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## LABOUR MARKET OUTCOMES FOR IMMIGRANTS AND THE NEW ZEALAND-BORN 1997-2009

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This research provides an updated picture of the economic integration of overseas-born and New Zealand (NZ) born individuals using data from the 1997-2009 New Zealand Income Survey to compare employment rates, hours worked and wages for these groups. This research also examined whether differences in observed labour market outcomes between these groups were explained by differences in characteristics such as education attainment, work experience and years in New Zealand. Whether these differences vary over time was also examined.

### KEY FINDINGS

**Labour market outcomes across 1997-2009:** There was little systematic variation in differences in employment rates, hours worked and wages for overseas-born individuals compared with NZ-born individuals between 1997 and 2009. This suggests that, over this time period, the business cycle did not have differential impacts on labour market outcomes for overseas-born and NZ-born individuals.

**On average, overseas-born individuals have slightly lower employment rates:** Between 1997-2009 employment rates for NZ-born men ranged from 80% to 89%. On average, employment rates for overseas-born men were lower (averaging 2 to 3 percentage points less). Employment rates for overseas-born women were also lower than for NZ-born women (2 to 5 percentage points less during 1997-2004 and 6 to 9 percentage points less during 2005-2009), largely because employment rates for NZ-born women increased significantly during this period.

Controlling for differences in characteristics, such as education and work experience, did not explain the observed lower employment rates for overseas-born men and women at any educational level.

**On average, hourly wages are lower for overseas-born:** Hourly wages were generally similar for overseas-born and NZ-born individuals of the same gender. However, once differences in the characteristics of these groups were controlled for, including that overseas-born individuals were more highly educated than NZ-born individuals, wages for both overseas-born men and women were found to be on average 4-8% lower than those for NZ-born workers.

The wage gap is larger among less educated overseas-born workers. For example, the wage gap for overseas-born individuals with 9 years of education was 14% for men and 9% for women. The wage gap for overseas-born individuals with 15 years of education was 4% for men and 2% for women.

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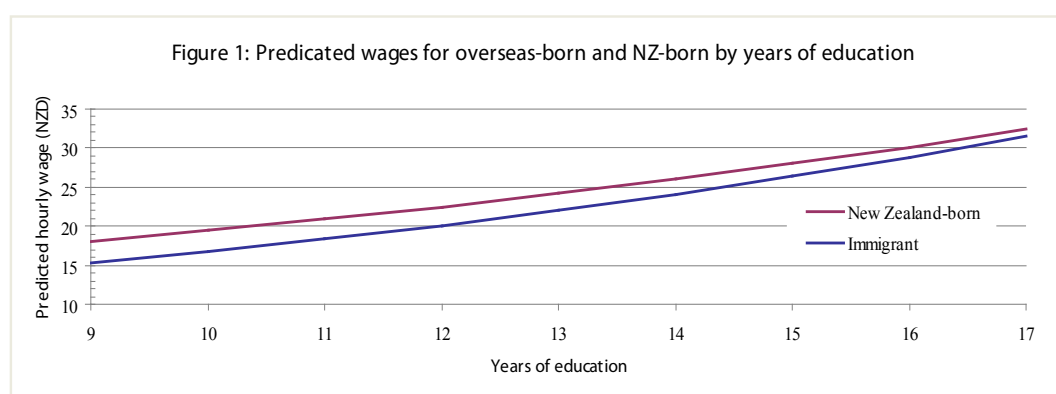
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## RETURNS TO EDUCATION<sup>1</sup>

After controlling for all characteristics discussed above, it was found that for every additional year of education, employment rates were between 1.5 and 2.5 percentage points higher for both NZ-born and overseas-born men and between 2.5 and 4.7 percentage points higher for both NZ-born and overseas-born women.

For each additional year of education, hourly wages increased by 8% to 9% for NZ-born men and by 7% to 9% for NZ-born women. These findings are similar to international literature which shows that returns to education on wages for the total population across OECD and other countries is on average around 8% per year of education.<sup>2</sup>

Overseas-born workers had, on average, 1-2% higher return than NZ-born workers for each additional year of education. Wages on average still remain relatively lower for all overseas-born workers although the gap decreases as years of education increase as shown by Figure 1.



There is little international evidence comparing returns for overseas-born to those of the native-born. However, previous research shows that, unlike the higher returns found in New Zealand, overseas-born workers in Australia have the same returns to education as Australian-born workers.<sup>3</sup>

## DISCUSSION

Possible explanations that lead to the observed lower employment and wage rates for overseas-born individuals, once differences in the characteristics of these groups are controlled for, may include worse job networks, lower effective human capital (perhaps because of language skills), higher reservation wages (perhaps because of different family obligations or less access to informal childcare) or because of labour market discrimination. Currently there is little empirical evidence on the relative importance of the factors that create wage and employment gaps. This type of analysis requires high quality longitudinal data that collects detailed information on individual cognitive and non-cognitive skills, job search behaviours and non-work obligations.

→ Labour Market Outcomes for Immigrants and the New Zealand-born 1997-2009 can be found at <http://dol.govt.nz/publications/research/labour-market-outcomes/index.asp>

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1. For the purposes of this study returns to education refers to the average increase in wages or employment in a population of individuals due to an additional year of education or schooling including the first year.

2. Card, D. (2001) "Estimating The Return To Schooling: Progress On Some Persistent Econometric Problems." *Econometrica*, Vol. 69, No. 5 (September, 2001), 1127-1160; Boarini, R et al. "The Private Internal Rates of Return to Tertiary Education, New Estimates for 21 OECD Countries." OECD Economics Department Working Paper.

3. Stillman, S and Velamuri, M. (2010) "Immigrant Selection and the Returns to Human Capital in New Zealand and Australia." Department of Labour.