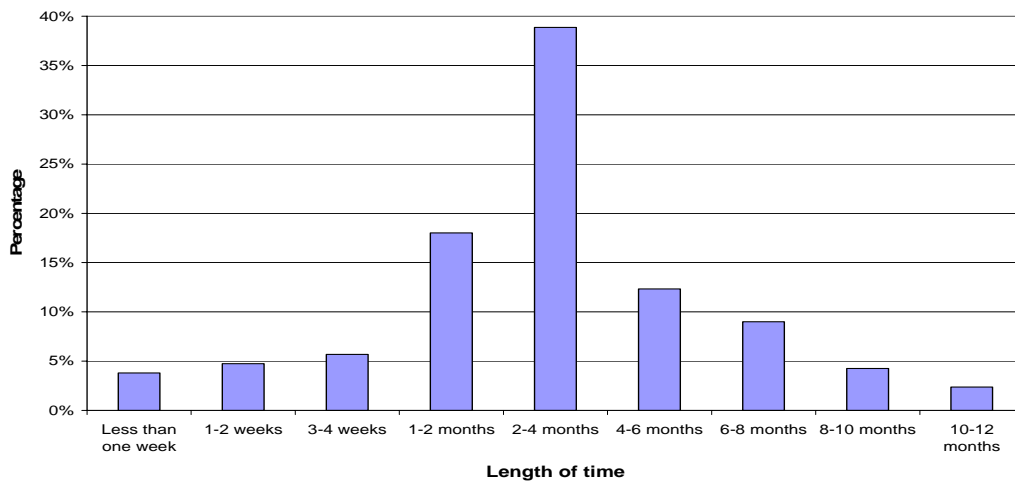
NZIS onshore Branch Managers believed that some Working Holidaymakers are staying with employers for longer than three months, in contravention of their permit conditions, although they did not know the extent to which this was occurring. Branch Managers also felt that there is little regard for the three month maximum work conditions amongst some employers.

Work and Income staff who participated in the survey in 2000 (see Appendix B) reported that they had no evidence of Working Holidaymakers taking up long-term employment, although it was noted that on occasion Working Holidaymakers used the scheme as a step towards obtaining a work or residence permit. Work and Income staff also noted that there were two distinct types of work that Working Holidaymakers engaged in: that is, they either worked for 'up to eight weeks' in a seasonal job like fruit picking, or they worked for a three month period in hospitality or tourism.

The jobs undertaken by Working Holidaymakers were generally held for a short period, in keeping with the conditions of the Working Holiday permit.¹⁹ Thirty-eight percent of Working Holidaymakers in the Newlands' study reported that they spent between two and four months in their main job. However, a proportion indicated longer periods, with 12 percent reporting that they spent four to six months in their main job and 9 percent reporting that they spent six to eight months in their main job (see Figure 2.11).

¹⁹ Permit conditions specify that the holder may not work for the same employer for more than three months.

Figure 2.11 Length of time spent in main job (Newlands' study) $n = 211$



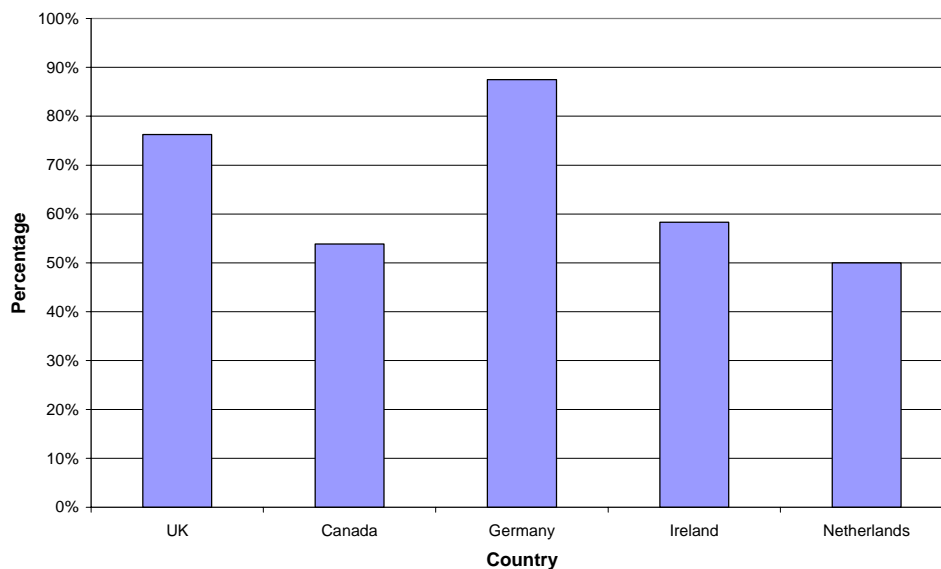
Access to main job

Most Working Holiday Scheme participants in the Newlands' study accessed their main employment via a direct approach to the employer.²⁰ Others used personal contacts, private employment agencies, newspaper advertisements or internet job ads.

Whether job was advertised as short-term

Some jobs undertaken by Working Holidaymakers were advertised as short-term jobs and sometimes Working Holidaymakers took jobs advertised as permanent but only stayed for a short time. For example, in some areas where work is seasonal in some specific occupations (such as Queenstown in the ski season) workers occupied jobs that were required in the short-term only.²¹ Over 70 percent of Working Holidaymakers in the Newlands' study took jobs advertised as short-term, although there was variation by nationality (see Figure 2.12).²²

Figure 2.12 The job taken was advertised as short-term or temporary (Newlands' study) $n = 202$



²⁰ For this question in the Newlands' study, $n = 211$.

²¹ Comment made by Ken Newlands.

²² For this question in the Newlands' study, $n = 119$.

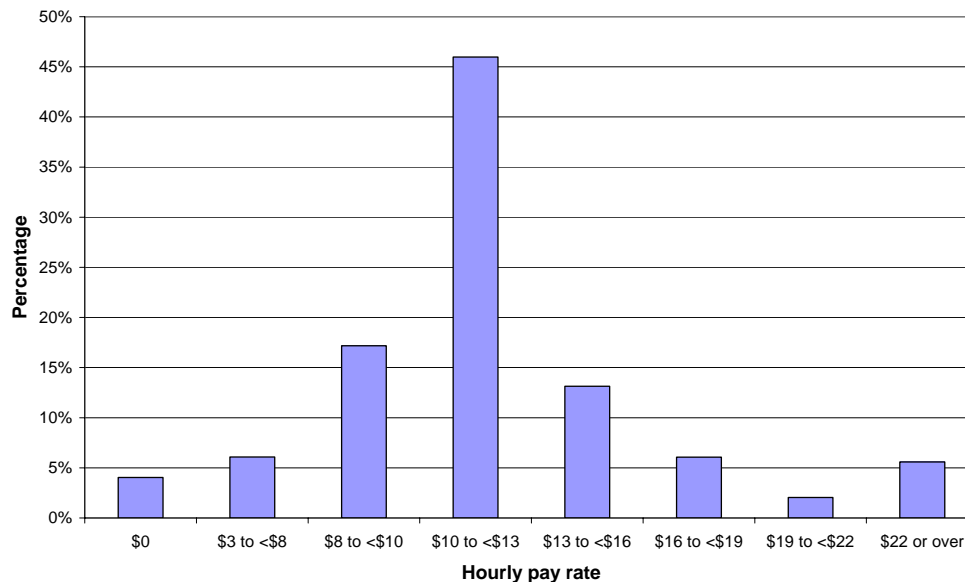
Pay rates

Amongst the 198 valid responses in the Newlands' study, the mean take home pay was reported as \$12.06 per hour (calculated to include eight people who did volunteer work). The average pay rate excluding those who worked on a volunteer basis was \$12.57 per hour. Hourly rates varied amongst nationalities, with Canadians earning up to \$27 per hour, Irish up to \$15 per hour and Germans up to \$16 per hour. The highest amount paid was \$75 per hour and the smallest amount was \$3 per hour.

This data suggests that some Working Holidaymakers were being paid below the minimum wage. Responses were received from Working Holidaymakers in the Newlands' study between August 2003 and April 2004, near the end of their stay in New Zealand. Therefore participants were generally referring to work they had done at some stage between August 2002 and April 2004. The minimum wage during this period was \$8 per hour between March 2002 and March 2003 and \$8.50 per hour between March 2003 and March 2004. The statutory minimum wage applies to all employees, including those on casual contracts and in seasonal work.²³

Three participants said they were paid between \$3 and \$6 per hour and 9 people were paid \$7 per hour. A further 19 people reported being paid \$8 per hour (which was not necessarily below the minimum wage, depending on the period worked). While this suggests that some Working Holidaymakers were being paid below the minimum wage, it is difficult to know the context in which this occurred. For example, if an employee is provided with board and lodging, a deduction of 15 percent for board and 5 percent for lodging can be made from the minimum wage.²⁴ In the Australian study, some Working Holidaymakers reported receiving payment 'in kind', such as board and lodging, particularly when working in a private home or hostel.²⁵

Figure 2.13 Hourly rate of pay for Working Holidaymakers (Newlands' study) $n = 198$



How workers received payment

Most workers in the Newlands' study were paid via direct credit into their bank account (81 percent).²⁶ Fifteen percent were paid in cash and the remainder by cheque. Eighty-one

²³ Source: Employment Relations Service infoline.

²⁴ Source: Employment Relations Service website, <http://www.ers.dol.govt.nz/pay/minimum.html>.

²⁵ Harding and Webster, 2002.

²⁶ For this question in the Newlands' study, $n = 203$.

percent received a payslip for their work, while 19 percent reported they did not receive a payslip.²⁷

Hours worked per week

Most workers in the Newlands' study were in employment for 31 to 40 hours per week.²⁸

Where they worked

Many Working Holidaymakers travelled throughout New Zealand during their stay and worked in a number of locations. The most popular work locations in the North Island were Auckland, the Bay of Islands and Hawkes Bay. The most popular work locations in the South Island were Otago (including Queenstown), Canterbury and Nelson.

2.3.9 Attendance at a training or educational institution during stay in New Zealand

Most Working Holidaymakers in the Newlands' study did not receive any training or education from a training or educational institution while in New Zealand.²⁹ Twenty-six out of 209 people responding to the question (12 percent) did receive training.

Of those who reported attending a training or educational institution in New Zealand, nearly half were Working Holidaymakers from the UK (12 out of 26 persons or 46 percent of the total).

2.3.10 Expenditure

It is difficult, but not impossible, to estimate the amount of money spent by Working Holidaymakers in New Zealand. Any such estimate should be treated with caution. However, using the Australian Working Holidaymaker study example³⁰, it is possible to estimate levels of expenditure based on total wages earned while in New Zealand. The Newlands' study asked questions on income and expenditure as well as how much money Working Holidaymakers brought with them to New Zealand, earned while here, drew on while they were here and how much they intended to take out of the country with them. This data forms the basis for an analysis of expenditure while in New Zealand.³¹

Working Holidaymakers who participated in the Newlands' study arrived with \$8,659 on average.³² They earned, on average, \$7,452 while they travelled and worked in New Zealand. They also accessed an additional \$1,980 in funds from other sources (such as credit cards) while they were in New Zealand. An analysis of the money they reported arriving with (\$8,659 on average) and the money they reported leaving with (\$3,088 on average) indicates that they put approximately \$15,000 per person into the New Zealand economy via expenditure (see Table 2.5).

Table 2.5 Expenditure by average Working Holidaymaker (Newlands' study)³³

Brought In	Earned	Other Access	TOTAL	Taken Out	Expenditure
'A'	'B'	'C'		'D'	'E'
\$8,659	\$7,452	\$1,980	\$18,091	\$3,088	\$15,003

²⁷ For this question in the Newlands' study, n = 204.

²⁸ For this question in the Newlands' study, n = 202.

²⁹ For this question in the Newlands' survey, n = 209.

³⁰ Harding and Webster, 2002. A description of this study is included in Appendix D.

³¹ It is important to note that the Newlands' study was not a representative sample of Working Holidaymakers and it involved 218 people. However, in view of the fact that it is the only information we have about Working Holidaymaker earning and expenditure patterns, it is of interest to do this analysis although likely to be only indicative.

³² Respondents to the series of questions in the Newlands' study relating to income and expenditure numbered between 190 and 210.

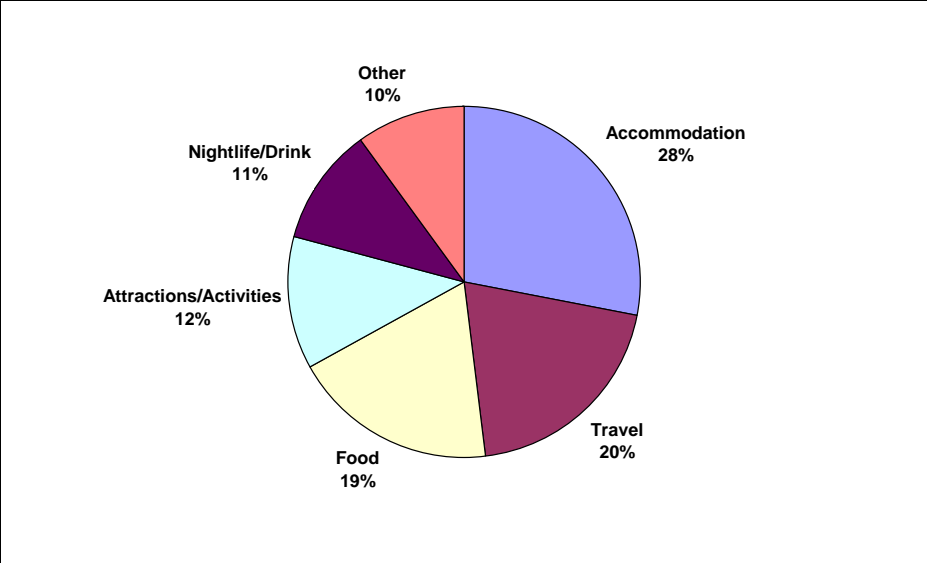
³³ This calculation has been made according to the following formula: (A+B+C)-D = E.

If the Newlands' study respondents are representative of all Working Holidaymakers visiting New Zealand, then it could be estimated that Working Holidaymakers in 2003/04 put approximately \$309 million into the New Zealand economy in that year.³⁴ These estimates are very similar to those for Working Holidaymakers visiting Australia in 1999/2000, where each Working Holidaymaker was estimated to spend A\$16,314, leading to a total expenditure annually of A\$1.3 billion (by 80,000 Working Holidaymakers). However, these figures are only approximate and provide an indication of the impact that Working Holidaymakers have in New Zealand.

The average spend per Working Holidaymaker (based on the Newlands' study data) was higher than the average for all tourists to New Zealand in 2003, which was \$3,344 per person per visit. It is also higher than for the average tourist in the 20 to 29 year age group who visited New Zealand who spent \$3,790 on average.³⁵ Since tourists spend, on average, much less time in New Zealand than Working Holidaymakers (the average length of stay for visitors to New Zealand in the year ended March 2003 was 22 days) this finding is as expected.³⁶

Most expenditure by Working Holiday Scheme participants in the Newlands' study was in the areas of accommodation (28 percent), travel (20 percent) and food (19 percent). See Figure 2.14.

Figure 2.14 Average spending by Working Holidaymakers (Newlands' study)



A breakdown of spending by dollar amounts shows that Working Holidaymakers spent, on average, approximately \$4,200 on accommodation, \$2,850 on food, \$3,000 on travel, \$1,800 on attractions and activities and \$1,650 on nightlife and drinking. The estimated annual spending in these areas by Working Holidaymakers (based on 20,604 approvals in 2003/04) is set out in Table 2.6.

³⁴ There were 20,604 Working Holidaymakers granted permits in 2003/04.
³⁵ This is based on data supplied by the Tourism Research Council and is based on information gathered in the International Visitors' Survey (2003).
³⁶ Source: International Visitors' Survey, year ended March 2003.

Table 2.6 Estimated expenditure by Working Holidaymakers by area of expenditure

Area of expenditure	Annual individual expenditure		Annual collective Expenditure* \$
	\$	%	
Accommodation	\$4,201	28%	\$86,554,107
Food	\$2,851	19%	\$58,733,144
Travel	\$3,001	20%	\$61,824,362
Attractions/Activities	\$1,800	12%	\$37,094,617
Nightlife/Drinks	\$1,650	11%	\$34,003,399
Other	\$1,500	10%	\$30,912,181
Total	\$15,003	100%	\$309,121,812

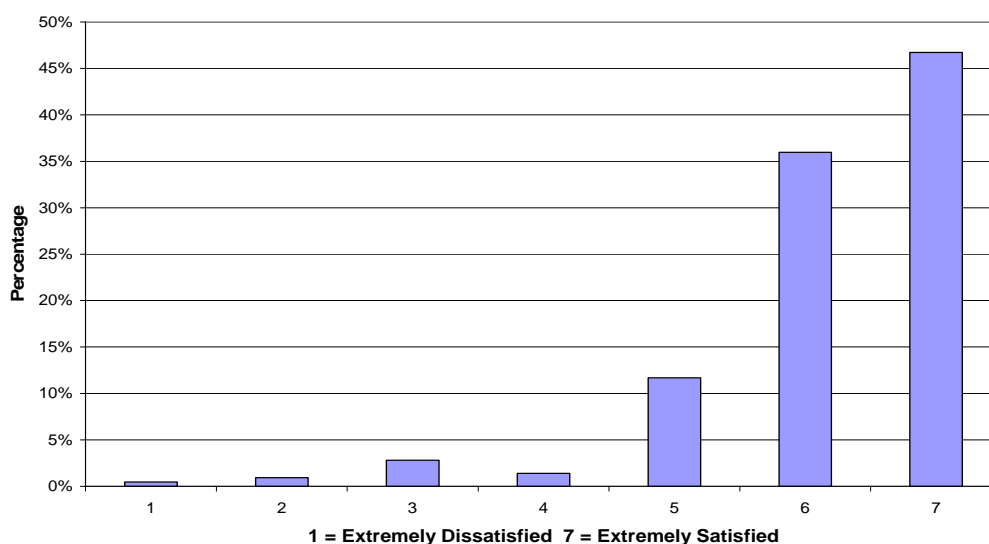
*Estimated from 2003/04 year data (20,604 Working Holidaymakers)

2.3.11 Satisfaction with visit and likelihood of return

When asked to rate their levels of satisfaction with their New Zealand visit on a scale of one to seven (seven being totally satisfied and one being extremely dissatisfied), 47 percent of the Newlands' study respondents reported that they were totally satisfied and a further 36 percent reported that they were very satisfied (six out of seven) (see Figure 2.15).

Figure 2.15 Satisfaction with working holiday in New Zealand (Newlands' study)

n = 214



When asked about the permit application process, 75 percent reported that the process was easy and efficient. Twenty-five percent made comments about how the process might be improved or made negative comments about their experience of obtaining a Working Holidaymaker permit. When asked if they would recommend a Working Holiday in New Zealand, 96 percent said yes and only 4 percent said they would not.

Forty-one percent of Working Holidaymakers indicated they were likely to return to New Zealand within five years. Almost half of the British Working Holiday Scheme participants indicated that they were likely to return to New Zealand within five years (48 percent). Canadian visitors also indicated a high likelihood of return (41 percent).³⁷ Of those who indicated their intention to return, the reasons for their return would be to holiday, emigrate or work.

³⁷ For this question in the Newlands' survey, *n* = 213.

2.4 The New Zealand - UK Working Holiday Scheme: Who is using it?

2.4.1 Introduction

British Working Holidaymakers have traditionally formed a significant number of the Working Holidaymakers who have visited New Zealand under the Working Holiday Schemes. As such, they are of particular importance and relevance to this study.

This section describes UK Working Holiday Scheme approvals, including participants' age and gender (from the Immigration database). Then the characteristics of the British Working Holidaymakers who took part in the Newlands' study are described in terms of their:

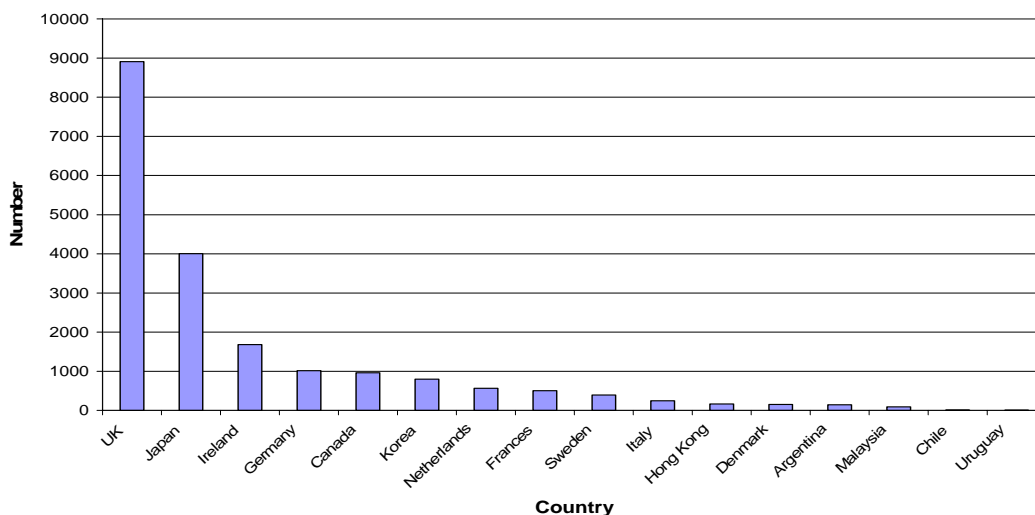
- education levels
- reasons for visiting
- work status and occupation prior to visiting New Zealand
- duration of stay
- types of work
- expenditure and earnings
- satisfaction with visit and likelihood of return.

2.4.2 Approvals 1998 to 2003

Ten thousand places are allocated annually for Working Holidaymakers from the UK to visit New Zealand. In 2003, 8,910 people were approved for participation in this scheme or 45 percent of visas issued to all countries under Working Holiday Schemes (see Figure 2.16).

Working Holidaymakers from the UK had a similar age profile to all other Working Holidaymakers in 2003. There was an even spread of gender with 49 percent of British Working Holidaymakers in 2003 being female and 51 percent male.

Figure 2.16 Working Holiday visas issued by country in 2003 (Immigration database) $n = 19,652$



2.4.3 British Working Holidaymakers in the Newlands' study

With a few exceptions, British Working Holidaymakers were similar to all Working Holidaymakers who took part in the Newlands' study:

- *Education levels:* Fifty-one percent of British Working Holidaymakers in the Newlands' study reported having completed an undergraduate degree compared with 26 percent amongst all other groups³⁸
- *Reasons for visiting New Zealand:* When asked about their reasons for visiting New Zealand, British respondents, along with those from the Netherlands, were more likely than other respondents to have stated that they had 'always wanted to visit New Zealand'. They were also the most likely group to state their reason for visiting New Zealand as 'to visit friends or relatives'. In view of the strong ties between the UK and New Zealand, this is not surprising
- *Work status prior to visiting New Zealand:* Sixty-six percent of British Working Holidaymakers were in paid employment before their visit to New Zealand, with most of the remainder being involved in study prior to their visit (32 percent).³⁹ This was very similar to the pattern for all Working Holidaymakers in the Newlands' study
- *Occupation prior to visiting New Zealand:* Prior occupations for Working Holidaymakers from the UK were very similar to prior occupations of the total Working Holidaymakers in the Newlands' study⁴⁰
- *Duration of stay in New Zealand:* Length of stay patterns for those from the UK tended to be very similar to those for all Working Holiday Scheme participants
- *Work in New Zealand:* Again, patterns of employment for British Working Holidaymakers were similar to all Working Holidaymakers. Many British Working Holidaymakers took on more than one job, as did most Working Holidaymakers. The average number of jobs taken by British Working Holidaymakers (3.1) was similar to all Working Holidaymakers (3.3). The main employment areas for British Working Holidaymakers in the Newlands' study were:⁴¹
 - hospitality and bar work
 - agriculture (other than fruit picker)
 - fruit picker
 - sales
 - medical professional
- *Pay rates:* British Working Holidaymakers were likely to earn slightly more on an average hourly basis than other Working Holidaymakers (\$12.80 compared with \$11.20 for all other groups). British Working Holidaymakers were less likely to be paid in cash⁴² and were more likely to receive a payslip⁴³ than other Working Holidaymakers
- *Amount of time spent working in New Zealand:* British Working Holidaymakers were more likely to spend larger amounts of their time in New Zealand working rather than holidaying or at leisure than were other Working Holidaymakers (see Figure 2.17)

³⁸ For this question in the Newlands' study, n = 211.

³⁹ For this question in the Newlands' study, n = 108 (British respondents only).

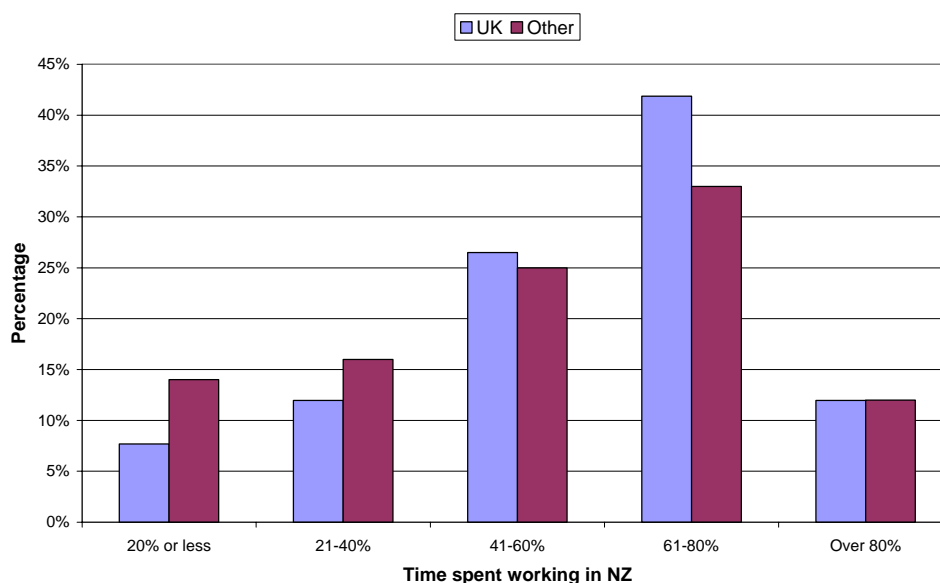
⁴⁰ For this question in the Newlands' study, n = 205.

⁴¹ For this question in the Newlands study, n = 117 (British respondents only).

⁴² For this question in the Newlands' survey, n = 203.

⁴³ For this question in the Newlands' survey, n = 204.

Figure 2.17 Time spent working in New Zealand for British Working Holidaymakers compared to non-British Working Holidaymakers (Newlands' study) $n = 217$



- *Whether job was advertised as short-term:* While most Working Holidaymakers took jobs that were advertised as being short-term, British Working Holidaymakers were more likely than others (aside from German Working Holidaymakers) to take jobs advertised as short-term or temporary as opposed to jobs advertised as long-term or permanent (see Figure 2.12 above)
- *Work would have been ongoing:* Working Holidaymakers were asked if they would have stayed in the job they had if they had been allowed to under the provisions of their permit.⁴⁴ Sixty percent of British Working Holidaymakers reported that they thought that their job would have continued to be available to them. This compared with 43 percent for German Working Holidaymakers, 53 percent for Irish and 38 percent for Dutch
- *Attendance at a training or educational institution during stay in New Zealand as a Working Holidaymaker:* Twelve percent of all Working Holidaymakers in the Newlands' study attended a training or educational institution during their stay in New Zealand.⁴⁵ Forty-six percent of those who attended a training or educational institution were from the UK. This is as would be expected and is in line with the proportion of Working Holidaymakers who were from the UK
- *Expenditure:* British Working Holidaymakers spent, on average, \$13,385 each during their working holiday in New Zealand.⁴⁶ This was slightly less than the average for all Working Holidaymakers, which was \$15,000. The British group, when compared to all other groups, spent, on average, \$3,500 less per person than Working Holidaymakers who were not from the UK. This represents an average spend of 21 percent less per visit (see Table 2.7). This is consistent with patterns for British visitors in New Zealand who were not on a Working Holiday Scheme between the ages of 20 and 29 years, who also spent less while in New Zealand than non-British visitors.⁴⁷

British Working Holidaymakers arrived in New Zealand with less money than Working Holidaymakers from other countries. They accessed less money from other sources

⁴⁴ The Newlands' study question reads 'Do you believe the job would have been on-going had you permission to work longer under your permit conditions or a longer duration visa?' The number of respondents who answered this question, $n = 185$.

⁴⁵ For this question in the Newlands' study, $n = 209$.

⁴⁶ Respondents to the series of questions in the Newlands' study on income and expenditure numbered between 190 and 210, depending on the question.

⁴⁷ This is based on data supplied by the Tourism Research Council and on information gathered in the International Visitor's Survey (2003).

while in New Zealand and they earned, on average, more. They also took more out of New Zealand when they left. Patterns of spending in New Zealand by British Working Holidaymakers were similar to the total Working Holidaymakers in the Newlands' study. Thirty-one percent of expenditure by British Working Holidaymakers was on accommodation, 17 percent on travel, 17 percent on food, 15 percent on nightlife and drink, 12 percent on attractions and activities and 10 percent in other areas

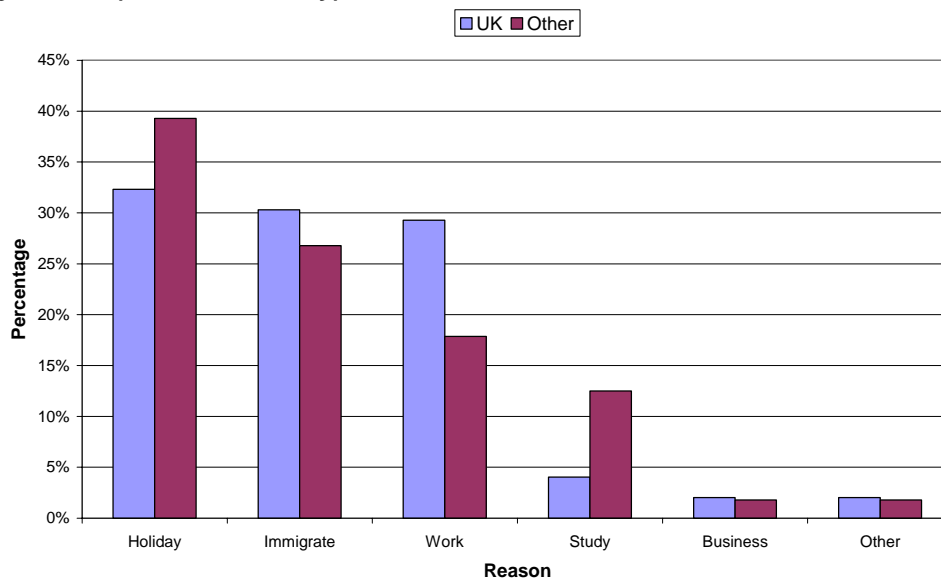
Table 2.7 Expenditure summary for British Working Holidaymakers compared to non-British Working Holidaymakers (Newlands' study) $n = 170$

	Brought in	Other access	Earned	TOTAL	Taken out	Expenditure
UK	\$7,196	\$1,853	\$7,979	\$17,028	\$3,643	\$13,385
Non-UK	\$10,409	\$2,154	\$6,795	\$19,358	\$2,432	\$16,926
All	\$8,659	\$1,980	\$7,452	\$18,091	\$3,088	\$15,003

- *Satisfaction with obtaining a permit:* Sixty-five percent of British Working Holidaymakers reported that their experience of obtaining a permit had been mostly satisfactory, pleasant, efficient and user-friendly.⁴⁸ Those who were not happy with the permit process were generally displeased that they were only able to obtain a permit for 12 months rather than 24 months, which they would have preferred. Several respondents made comments about a lack of access to, or difficulty in obtaining, information about the Working Holiday Scheme. Other negative comments were made about the lack of flexibility in the scheme
- *Likelihood of return:* As discussed above, 48 percent of British Working Holidaymakers indicated that they would like to return to New Zealand within five years. This compared with an average across all groups of Working Holidaymakers of 25 percent indicating their intention to return within this period. When compared with declared intentions by other nationalities indicating a return within five years, fewer British Working Holidaymakers said they would return to New Zealand to study. British Working Holidaymakers were more likely to indicate they would return to New Zealand to work (see Figure 2.18).

⁴⁸ For this question in the Newlands' survey, $n = 170$.

Figure 2.18 Reason for return to New Zealand for British compared to non-British Working Holidaymakers (Newlands' study) $n = 155$



2.5 Working Holidaymakers subsequently approved for residence

An analysis of Working Holidaymakers and subsequent conversion to residence over time was undertaken using data from the Immigration database. Each cohort of Working Holidaymakers from 1998 to 2003 was tracked to calculate the proportion in each cohort subsequently granted residence. Tables 2.8 and 2.9 are read as the cumulative proportion of Working Holidaymakers in each cohort who had been granted residence by the end of March 2004.

Of the 8,288 people issued a Working Holiday visa in 1998, one in ten subsequently applied for and were approved for residence. Tables 2.8 (all Working Holidaymakers) and 2.9 (British only) show that almost 14 percent of people who were British Working Holidaymakers in 1998 had subsequently sought and been granted residence by March 2004 compared to the 10 percent of all Working Holidaymakers. A total of 2,285 out of 38,039 British Working Holidaymakers converted to residence between 1998 and March 2004. This was twice the rate of conversion to residence for Working Holidaymakers from countries other than the UK (1,171 out of 42,030 converted to residence between 1998 and March 2004). This is unsurprising, given the links between the UK and New Zealand and the history of migration. It does suggest, however, that increasing numbers of Working Holidaymakers from the UK would mean increasing number of people from the UK would subsequently migrate to New Zealand. There would be a smaller conversion rate from other countries.

Table 2.8 Working Holidaymakers approved for residence 1998 to March 2004: All Working Holidaymakers (Immigration database)

Year approved for residence	Year approved for WHS					
	1998	1999	2000	2001	2002	2003
1998	11 (0.1%)					
1999	166 (2.0%)	14 (0.1%)				
2000	430 (5.2%)	198 (2.1%)	26 (0.3%)			
2001	619 (7.5%)	520 (5.5%)	229 (2.4%)	30 (0.2%)		
2002	716 (8.6%)	702 (7.4%)	489 (5.1%)	260 (1.7%)	33 (0.2%)	
2003	796 (9.6%)	823 (8.7%)	687 (7.2%)	583 (3.9%)	231 (1.3%)	43 (0.2%)
March 2004	803 (9.7%)	846 (8.9%)	732 (7.7%)	691 (4.6%)	329 (1.8%)	55 (0.3%)
Total WHS people	8,288	9,480	9,529	14,876	18,244	19,652

* Note that the year approved for residence is a calendar year. Year 2004 is until March 2004, thus only covers a three month period.

Table 2.9 Working Holidaymakers approved for residence 1998 to March 2004: British Working Holidaymakers (Immigration database)

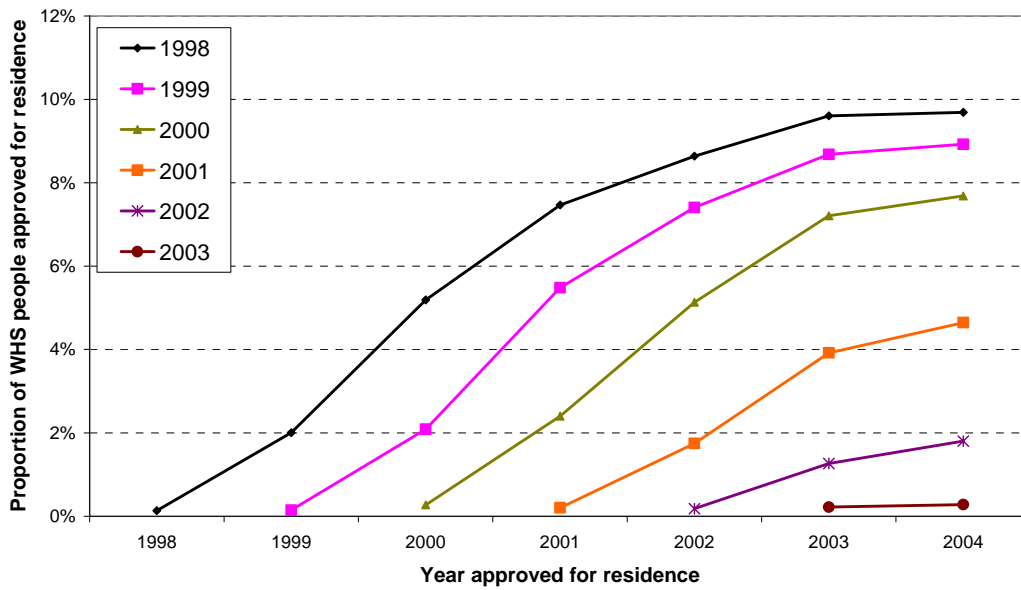
Year approved for residence	Year approved for WHS					
	1998	1999	2000	2001	2002	2003
1998	7 (0.2%)					
1999	129 (3.5%)	11 (0.2%)				
2000	314 (8.6%)	162 (3.4%)	17 (0.4%)			
2001	425 (11.6%)	389 (8.1%)	154 (3.3%)	19 (0.3%)		
2002	480 (13.1%)	500 (10.4%)	331 (7.1%)	178 (2.4%)	19 (0.2%)	
2003	511 (13.9%)	569 (11.8%)	456 (9.7%)	377 (5.2%)	154 (1.8%)	30 (0.3%)
March 2004	513 (14.0%)	579 (12.0%)	483 (10.3%)	446 (6.1%)	225 (2.6%)	39 (0.4%)
Total WHS people	3,666	4,820	4,680	7,266	8,697	8,910

* Note that the year approved for residence is a calendar year. Year 2004 is until March 2004, thus only covers a three month period.

The cumulative take-up of residence by people who have formerly been Working Holidaymakers shows that former Working Holidaymakers continue to take up permanent residence in New Zealand for some years after their initial visit here as a Working Holidaymaker.

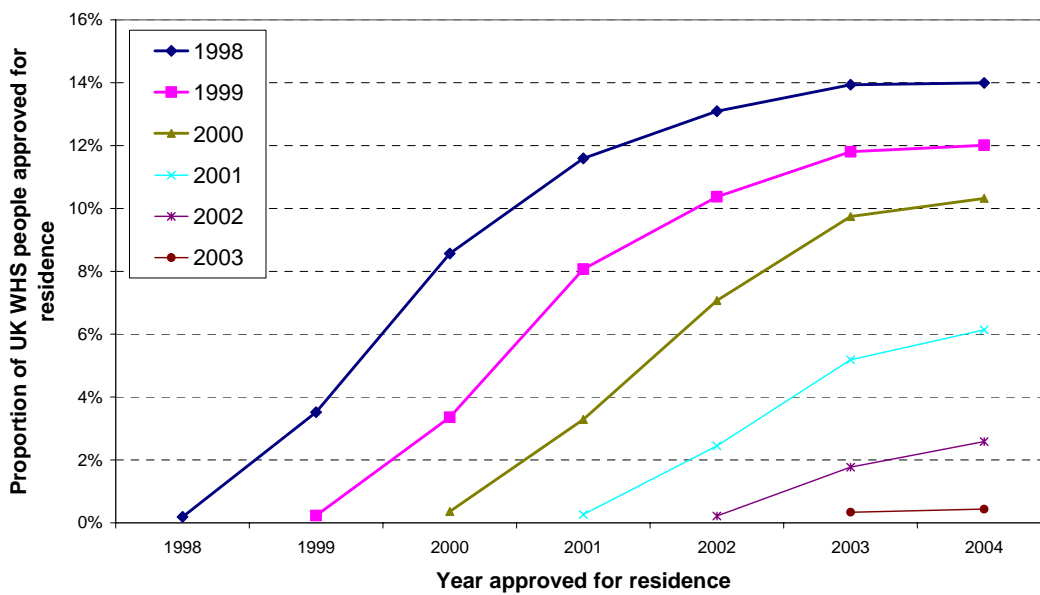
The rates of residence take-up are higher for British Working Holidaymakers, compared with all countries, but the pattern is similar (see Figures 2.19 and 2.20). The trend seems to be a high take-up of residence in the three years after the Working Holiday permit was issued. After this, take-up of residence tapers off quite markedly.

Figure 2.19 Cumulative take-up of residence by all former Working Holidaymakers



The date shown in the legend identifies the year in which the Working Holiday was approved. The year approved for residence is a calendar year. Year 2004 is until March 2004, thus only covers a three month period.

Figure 2.20 Cumulative take-up of residence by former British Working Holidaymakers



* The date shown in the legend identifies the year in which the Working Holiday was approved. The year approved for residence is a calendar year. Year 2004 is until March 2004, thus only covers a three month period.

3 IMPACTS OF WORKING HOLIDAY SCHEMES ON THE LABOUR MARKET AND THE LIKELY IMPACTS OF EXPANDING THE SCHEMES

3.1 Introduction

International experience as well as common sense tells us that a large number of young, relatively transient, short-term workers will have an impact on local labour markets.⁴⁹ It is also possible that the presence of such a workforce may have a negative impact on working conditions for New Zealand workers. This chapter examines these issues, including an assessment of the impact of increases to the Working Holiday Scheme cap to over 31,000 places annually.

Extrapolations in this chapter are based on the Newlands' study data which has been used as a basis for estimating the impacts of the entire Working Holidaymaker population. It is important to note that while the Newlands' study data provides a basis for assessment of trends, the sample was small and not representative of the total Working Holiday population. The data should be treated as indicative of possible trends rather than providing a precise estimate.

3.2 The Australian experience of Working Holiday Schemes

This chapter draws on findings from research into Australian Working Holiday Schemes that was completed in 2002 (see Appendix D). Australian research into Working Holiday Schemes has relevance to the New Zealand situation because of the similarities of the source countries and travel patterns of Working Holidaymakers. As in New Zealand's case, a large proportion of Working Holidaymakers to Australia are from the UK (between 1983/84 and 1999/00 at least half of Working Holidaymaker arrivals in any year were from the UK). Japan, Ireland, Canada and the Netherlands are also common Working Holiday Scheme source countries to Australia. In common with New Zealand, Australian Working Holidaymakers:

- must be aged between 18 and 30 years
- may remain in Australia for a time not exceeding 12 months
- are permitted to work in any temporary or casual job for a period of no more than three months
- may take part in work that is supplementary to holidaying
- are required to have medical insurance
- may not have dependents, such as children
- may undertake studies for a duration up to three months
- can apply for another type of permit while in Australia
- must apply for their permit in a country outside of Australia⁵⁰
- may be granted only one working holiday permit ever.

The main conclusion of the Australian study was that Working Holidaymakers made a positive contribution to the Australian labour market and economy. Based on 80,000 annual arrivals, it was estimated that Working Holidaymakers spent around \$1.3 billion annually. The Working Holiday Schemes also assisted Australian employers by ensuring they had access to a large pool of seasonal workers and did not need to resort to recruiting illegal workers.

⁴⁹ The Australian Study of Working Holidaymakers by Harding and Webster (2002) found that Working Holidaymakers in Australia occupied the equivalent of 40,909 full-year jobs annually.

⁵⁰ In New Zealand's case, citizens of Canada, Malaysia, Singapore and the Netherlands can apply for a Working Holiday permit onshore in New Zealand. Citizens of other countries may not.

3.3 Number of jobs taken

As discussed in Chapter 2, the number of Working Holidaymakers visiting New Zealand has more than doubled over the last six years (see Table 2.2). The average stay in New Zealand for Working Holidaymakers in the Newlands' study was nine months (257 days) and they worked on average 55 percent of their time in New Zealand. Assuming the Newlands' data holds for all Working Holidaymakers, see Table 3.1, in total, 20,604 Working Holidaymakers in New Zealand in 2003/04 would have occupied the equivalent of approximately 7,000 full-time jobs.⁵¹

Table 3.1 Estimate of equivalent annual jobs taken for all Working Holidaymakers in New Zealand in 2003/04

<p><i>Average stay = 257 days or 36.7 weeks</i></p> <p><i>Average time spent working = 55% of time spent in New Zealand = 141 days or 20 weeks (55% of 257 days / 7 days per week to get a weekly figure)</i></p> <p><i>Average hours per week working = 35 hours per week</i></p> <p><i>Total average work time = 35 hours per week * 20 weeks = 700 hours or 17.5 weeks full-time equivalent work per week based on 40 hours per week (based on a full-time work week)</i></p> <p><i>Total number of Working Holidaymakers per annum (2003/04) = 20,604</i></p> <p><i>Total number of weeks' work = 17.5 * 20,604 = 360,570 weeks full-time work</i></p> <p><i>Annual total of full-time equivalent jobs (based on 52 weeks a year) = 6,934 full-time jobs a year.</i></p>
--

The two key variables in the above analysis are average length of stay and average time spent working (assumed to be 257 days and 55 percent respectively, based on the Newlands' study). It is important to note that variation in these figures has a sizeable impact on the total number of jobs taken. For example, if Working Holidaymakers worked an average of 70 percent of a 257 day stay, they would take approximately 9,000 full-time jobs per year. If they worked 40 percent of their stay, they would take around 5,000 full-time jobs per year. If the average length of stay for Working Holidaymakers was 181 days (the average for those with 'clean' data approved off-shore in 2002, see section 2.2.4 above) and the average amount of time spent working was 55 percent, approximately 5,000 full-time jobs would be taken.

3.4 Impacts of Working Holidaymakers on New Zealand employment conditions

Some concerns were expressed that Working Holidaymakers **might** have negative impacts on working conditions in New Zealand. This is a difficult topic to research and the scope of this project meant it could only be touched on. Work and Income Managers (in the survey conducted in 2000) felt Working Holidaymakers brought both benefits and concerns to their regions. Several Work and Income Regional Offices raised concerns about working conditions and the impacts of Working Holidaymakers. They were:

- Working Holidaymakers could contribute to low pay rates in the types of jobs they filled
- the need for employers to be aware of who they could employ and the conditions of Working Holidaymaker permits
- the need to ensure that health and safety conditions were complied with.

Some NZIS Branch Managers expressed concerns that employers appeared to hold little regard for the three month work period limit.

⁵¹ Based on a 40 hour working week.

Union officials were canvassed for their views on Working Holiday Schemes. One union official mentioned that if Working Holidaymakers accepted lower pay and conditions then this could have the effect of driving down the general working conditions in casual and seasonal work for New Zealanders. A number of Working Holidaymakers in the Newlands' study reported being paid below the minimum wage (see section 2.3.8). Also, three Working Holidaymakers complained about low rates of pay, although in the context of the work experience (possibly limited) of the young Working Holidaymakers who made the comments it is difficult to know if they were underpaid.⁵² A representative of the Council of Trade Unions, however, said that he did not see the current number of Working Holidaymakers as causing problems for New Zealand workers - unless the number of approvals suddenly doubled in size.

To summarise, there was no factual evidence from the research involving Work and Income Regional Offices, NZIS onshore Branch Managers and Union officials that Working Holidaymakers are having negative impacts on working conditions in New Zealand. There were, however, concerns that negative impacts may be occurring. There was also some evidence from a few Working Holidaymakers that they were being paid less than the minimum wage.

3.5 The likely impacts of expanding the Working Holiday Schemes

3.5.1 Introduction

One of the aims of this report was to assess the impacts of increases to the Working Holiday Scheme cap to over 31,000 places annually. An analysis of the potential impacts of increases in numbers arriving for a Working Holiday is unable to take into account the unquantifiable effects, which were summarised by the Minister of Immigration (in 2000) as:

'[Working Holidaymakers] may also later return to New Zealand as tourists and encourage other people to visit New Zealand. Many Working Holiday Visa travellers also actually return and become our permanent residents. The fact that the schemes are reciprocal means young New Zealanders are given the opportunity to travel and work overseas. They are able to develop valuable skills and knowledge, which is an asset to New Zealand when they return home. Working Holiday Schemes also enhance the cultural and social development of young people and promote mutual understanding between New Zealand and other countries.'⁵³

These unquantifiable aims are important and it is acknowledged that the impacts of Working Holiday Schemes are, in part, intangible. However, there are a number of impacts that can be measured. These include impacts on local labour markets and impacts of working conditions. This section attempts to measure these impacts further.

3.5.2 Source countries

Under a scenario whereby the increases in Working Holiday Scheme numbers are spread proportionally across source countries, an increase to 40,000 places by 2006/07 will mean substantial increases for some countries of origin.⁵⁴ It has been assumed, based on the Australian experience, that increasing places on Working Holiday Schemes will lead to an increase in the overall number of young people visiting and working in New Zealand rather than

⁵² When asked whether they would recommend the Working Holiday Scheme to others, three respondents made comments about low wages in New Zealand. They were from Ireland, Japan and the UK. In total, 163 comments were received in this section.

⁵³ Quoted from a speech by the Hon Lianne Dalziel at a Backpacker Accommodation Councils of New Zealand annual conference (2000). Found at: <http://www.beehive.govt.nz/ViewDocument.cfm?DocumentID=8270>.

⁵⁴ The government has announced that the number of places allocated to all Working Holiday Schemes will be increased from 31,000 in 2004/05 to 36,000 in 2005/06 and 40,000 in 2006/07.

just substituting visitors for Working Holidaymakers.⁵⁵ Under this scenario, the UK and Japan will continue to be the largest source of Working Holidaymakers, and therefore will have the biggest potential impact on the labour market.

The analyses presented here are based on the assumption that overall increases to the Working Holiday Scheme will lead to proportional increases in Working Holidaymakers from each source country and that each source country will continue to provide Working Holidaymakers at proportionally the same rate as they do now. For example, British Working Holidaymakers made up 41 percent of the total numbers of Working Holidaymakers in the 2003/04 year. That is, 8,383 out of 20,604 Working Holidaymakers approved in this year came from the UK. If the Working Holiday Scheme numbers were lifted from the 2003/04 level of 26,200 (see Table 2.1) to 40,000 in 2006/07 (an increase of 53 percent) this could mean an increase in places available to British Working Holidaymakers from 10,000 to 15,300 per annum.⁵⁶

If the UK Scheme was subscribed to at the same level as for the 2003/04 years – 84 percent⁵⁷ (which is likely given the well-known and understood nature of the New Zealand-UK Scheme and the current level of demand for places⁵⁸) then the numbers of British Working Holidaymakers could increase to approximately 12,850 by 2006/07.

British Working Holidaymakers

As discussed in Chapter 2, British Working Holidaymakers were more likely on average to have worked for more of their time in New Zealand. They were also more likely to wish to return to New Zealand to work within five years than other Working Holidaymakers and in fact had higher rates of subsequent conversion to residence. Fourteen percent of British Working Holidaymakers in 1998 had been granted residence in New Zealand by March 2004. The rate of conversion for British Working Holidaymakers was twice that of Working Holidaymakers from all other countries. Should this trend continue, and if Working Holiday Scheme numbers reached 40,000 in total, the numbers of former British Working Holidaymakers converting to residence in New Zealand could increase and eventually number as many as 1,800 per annum (based on an estimate of a 14 percent conversion rate to residence over five years and an increase in British Working Holidaymaker numbers to 12,850 per annum as projected earlier).

Japanese Working Holidaymakers

The information we have about Japanese Working Holidaymakers in New Zealand is incomplete. Japanese Working Holidaymakers made up 19 percent of all approvals in 2003/04 but only 3 percent of the responses to the Newlands' study. This makes it difficult to describe the profile of the Japanese Working Holidaymaker and to assess their impacts on local labour markets and working conditions. Data from the Immigration database shows that Japanese Working Holidaymakers, along with those from the UK and Ireland, tended to be slightly more highly represented in the 25 to 30 year age group. Based on the available data, Japanese Working Holidaymakers, along with South Koreans, tended to stay in New Zealand for longer than other Working Holidaymakers in 2002, with 55 percent staying for between nine and 12 months.⁵⁹ Data from the International Visitors' Survey indicates that Japanese visitors are among the highest spenders while in New Zealand. We also know that holidaying is becoming a less important reason for Japanese to visit New Zealand and education is increasing in

⁵⁵ Harding and Webster, 2002, page 8 'our best deduction is that extending Working Holiday visas to additional countries will result in additional youth seeking to enter the country, rather than a substitution of permit types.'

⁵⁶ On 22 November 2004 the government announced that from 1 July 2005 there will be no upper limit on the number of places for the Working Holiday Scheme with the UK.

⁵⁷ In 2003/04, 8,383 allocations were made for the 10,000 places available to British Working Holidaymakers.

⁵⁸ Harding and Webster (2002) estimate that it takes time for young people from countries new to Working Holiday Schemes to 'learn about and avail themselves of new schemes and we would expect a slow uptake from new countries' (page 9). However, as the UK Working Holiday Scheme has been in place for some time, it can be reasonably expected that numbers would increase fairly rapidly once the available places were increased.

⁵⁹ Includes only Japanese Working Holidaymakers approved offshore who arrived, stayed for up to 12 months and did not come and go from New Zealand during their stay.

importance. Japanese visitors are staying for longer periods of time and are increasingly travelling as independent travellers rather than on tours.⁶⁰ Japanese visitors are becoming increasingly more likely to make return visits to New Zealand.⁶¹

3.5.3 Reciprocal agreements

Another important consideration in the New Zealand context is that most increases to current Working Holiday Schemes (both in terms of places and countries) could mean reciprocal increases in places available overseas for young New Zealand Working Holidaymakers. However, New Zealand’s small population limits the numbers of young people who can participate in Working Holiday Schemes, and subsequently places limits on reciprocity. The Australian experience is that many more Working Holidaymakers come to Australia than exit Australia under Working Holiday Schemes.⁶²

3.5.4 Labour market impacts

An analysis of impacts on local labour markets has been made working on the assumption that earning and spending patterns for any future and additional Working Holidaymakers will remain the same as for those who have already visited New Zealand and worked here.⁶³ As was discussed earlier (see Chapter 2), and based on spending estimates from the Newlands’ study, 20,604 Working Holidaymakers in 2003/04 added approximately \$309 million to the New Zealand economy in terms of their expenditure. An analysis of the jobs taken out of local labour markets by Working Holidaymakers in the same period estimated that Working Holidaymakers occupied approximately 7,000 full-time jobs in that year (see Section 3.3). This could be expected to take approximately \$176 million in potential earnings from the local labour market (see Table 3.2). This calculation is based on the following assumptions:

- that Working Holidaymakers will continue to earn at the same hourly rate as they reported doing via the Newlands’ survey in 2003/04, which was \$12.06⁶⁴
- that Working Holidaymakers work on average for 55 percent of their stay (based on a 257 day stay)
- that the hours worked per week in a full-time job is 40
- that the number of weeks worked per year is 52. Although, in fact, a full-time employee will not work 52 weeks a year but have some holidays, they will earn at the rate of 52 weeks per year as these holidays will be paid for as part of their employment entitlement
- that the number of hours worked per year is, therefore, 2,080.

Table 3.2 Estimated total earnings for all Working Holidaymakers annually

<p><i>All Working Holidaymaker full-time equivalent jobs occupied per annum = 7,000</i></p> <p><i>Hours worked annually per full-time equivalent job = 40 per week * 52 weeks per year = 2,080 hours</i></p> <p><i>Average wage earned by Working Holidaymakers = \$12.06 per hour</i></p> <p><i>Total expected annual equivalent wages earned for each Working Holidaymaker = 12.06 * 2,080 = \$25,084</i></p> <p><i>Annual equivalent wages extrapolated to total number of equivalent jobs taken annually = \$25,084 * 7,000 = \$175,588,000.</i></p>
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⁶⁰ The International Visitors’ Survey data and information can be found at <http://www.trcnz.govt.nz/Surveys/International+Visitor+Survey/Data+and+Analysis/Japan/>.

⁶¹ In 2001, 17 percent of Japanese indicated that they were on a repeat visit to New Zealand. In the year ended April 2004 this figure was 31 percent. Source: International Visitors’ Survey. See above.

⁶² Harding and Webster, 2002, page 10 ‘However, in practice, the numbers currently entering Australia are much greater than the numbers leaving’.

⁶³ It is, in fact, unlikely that international visitor expenditure will not increase by at least 8.5 percent in the next seven years, according to the Tourism Research Council’s 2004 publication ‘Trends in International Visitor Length of Stay and Spend 2004-2010’.

⁶⁴ The average hourly rate of the Newlands’ study participants (\$12.06) was calculated including eight people who worked without pay. This average hourly rate is used in calculations based on the assumption that a proportion of the total Working Holidaymakers will also work on a volunteer basis.

An increase in Working Holiday Scheme numbers and visits to New Zealand would undoubtedly result in additional jobs being taken, as working while in New Zealand is an important part of a Working Holiday Scheme. Using the same basis for calculation outlined above, it is estimated that 31,000 Working Holidaymakers (the level for 2004/05) are likely to result in approximately 10,500 full-time equivalent jobs being taken by Working Holidaymakers. An increase to 40,000 is likely to result in around 13,500 full-time equivalent jobs being taken up by Working Holidaymakers annually (see Tables F.1 and F.2 in Appendix F). These calculations have been based around Newlands' study data on the average amount of time Working Holidaymakers worked during their stay in New Zealand, which was 55 percent of their time.

3.5.5 *Economic impacts of jobs taken by increased numbers of Working Holidaymakers in 2006/07*

The economic impacts of 31,000 Working Holidaymakers per annum (the cap for 2004/05) would mean the estimated 10,500 full-time equivalent jobs occupied by Working Holidaymakers each year could be expected to take (based on the average hourly wage of Working Holidaymakers in the Newlands' study) around \$263 million in wages per annum (see Table 3.3). This compares to the 2003/04 figure of 7,000 jobs, which gives an estimate of \$176 million in wages paid per annum. Therefore, the increased impact of 31,000 Working Holidaymakers in terms of jobs taken by them that may have been available to the local labour market would be 3,500 jobs with \$87 million in wages paid.

The economic impacts of having 40,000 Working Holidaymakers in New Zealand in 2006/07 would (using the same analysis) mean an additional 6,500 jobs (compared to 2003/04) would be taken at an estimated cost in wages paid of \$339 million. This represents a difference from 2003/04 of an additional \$163 million (see Table 3.3).

Table 3.3 A summary of the estimated economic impacts and number of jobs taken by increases to Working Holiday Schemes

Number of Working Holidaymakers	Equivalent full-time jobs taken annually	Amount earned in these jobs (at Newlands' study average wage rate)* \$
2003/04 (20,604)	7,000	\$175,593,600
31,000 per year (projected)	10,500	\$263,390,400
40,000 per year (projected)	13,500	\$338,644,800

* Amount earned in jobs = number of full-time jobs taken annually x 40 hours per week x 52 weeks per year x \$12.06 per hour.

3.5.6 *Displacement and local labour market impacts*

Calculating the impacts on labour markets of increased numbers of Working Holidaymakers is not as simple as calculating the money in wages that would go to Working Holidaymakers rather than (potentially) New Zealand jobseekers. Labour market impacts are likely to be felt both in the geographical area and work area in which Working Holidaymakers are active.

The job impacts would be likely to be local and specific, as there are certain employment niches occupied by Working Holidaymakers. They occupy specific types of jobs in specific locations. The specific job types are:

- short-term, part-time and/or seasonal
- in the areas of hospitality, fruit picking or other agricultural work, or sales.

Geographically, Working Holidaymakers, based on the Newlands' study data, are more likely to work in large metropolitan areas (such as Auckland) or tourist areas (such as Queenstown).

Jobs are likely to be relatively low-paid and unskilled. Ironically, some of the jobs Working Holidaymakers are employed in are generated in part by their presence in this country. They are, after all, tourists for much of their time here.

A critical question in this analysis is whether local workers would take up the jobs that Working Holidaymakers are currently occupying and would increasingly occupy should their numbers be lifted. There is an assumption that Working Holidaymakers are occupying jobs that would be taken by unemployed New Zealand residents if they were not taken by Working Holidaymakers. This may not, in fact, be the case.

NZIS onshore Branch Managers were asked their views on displacement of New Zealand workers by Working Holidaymakers. They were generally of the view that displacement of local workers was 'not happening'.⁶⁵ Some NZIS Managers suggested that Working Holidaymakers could possibly displace students in work areas such as hospitality, but there was no way of verifying if this was the case or not. Overall, NZIS Branch Managers were positive about Working Holidaymakers and their impacts, seeing them as adding diversity and promoting the understanding of other cultures, filling real shortages and, through reciprocity, providing the opportunity for young New Zealanders to work overseas. It should also be noted that this research has taken place at a time when the economy is running close to full capacity. For example, 54 percent of firms indicate difficulty finding skilled staff.⁶⁶ Unemployment is down to 4 percent.⁶⁷

In the research involving Work and Income Regional Offices (conducted in 2000), some concerns were expressed that Working Holidaymakers may take jobs that local job-seekers would otherwise take. As with NZIS Branch Managers, some specifically felt that students may be displaced. Although, with the exception of one Regional Office who felt the presence of Working Holidaymakers impacted their ability to place local job seekers, the majority said they had no evidence to verify whether or not displacement was occurring. The majority of Work and Income Regional Offices viewed Working Holidaymakers as useful to employers in their region because they were prepared to work in jobs where New Zealanders would not (ie short-term and low paid jobs). Employers, according to Work and Income Managers, considered Working Holidaymakers to be motivated and have useful skills, such as being multilingual. The wider benefits of Working Holidaymakers in their regions were cited as:

- spending money on food, accommodation, entertainment and tourist activities
- adding further to cultural diversity and understanding
- increasing tourism by word of mouth
- attracting Working Holidaymakers back as temporary or permanent migrants.

Newlands supported the view that Working Holidaymakers were not displacing local workers. He cited the example of Queenstown in the ski season and stated because Working Holidaymakers typically occupied jobs that were short-term only, 'it appeared that no one is being displaced'.⁶⁸

The Australian study provides an estimate of the types of people Working Holidaymakers may be displacing in the labour force. The Australian experience suggests that Working Holidaymakers often managed to find jobs at the same time as local youth remained unemployed. The authors specifically questioned whether long-term unemployed Australian youth would take the jobs occupied by Working Holidaymakers if the Working Holiday Schemes did not exist. The view was that 'it would be extremely unlikely that all of the jobs released by

⁶⁵ Onshore NZIS Branch Service Leaders and Managers were contacted to elicit their perceptions on Working Holidaymakers. For more information see Appendix C.

⁶⁶ Quarterly Survey of Business Opinion – September 2004.

⁶⁷ Household Labour Force Survey – June 2004.

⁶⁸ Newlands, 2003, page 43

the Working Holidaymakers would be taken by unemployed youth' should Working Holidaymakers not be available to take the jobs.⁶⁹ If the schemes did not exist, the study authors estimated that around one quarter of the jobs typically taken by Working Holidaymakers (in the low-skilled, casual sector) would be taken by long-term unemployed Australian youth and three-quarters of these jobs would be taken by full-time students and mature age women.

The Australian study found that employers tended to hire Working Holidaymakers for reasons including them being more motivated than local youth, the need for a foreign language speaker and because they made themselves available (for example, they were prepared to relocate). Employers, on balance, did not regard Working Holidaymakers as more skilled (even though they were objectively more qualified on average), more honest, better spoken or harder working. The authors of the study argue that if, as they suggest, Working Holidaymakers 'take casual, temporary jobs with limited training and skill development potential and create jobs with more potential, then there is a positive benefit to Australian youth as a whole'.⁷⁰

In common with Australian Working Holidaymakers, Working Holidaymakers in the Newlands' study were typically employed casually in low-skilled occupations. Youth unemployment figures (June, 2004⁷¹) show that approximately 22,400 people in New Zealand between the ages of 20 and 29 years were unemployed.⁷² There are approximately 20,000 Working Holidaymakers approved annually (based on the 2003/04 year) and they would take approximately 7,000 full-time equivalent jobs. In a market where there are approximately 23,000 job seekers of approximately the same age, Working Holidaymakers are occupying jobs that may have potentially been available to 30 percent of the total unemployed 20 to 29 year olds. Based on the Australian findings, it cannot be assumed, that local unemployed youth would take these jobs if they were available.

The other major consideration in an analysis of the impacts of Working Holidaymakers on labour markets is that their input to the economy must be assessed and balanced against what they take out of the economy. In other words, the jobs that they are taking must be balanced against the jobs they are creating. The key to this analysis is to gain an understanding of both Working Holidaymakers' expenditure levels and patterns of spending. This is more fully explored below.

3.6 Expenditure and job creation

Labour market impacts need to be discussed in the context of the expenditure of Working Holidaymakers while in New Zealand.

As discussed earlier, Working Holidaymakers in the Newlands' study spent on average \$15,000 each while in New Zealand on their Working Holiday in 2003/04. If this is extrapolated to all Working Holidaymakers in New Zealand in 2003/04 (20,604) then total expenditure for this group is estimated at \$309 million (see Chapter 2). Some of this expenditure creates jobs for New Zealanders in the tourism and hospitality areas. Working Holidaymakers spent an estimated \$92 million on food, nightlife and drinks, \$86 million on accommodation and \$37 million on tourist attractions and activities in 2003/04 (see Table 2.6).⁷³

⁶⁹ Harding and Webster, 2002, page 36.

⁷⁰ Harding and Webster, 2002, page 38.

⁷¹ Household Labour Force Survey: June 2004 quarter. Statistics New Zealand.

⁷² Statistics New Zealand provide data for the following age groups: 15 to 19, 20 to 24 and 25 to 29 years. Data on the last two groups only has been used although the Working Holiday Scheme operate for those aged between 18 and 30 years of age. This is because the characteristics of the 15 to 19 year age group are likely to be quite different from those of Working Holidaymakers seeking work while in New Zealand. Thus, this estimate is likely to be somewhat low.

⁷³ Again, these estimates are based on data supplied by the Newlands' Study which provides averages for Working Holidaymakers in New Zealand and is then multiplied by the total number of Working Holidaymakers in New Zealand in 2003/04.

The Tourism Research Council estimates tourism in New Zealand creates⁷⁴ at least 104,000 jobs (or 10 percent of all jobs in New Zealand) annually.⁷⁵ Annual tourism expenditure from international travellers in the year ended March 2003 was \$6.15 billion. Tourism accounts for 9.7 percent of GDP or \$1,057 million per annum.⁷⁶ Any expansion to the Working Holiday Schemes will see more visitors coming to New Zealand and more money being spent here. There will be an overall boost, therefore, to tourist numbers. Positive and direct effects of increased tourism and increased tourist spending could therefore be expected.

Tourism also adds indirect benefits to the economy, and while these are more difficult to quantify, there is general agreement that these are not insubstantial.⁷⁷ These indirect benefits need to be taken into account when calculating the overall effects of Working Holidaymakers on the economy and job markets. Against this, it is acknowledged that the benefits tourism brings to New Zealand needs to be balanced with costs, such as maintaining a sustainable environment and the provision of infrastructure.

Job creation from this expenditure needs to be estimated.⁷⁸ This has been done as follows. A calculation has been made using total annual expenditure from all visitors in 2002 and jobs created (from the Tourism Research Council of New Zealand) in which \$13 billion expenditure was reported as creating 90,000 jobs. The average expenditure of an international visitor to New Zealand was significantly less than Working Holidaymakers' (approximately \$3,000 for an international visitor compared to \$15,000 for a Working Holidaymaker). The total jobs created have been estimated at four times the rate due to this higher rate of expenditure, which is 500 percent higher. This estimate is likely to be at the lower end of the scale in terms of an estimate of jobs created by Working Holidaymakers in New Zealand. Therefore it can be estimated that Working Holidaymaker expenditure in 2003/04 directly created around 11,000 jobs (see Table 3.4).

Table 3.4 Projected number of jobs created by increases in Working Holidaymaker numbers

IF	\$13 billion creates 90,000 jobs and an average visitor expenditure of \$3,000 THEN \$14,444 visitor expend creates one job
THEN	\$309 million in Working Holidaymaker expenditure at an average visitor spend of \$3,000 creates 2,140 jobs
THEN	\$309 million in Working Holidaymaker expenditure at an average spend of \$15,000 creates 10,700 jobs

Working Holidaymakers take the equivalent of around 7,000 full-time jobs annually (see Section 3.3). Thus, on balance, Working Holidaymakers in New Zealand could be said to be creating more jobs than they are taking (see Table 3.5). This is similar to findings from the Australian study where an annual intake of 80,000 Working Holidaymakers were estimated to take 41,000 effective full-year jobs, but create 49,000 full-year jobs through their expenditure (therefore creating 8,000 effective full-year jobs).⁷⁹

⁷⁴ 'An estimated 104,000 full-time equivalent employees were directly engaged in producing goods and services purchased by tourists in the year ended March 2003. This includes employment generated by international students studying in New Zealand for less than one year.' From Tourism Research Council. Found at <http://www.trcnz.govt.nz/Topics/Economic+Contribution/Tourism+Satellite+Account+2000-2003/> 23 August 2004.

⁷⁵ Tourism NZ, found at <http://www.tourism.govt.nz/policy/pol-reports/pol-bim-2002/pol-bim-2002-01.html>. 23 August 2004.

⁷⁶ Statistics New Zealand. Based on 2002 figures.

⁷⁷ 'Such a broader measure goes beyond the value added generated by producers directly supplying tourism products, and embraces the total value added of all producers both directly and indirectly affected by the initial tourism expenditure' Tourism Satellite Account 2000-2003. Page 15. Found at: <http://www.stats.govt.nz/domino/external/pasfull/pasfull.nsf/web/Reference+Reports+Tourism+Satellite+Account+2000-2003?open>. Statistics New Zealand.

⁷⁸ Refer to data provided by Tourism New Zealand. Found at: <http://www.tourism.govt.nz/quicklinks/ql-tourismindustry.html>. 24 August 2004.

⁷⁹ Harding and Webster, 2002.

'Working Holidaymakers take jobs from Australian workers, but they also create them. There is strong empirical evidence that they create more jobs than they take.'⁸⁰

Table 3.5 Estimated net effects of Working Holidaymakers in terms of jobs (2003/04)

Estimate jobs taken	Estimate jobs created	Estimate net effect
7,000	10,700	+ 3,700

3.7 The ability of the local labour market to absorb more workers

There are ultimate limits to the capacity of the New Zealand labour market to absorb workers of any type, and particularly, to absorb workers seeking the type of work that Working Holidaymakers are suited for and able to do. While the market can arguably provide jobs for current Working Holidaymakers without displacing local job seekers, its ability to do so is not unlimited. It is difficult to estimate at what level the local market will no longer be able to support increased numbers of Working Holidaymakers without displacement of local workers occurring. As previously noted, Household Labour Force Survey data shows the labour market is currently performing strongly, with unemployment at 4 percent in the June 2004 quarter.⁸¹ Fluctuations in the labour market may mean displacement becomes more of an issue in periods of higher unemployment, although the current strength of the New Zealand economy is expected to continue at least in the short-term.⁸² Should Working Holidaymaker numbers be increased, the situation would need to be carefully monitored.

In terms of labour market capacity, New Zealand differs from our Australian counterpart which has a much larger labour force and many more job opportunities. Therefore, Australia can potentially support larger numbers of Working Holidaymakers without noticeable displacement effects occurring.

3.8 Summary

There is evidence that Working Holidaymakers add to the economy through their spending while they are visiting New Zealand. Although many work while they are here, the net effect of their overall expenditure is likely to be positive for the New Zealand economy.

Working Holidaymakers take employment while they are visiting. They earn money, much of which will be spent in New Zealand. The average Working Holidaymaker, based on the Newlands' study, will depart New Zealand with \$5,000 less than they arrived with. They will also spend everything they earned plus they will draw on other funds (via credit card) at an average of almost \$2,000 each. On average, each Working Holidaymaker who visits New Zealand will expend \$15,000 each during their stay. This expenditure generates local jobs.

There is no clear evidence that Working Holidaymakers in New Zealand are having any detrimental effects on working conditions for workers in the New Zealand labour environment, in spite of concerns from some that they might. The Australian experience is that detrimental working conditions were not an outcome of having Working Holidaymakers visiting their country. It could be reasonably expected that the same applies here in New Zealand. It must be stated, however, that the overall ability of the New Zealand labour market to absorb increasing numbers of Working Holidaymakers is ultimately limited due to the relatively small size of the total population.

⁸⁰ Ibid. Page 31.

⁸¹ Household Labour Force Survey – June 2004.

⁸² Labour Market Outlook – October 2004, Department of Labour, 2004.

4 SUMMARY AND CONCLUSIONS

4.1 Introduction

This report has identified trends in Working Holiday Schemes overtime, the occupational areas in which Working Holidaymakers were employed, and also some impacts of Working Holidaymakers on local labour markets. Finally, this report has assessed some impacts of further increases to the annual Working Holiday Scheme cap.

4.2 Interpretation of the data

Two types of analyses have been produced in this report. First, a factual profile of Working Holidaymakers and their characteristics has been produced from the Immigration database and from the Newlands' study. We know, for example, the total number of Working Holidaymakers approved and their characteristics, and we know where the Newlands' study participants were working, what they were spending their money on, how long they were staying, and where they were travelling to.

Second, a series of extrapolations have been carried out based on the total Working Holidaymaker approvals in 2003/04 and the characteristics on the Newlands' study participants. These analyses are indicative based on the assumption that the Newlands' data holds for all Working Holidaymakers. In some cases, the assumption has been made that Working Holidaymaker patterns will be similar to Australia – a reasonable but not proven assumption. In cases where small amounts of data have been available, projections have been made using data from a number of sources to contextualise the findings and against which results have been compared for accuracy.

The outcome of the application of these two approaches has been the production of a report that is accurate in some parts and which is indicative in others. Overall, the report provides important and previously unavailable information on Working Holidaymakers in New Zealand and their impacts.

4.3 Characteristics and work patterns of Working Holidaymakers

4.3.1 General

Of the 19,652 Working Holidaymakers who entered New Zealand in 2003, 79 percent were from only four countries - the UK, Japan, Ireland and Germany. Forty-two percent were aged between 20 and 24 years, and forty-nine percent aged between 25 and 30 years. The remainder were younger than 20 years, or they were older than 30 years (if they turned 31 after approval).

Working Holidaymakers who took part in the Newlands' study were generally well-educated, with most having received some form of post-secondary education. The most common activity for the Newlands' study participants immediately prior to visiting New Zealand was paid employment, followed by studying. Forty percent of respondents in the Newlands' study had worked in an occupational class they described as 'professional' before coming to New Zealand. Ten percent had worked in clerical areas, 7 percent in sales and 5 percent as semi-skilled or manual workers.

More than half of the Newlands' study Working Holidaymakers stayed in New Zealand for between eight and 12 months. Data from the Immigration database showed that the average stay for those who did not come and go from New Zealand during their stay was six months, although 45 percent stayed longer (including 26 percent who stayed for between nine and 12 months). Thirty-eight percent of the Newlands' study Working Holidaymakers worked for between 60 and 80 percent of their time here and a further 12 percent worked for over 80 percent of their time. The top areas of paid employment were:

- hospitality (17 percent)
- agriculture other than fruit picking (14 percent)
- fruit picking (7 percent)
- sales (7 percent)
- backpacker or hostel worker (5 percent).

Fourteen percent worked in a volunteer capacity.

Most took less than five jobs during their stay in New Zealand, although this varied by country of origin, with Canadian, Dutch and British Working Holidaymakers taking fewer jobs. Some Working Holidaymakers took ten or more jobs. The average number of jobs taken per person was 3.3. While most Working Holidaymakers spent a short amount of time in their main job (in keeping with the conditions of their permit), some spent longer (up to 12 months in a few cases). Most accessed their main job via a direct approach to an employer.

The average mean take home pay was \$12.06 per hour (calculated to include eight people who did volunteer work). Most Working Holidaymakers were paid via direct credit to their bank account. Most worked between 31 and 40 hours per week when they were employed. Auckland, the Bay of Islands, Hawkes Bay, Otago (including Queenstown), Canterbury and Nelson were the areas most likely to attract Working Holidaymakers seeking work, at least those who participated in the Newlands' study.

4.3.2 British Working Holidaymakers

British Working Holidaymakers were similar to other Working Holidaymakers, although they did differ in a few areas. More British Working Holidaymakers had a university degree. Since 1998, more British Working Holidaymakers than those from other countries have returned to New Zealand to take up residence. Of those approved for a Working Holiday in 1998, 14 percent have subsequently been approved for residence.

4.4 Impacts of Working Holidaymakers on local labour markets

The impacts of Working Holidaymakers on local jobs markets have been evaluated using the following methodologies:

- analysis of the types of jobs they were taking
- analysis of their income and expenditure
- job creation estimates
- qualitative surveys of Work and Income Regional Offices and NZIS onshore Branch Managers
- an application of the Australian experience in analysing job displacement by Working Holidaymakers.

4.4.1 Types of jobs they are taking

Working Holidaymakers took low-paid, short-term and often seasonal jobs in areas where there were large numbers of tourists, or in agriculture and fruit picking. The jobs were generally low-skilled or unskilled.

4.4.2 Income and expenditure

Using the Newlands' study data it is estimated that Working Holidaymakers took an estimated \$176 million out of the economy via paid employment in the equivalent of 7,000 full-time jobs annually. They expended approximately \$309 million during their stay in New Zealand.

4.4.3 Job creation

Again, using the Newlands' data as a base, it is estimated that Working Holidaymakers are creating more jobs than they are taking. It is projected that Working Holidaymakers took the equivalent of 7,000 full-time jobs per annum, yet based on the expenditure data, it is estimated they created 11,000 jobs annually. They are also expected to create a number of jobs indirectly, although this is difficult to quantify.

4.4.4 Job displacement and impacts on working conditions

While there were some concerns expressed that Working Holidaymakers may displace local workers, it would be difficult to gather factual evidence that displacement was occurring, particularly in the context of this rather limited study. Similarly, there was limited concrete evidence that Working Holidaymakers were having negative effects on working conditions in New Zealand. Some Working Holidaymakers in the Newlands' study reported being paid below the minimum wage, although the context in which this occurred is not clear. However, it does provide evidence that some negative impacts may be occurring. Overall, NZIS and Work and Income Managers were positive about the presence of Working Holidaymakers in New Zealand. It should be noted that the overall conclusion of the Australian study was that Working Holidaymakers made a positive contribution to the Australian labour market and economy.

4.5 The Effects of increases to Working Holiday Scheme numbers

In the event that Working Holiday Scheme numbers were to increase, the following effects would be likely to occur:

- overall numbers of young people (aged 18 to 30 years) visiting New Zealand on Working Holidays would be likely to increase
- the overall economic effects of their presence in the country is likely to be positive, but this depends on the ability of local job markets to absorb increasing numbers of Working Holidaymakers. While there is no evidence of displacement at this point in time, it does not mean it is not happening or is not likely to happen with increasing numbers
- the number of British Working Holidaymakers would increase. This may lead to more applications for residence in New Zealand from this group
- there would be more opportunities for New Zealand youth to travel and work overseas under reciprocal arrangements with countries participating in Working Holiday Schemes
- there would be additional benefits to New Zealand in terms of people-to-people and country-to-country links. This can be expected to lead to more positive bilateral relations.

4.6 Overall conclusions

The evidence used in this study was compiled from a variety of sources and there are limitations on the Newlands' study material. However, on the available evidence, it can be concluded that increasing the cap on Working Holiday Schemes to 40,000 persons per annum should have a neutral impact on local labour markets. It is likely that the economic effects would be positive. Working Holidaymaker expenditure will increase as their numbers increase. This should provide an overall small net gain to the economy.

Working Holidaymakers have tended to take up short-term seasonal or hospitality type work and bring benefits to employers and local communities because of their willingness to take such jobs. Despite concerns that Working Holidaymakers may displace local workers, there is little concrete evidence that displacement is occurring. Again, aside from the few Working Holidaymakers reporting they were paid below the minimum wage, there is little available evidence that Working Holidaymakers are having other negative impacts on working conditions in New Zealand.

There will be benefits other than economic in increasing the numbers of Working Holidaymakers visiting New Zealand. There is a sizable impact on residence numbers with people, particularly British, taking up residence, which would be likely to increase as the numbers arriving increase. The Immigration Service has initiatives in place to promote to temporary entrants New Zealand as a desirable destination for residence. Another benefit is the strengthening of New Zealand's international links and increasing opportunities for New Zealanders to travel and work overseas through reciprocal schemes. These benefits of Working Holidaymakers need to be balanced with potential costs. As noted, there is no available evidence indicating that Working Holidaymakers are having adverse impacts (such as overstaying or engagement in illegal employment) and these have not been explored in this research.

The important caveat to these findings is the question of the ultimate ability of the New Zealand labour market to continue to absorb increasing numbers of Working Holidaymakers. While there is no clear evidence of job displacement occurring at this point in time, there may be displacement effects should the labour market be unable to support more jobseekers in the future. The labour market is currently performing strongly and any increase in Working Holidaymakers needs to take into account long-term fluctuations in the labour market which could lead to labour market displacement becoming a problem. It is difficult to predict the level at which this might occur, however, the strong New Zealand economy and strong labour market is predicted to continue at least in the short-term.⁸³

⁸³ Labour Market Outlook – October 2004, Department of Labour, 2004.

APPENDICES

Appendix A: The Newlands' study

The 'Newlands' study' describes a piece of research by Ken Newlands of Unitec New Zealand (School of Management and Entrepreneurship) which was carried out in 2003/04. The work was entitled '*The Working Holiday Scheme in New Zealand 2004: Selected Findings of the New Zealand Working Holiday Research*'. The report was commissioned by the NZIS as part of our work in responding to a Cabinet decision in November 2003 authorising an increase in the working holiday cap. Ken Newlands had been working in 2003 on a study of Working Holiday Schemes as part of a Masters Thesis at the Auckland Institute of Technology.

Methodology

Newlands' research on Working Holiday Schemes that had already been carried out as part of his Masters thesis was supplemented by an on-line survey to which participants in Working Holiday Schemes were invited by email to participate. The NZIS provided some assistance with this. A direct approach by Ken Newlands was also made to Working Holidaymakers in the Tongariro National Park area during the winter of 2003, advising them of the research and inviting their participation. Additional catchment areas were later canvassed in Christchurch, Queenstown, Motueka, Wanganui, Hawkes Bay, Rotorua and Taupo. Responses received between 1 August 2003 and 30 April 2004 were included in the study.

Participants needed to have been in New Zealand for at least a month in order for their survey response to be admitted as valid. Most respondents had worked in New Zealand in the 2003 calendar year. Respondents were asked to complete the survey near the end of their holiday.

While the United States (US) is not technically a member of the Working Holiday Schemes, respondents from the US were included in the survey because of the announcement in late 2003 that increasing numbers of Exchange visas were available. Participants from the US came for a one year working holiday but under slightly different rules.

Two hundred and eighteen useable responses were received from Working Holiday permit holders. The respondents came from 13 of the 17 countries involved in Working Holiday Schemes.

Findings

The main findings of relevance to this research were around the demographic profiles, working and expenditure patterns of Working Holiday Scheme participants. They also provided information on their work and work-related activities while in New Zealand as well as their expenditure and tourism-related activities, and this has formed an important part of this report.

A series of comments received from participants about Working Holiday Schemes was also a useful input into this research. Participants were asked for comments about the permit application and approval processes, and for suggestions as to how improvements might be made to these processes as well as how the Working Holiday Scheme that they were involved in might be improved.

Appendix B: The Survey of Work and Income regional offices

A survey of Regional Commissioners and Regional Operations Managers at the Ministry of Social Development's Work and Income was conducted in 2000. The survey was conducted to gain understanding of the perceived impacts of Working Holidaymakers on regional labour markets and to inform an increase to the Working Holiday cap (from 10,000 to 20,000).

A paper-based form, consisting of nine questions, was used to collect the data. The questions were:

- Are you aware of Working Holidaymakers in your region?
- Are there particular sites in your region where they are more noticeable?
- What types of jobs do this group take up?
- Do you know how long Working Holidaymakers remain in jobs? (Mainly short-term temp or longer term?)
- Is there any evidence in your region that Working Holidaymakers are taking up long-term or permanent positions?
- Do you consider that the presence of Working Holidaymakers in your region is affecting your ability to place local job seekers?
- Do you feel that there are benefits to employers from having Working Holidaymakers in your region (job creation?)
- Do you see other general benefits from the presence of Working Holidaymakers in the community?
- Is there any other information you would like add?

Of the 13 forms sent to the Work and Income regions, ten were returned. Although there are some limitations to this type of survey methodology, the responses provide one view of the picture which can be compared with others in this report.

Appendix C: Onshore NZIS Branch Service Leaders' and Managers' perceptions of Working Holidaymakers

Service Leaders and Service Managers of NZIS branches located onshore were contacted by phone and email to elicit their perceptions of Working Holidaymakers and Working Holiday Schemes.

The aim of this contact was to explore four themes. They were:

- awareness of the presence of Working Holidaymakers in their region
- perceptions of other types of jobs Working Holidaymakers were employed in
- perceptions of any displacement of New Zealand workers by Working Holidaymakers
- any other pertinent observations about Working Holidaymakers or Working Holiday Schemes.

Appendix D: Summary of ‘The Working Holiday Maker Scheme and the Australian Labour Market’ (Harding and Webster, 2002)

In 1997 the Australian government's Joint Standing Committee on Migration recommended that research into the impact on the labour market of Working Holidaymakers be undertaken. The research would be used to inform the decisions on extending the schemes to other countries and setting caps. At the time Australia had reciprocal Working Holiday Scheme arrangements with eight countries. These were the United Kingdom, the Republic of Ireland, Canada, Japan, the Republic of Korea, the Netherlands, Malta and Germany. During the 1999/2000 year 67,495 Working Holidaymakers entered Australia.

Australian research into Working Holiday Schemes by Harding and Webster was released in 2002. The key findings of this study relate to an estimation of the effects on the labour market of Working Holidaymakers and as such this report is of relevance and interest to New Zealand.

Background

The aims of the research were to estimate the effects of the existing Working Holidaymaker Scheme on the Australian labour market and to make some estimates of the effects of further extending the scheme to other countries. The main conclusion of the study was that Working Holidaymakers made a positive contribution to the Australian labour market and economy.

Research methodology

The study used the 1999/2000 year as a base. Three surveys were conducted to gather data about Working Holidaymakers. The first involved interviewing a random sample of 1,001 Working Holidaymakers in airport departure lounges as they were leaving Australia. The second survey was of the employers of Working Holidaymakers. In total, 297 employers responded to a telephone interview. Thirdly, an informal survey of 46 employment agencies was carried out.

Main findings

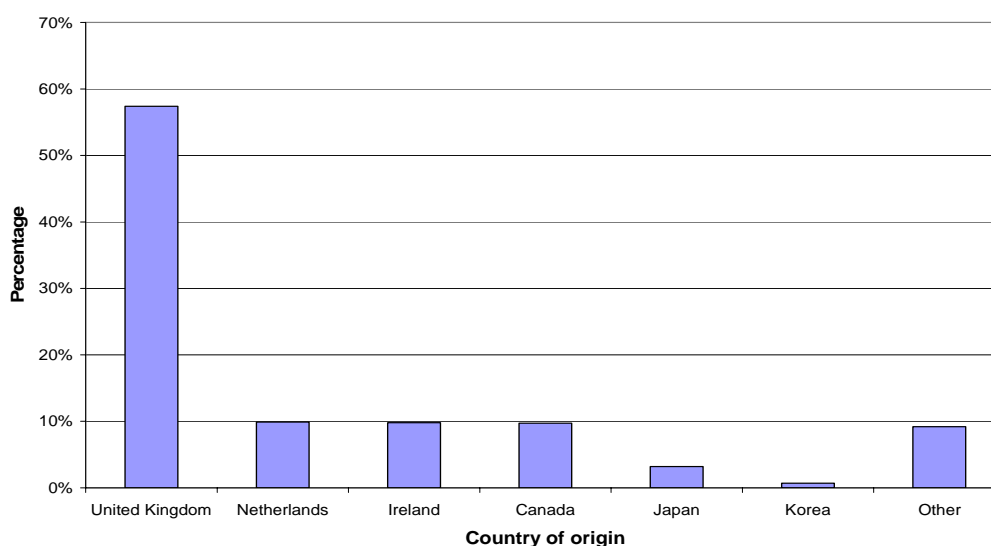
The report found that Working Holiday Schemes enhanced the cultural and social development of young people, promoted mutual understanding between Australia and other nations, and were an important part of the tourist industry.

Working Holidaymakers had a positive effect on the Australian economy. Based on 80,000 annual arrivals, it is estimated that Working Holidaymakers spent around \$1.3 billion annually. The Working Holiday Schemes also assisted Australian employers by ensuring they had access to a large pool of seasonal workers and did not need to resort to recruiting illegal workers.

Demographic description of Working Holidaymakers who were surveyed

More than half of Working Holidaymakers who were surveyed were from the UK. The other major contributing countries were The Netherlands, Ireland and Canada (see Figure D.1).

Figure D.1 Working Holidaymakers in Australia by country of origin $n = 1,001$



About one third of Australian Working Holidaymakers had completed an undergraduate degree. Twenty-seven percent had completed no further education beyond secondary school. About one sixth were part way through a post-secondary qualification. Working Holidaymakers' level of post-school qualifications compared very favourably with the educational profile of Australian residents working in typical low skill casual jobs, although there were some variations in educational levels between the nationalities of those in Australia on Working Holiday Schemes.

Two-thirds of the Working Holidaymakers who came to Australia had been working in the two years prior to arrival. One third had been studying. The main type of work prior to travel to Australia was professional work (43 percent), trade or craft work (14 percent) and clerical work (14 percent).

Eighty-five percent of Working Holidaymakers engaged in paid employment during their visit to Australia. Overall, the average number of jobs per Working Holidaymaker was 2.9.

Seventy-eight percent of Working Holidaymaker jobs involved lower skill work in the following job categories: intermediate clerical, sales and service workers, intermediate production and transport workers, elementary clerical, sales and service workers, labourer and related workers. This compared with 46 percent involvement in these industries across the entire Australian workforce.

The main occupations Working Holidaymakers were involved in were:

- fruit picking
- waiting
- elementary service workers
- office secretary
- labourers and related workers (including builders' labourers).

Canadians were more likely to be employed in waiter/waitressing jobs. Proportionally more Dutch Working Holidaymakers were employed as fruit pickers. Irish Working Holidaymakers were more likely to be employed as a builder's labourer or in more professional occupations.

Working Holidaymakers' jobs were located mainly in the eastern states as well as Western Australia, with the highest proportion in New South Wales. In all states except Queensland,

the majority of jobs were in the capital cities. In Queensland the jobs were more evenly spread throughout the state.

Effects on the workforce and economy of Australian Working Holidaymakers

It was found that often Working Holidaymakers were able to be employed at the same time that local youth remain unemployed. This may suggest that 'they possess some desirable qualities vis-à-vis many local unemployed youth'. Some employers believed that Working Holidaymakers were more motivated than local youth. Fourteen percent of Working Holidaymaker employers needed workers who could speak a foreign language.

In general, employers did not regard Working Holidaymakers as more skilled, even though they were more qualified on average. They were also not regarded as being more honest, better spoken or harder working. Some employers did report difficulties around contacting Working Holidaymakers and the extra paper work involved in their short-term employment. The study found that employers generally hired Working Holidaymakers because they made themselves available. Local unemployed youth did not hold a strong interest in the jobs taken by Working Holidaymakers and were not prepared to relocate for employment (whereas Working Holidaymakers were prepared to relocate).

Each Working Holidaymaker took an average of 2.87 jobs per stay at an average of 1.96 months per job. This meant that each Working Holidaymaker filled 0.511 effective full-year positions in the economy, implying that an annual intake of 80,000 occupied the equivalent of 40,909 full-year jobs.

The most likely people who were displaced in jobs were existing workers in the casual low skill sector. The study authors contended that without the Working Holidaymaker Scheme, only a fraction of these jobs would be likely to be taken by long-term unemployed Australian youth. About three-quarters of low skill casual jobs were taken by full-time students and mature age women, and only one-quarter of low skill casual jobs were taken by people who were similar in age group to unemployed youth and were not students. Therefore, the study authors contended, if Working Holiday visas did not exist and the supply of Working Holidaymaker labour was withdrawn (assumed to be 80,000), there would be 40,909 more casual full-year jobs, but only an estimated 10,100 of these jobs would be taken by unemployed youth.

This calculation did not take account of the jobs generated by Working Holidaymakers' spending. The contribution Working Holidaymakers made to aggregate employment flowed directly from their levels of expenditure. 'Total expenditure' was calculated from an estimate of Working Holidaymakers' spending on goods and services in Australia using income from all sources. This included:

- funds the new arrival brought in with them via travellers' cheques and cash
- minus funds they left the country with
- plus any electronic funds they collected while in Australia
- plus any wages they earned in Australia.

'Net funds' was estimated as the total (foreign) money brought into Australia less the total amount taken out.⁸⁴ On average, net funds per Working Holidaymaker was estimated at A\$6,398.⁸⁵ Total wages earned was estimated at A\$9,916 per Working Holidaymaker and total expenditure per Working Holidaymaker was A\$16,314.

⁸⁴ Total expenditure = Net funds + total wages. Net funds = Funds arrived with - funds departed with + electronic fund transfers from overseas.

⁸⁵ This was similar to the Australian Bureau of Tourism Research estimates of the level of net expenditure by non-Working Holidaymaker tourists aged 20 to 29 years who stayed at least 29 nights.

Total expenditure by 80,000 Working Holidaymakers annually was estimated to be A\$1.3 billion. The level of expenditure (output) per employed worker in the industry group 'accommodation, café and restaurants' was \$26,628 (estimated for year ending June 2000). An estimate of the total employment generated at 0.613 full-year jobs was calculated using the following formula:

Gross employment generated = total expenditure ÷ expenditure per job

It was also estimated that 0.511 Australians were displaced in employment by each Working Holidaymaker and, on average, 0.613 Australians gained a job through Working Holidaymaker total spending. The net impact of each Working Holidaymaker on average accordingly is an additional 0.102 full-year jobs (see Appendix E for a summary of these details).

An annual intake of 80,000 Working Holidaymakers will take approximately 41,000 effective full-year jobs, but approximately 49,000 effective full-year jobs will be created through their expenditure. This indicates that about 8,000 effective full-year jobs are created annually by Working Holidaymakers in Australia.

Estimated effects of an extension of the Australian Working Holiday Scheme

Estimates of the number of young people from non-Working Holidaymaker Scheme designated countries who would seek to enter Australia on a Working Holiday permit if the opportunity was available were extrapolated from comparative trends in Working Holidaymaker Scheme source countries. The aggregate employment effects of extending the Working Holidaymaker Scheme to seven new countries (Italy, Germany, Switzerland, Denmark, Israel, Singapore and USA) were estimated.

During 1994/95 to 1996/97 the percentage of source country youth who chose to visit Australia on a tourist permit was almost the same for Working Holidaymaker Scheme and non-Working Holidaymaker Scheme countries (about 0.02 to 0.03 percent). Working Holiday visas, where applicable, raised this percentage by about 0.1 percentage point. Thus the authors of the Australian study considered that extending Working Holiday visas to additional countries would result in additional youth seeking to enter the country rather than a substitution of permit types. They assumed that if the long stay tourist rate remained the same, then extending the Working Holidaymaker Scheme to an additional seven countries would bring an extra 52,000 Working Holidaymakers a year into Australia.⁸⁶

The conclusion reached was that if these additional Working Holidaymakers had the same pattern of spending and employment as existing Working Holidaymakers, this would lead to an additional 5,300 full-year jobs being added to the Australian economy annually.

A Summary of the benefits of Working Holiday Schemes

Working Holiday Schemes in Australia are believed to enhance the cultural and social development of young people. They are also seen to promote mutual understanding between Australia and other nations, and they are an important component of the Australian tourist industry. Working Holidaymakers have a positive effect on the Australian economy. It is estimated that Working Holidaymakers spend around \$1.3 billion annually. The Working Holiday Scheme also assists Australian employers by ensuring that they have access to a large pool of seasonal workers and do not need to resort to recruiting illegal workers.

⁸⁶ This estimate was a projection only based on the given assumptions. It is not possible to more accurately and surely forecast what will happen. Unforeseen events can occur which might influence Working Holidaymaker arrivals. In particular, cultural groups take time to learn about and avail themselves to new schemes and a slow take-up rate from new countries could be expected.

Appendix E: The Effect of Working Holidaymakers in Australia on employment (annually)

Net funds per Working Holidaymaker	\$6,398
+ wages per Working Holidaymaker (\$3455 × 2.87jobs)	\$9,916
=Total expenditure per Working Holidaymaker	\$16,314
Implied full-year jobs generated per Working Holidaymaker	0.613
- Implied full-year jobs worked per Working Holidaymaker (1.96 months 2.87 jobs ÷ 11)	0.511
=Net addition to full-year employment	0.102

Appendix F: Additional data tables

Table F.1 Estimate of equivalent annual jobs taken for all Working Holidaymakers in New Zealand (based on 31,000 Working Holidaymakers per annum)

<p>Average stay = 257 days or 36.7 weeks Average time spent working = 55% of time spent in New Zealand = 141 days or 20 weeks (55% of 257 days / 7 days per week to get a weekly figure)</p> <p>Average hours per week working = 35 hours per week Total average work time = 35 hours per week * 20 weeks = 700 hours or 17.5 weeks full-time equivalent work per week based on 40 hours per week</p> <p>Total number of Working Holidaymakers per annum (proposed) = 31,000</p> <p>Total number of weeks' work = 17.5 * 31,000 = 542,500 weeks full-time work</p> <p>Annual total of full-time equivalent jobs (based on 52 weeks a year) = 10,433 full-time jobs a year.</p>
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Table F.2 Estimate of equivalent annual jobs taken for all Working Holidaymakers in New Zealand (based on an increase to 40,000 Working Holidaymakers per annum)

<p>Average stay = 257 days or 36.7 weeks Average time spent working = 55% of time spent in New Zealand = 141 days or 20 weeks (55% of 257 days / 7 days per week to get a weekly figure)</p> <p>Average hours per week working = 35 hours per week Total average work time = 35 hours per week * 20 weeks = 700 hours or 17.5 weeks full-time equivalent work per week based on 40 hours per week</p> <p>Total number of Working Holidaymakers per annum (proposed) = 40,000</p> <p>Total number of weeks' work = 17.5 * 40,000 = 700,000 weeks full-time work</p> <p>Annual total of full-time equivalent jobs (based on 52 weeks a year) = 13,462 full-time jobs a year.</p>
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