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ECONOMIC



THE IMPACT OF IMMIGRATION ON THE LABOUR MARKET OUTCOMES OF NEW ZEALANDERS

ECONOMIC IMPACTS OF IMMIGRATION WORKING PAPER SERIES

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This research estimates the impact of inflows of recent immigrants on the wages and employment of earlier immigrants, the New Zealand-born workers, and recent immigrants themselves. Generally, overseas research has found that immigration has a small negative effect on the wages of non-immigrants.

Theoretically, new immigrants will reduce the wages of New Zealand-born workers with whom they compete most directly – namely those in the same local area and in the same skill group ('substitutability'). However, if the mix of skills that immigrants bring is sufficiently different from the mix of skills in the New Zealand-born workforce, it could have the effect of raising the wages of non-immigrants with different skills ('complementarity').

METHODS

This research uses data from the New Zealand Census (1996, 2001 and 2006). Two different sets of assumptions are used that allow the nature of competition and substitutability between immigrant and non-immigrant workers to differ. These are applied to investigate how readily recent immigrants, earlier immigrants and New Zealand-born workers compete for jobs, both within and across local skill groups. This information is then used to estimate the impact that changes to immigrant inflow have on employment and wage rates.

FINDINGS

- Overall, immigrants do not have a negative effect on the wages of the New Zealand-born population.

- The largest impact that inflows of recent immigrants have is on the wages paid to recent immigrants themselves (e.g. in areas with more recent immigrants in a particular skill group, recent immigrants are paid less than in other geographic areas).
- Immigrants are found to compete most with other immigrants with similar skill levels.

Four scenarios were developed to illustrate the impact of different immigration patterns. The scenarios show what the impact would have been if the immigrant inflow between 2001 and 2006 was halved, doubled, or if the skill composition of the flow changed. These scenarios showed that:

- A change in the number of recent immigrants would have the largest impact on recent immigrants themselves.
 - » Under the more restrictive assumptions, estimates imply that doubling the size of recent migrant inflows lowers recent immigrants' employment rates by 10% to 13%, and their wages by 4% to 14%.
 - » The less restrictive assumptions show a much larger negative wage impact on recent immigrants, of around 60%.
- The overall impact of doubling recent immigrant inflows is positive on New Zealand-born workers, but small; raising employment rates by between 1.4% to 1.8% and wage rates by 0.2% to 1.9% depending on the model assumptions.

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The table below shows the estimated impacts of the four scenarios on the wages of New Zealand-born individuals. The percentages indicate the change in wage levels.

Simulations of changes in the numbers and skill level of the 2001–2006 inflow on the wages of New Zealand-born

	NEW ZEALAND-BORN		
	LOW-SKILLED	MEDIUM-SKILLED	HIGH-SKILLED
Half – inflow to 69,238 ⁺	0.30%	-0.61%	0.06%
Double – inflow to 276,950 ⁺	-0.30%	0.61%	-0.06%
75% of immigrants high-skilled*	-0.03%	2.33%	-1.77%
25% of immigrants high-skilled*	0.17%	-2.49%	1.68%

⁺ The actual inflow between 2001 and 2006 was 138,475.

* The actual level of high-skilled over this period was 64%.

The only evidence found of negative impacts of recent immigrants regarding wages for New Zealand-born workers is when the skill-composition of the inflow is changed.

- An increase in the overall skill mix of the migrant inflow has a small negative impact on the wages of high-skilled New Zealand-born workers (-1.77%) which is offset by a small positive impact on the wages of medium-skilled New Zealand-born workers (2.33%).
- Conversely, a decrease in the skill mix of the migrant inflow decreases wages of the medium skilled New Zealand-born (-2.49%) while increasing wages of the highly skilled (1.68%).

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