



Labour Market Research

Migration and the Auckland city labour market

Introduction

The Auckland City Council Economic Development Strategy is based on a vision of a productive and globally connected Auckland economy, delivering jobs, higher incomes and an improved standard of living for all Aucklanders. A key goal underlying this vision is that the city has skilled adaptable and educated people leading to a labour force that meets the economy's needs.

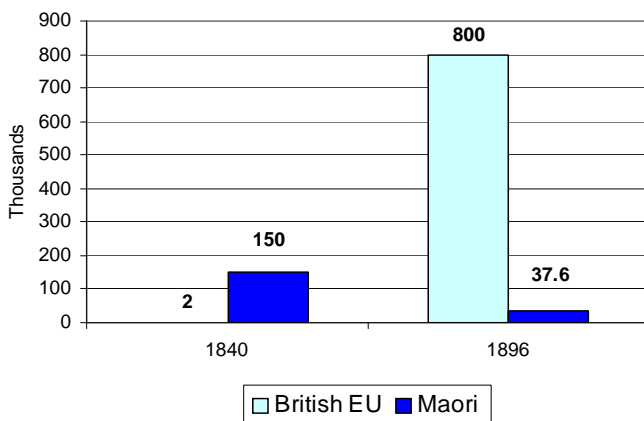
As a means of informing actions that Auckland City Council could take to realise this outcome, the council's Economic Development group has undertaken a series of research projects. This document provides a summary of one of those research projects focussed on the role of migrants in the New Zealand and Auckland labour markets.

Migration - a shaping force

New Zealand is a "discovered" and "rediscovered" land. As such, both its ancient and recent human history is the result of migration flows. Therefore, migration could be described as the shaping force and a key driver of change of New Zealand's society, economy and natural environment.

After the Treaty of Waitangi, people were attracted by the British Empire to transform New Zealand into a "white, British and northern European colony". Migrants were not only needed to increase the size of the population and provide high and low skilled labour, they were colonizers who by means of law and, if necessary, sword occupied the territory and marginalized the Maori who were pushed to the verge of extinction (Figure 1).

Figure 1. New Zealand population by ethnicity. 1840-1895



Source: Statistics New Zealand

As New Zealand became an expanding British colony, its ties with the Pacific islands have, on one hand, increased the scope of citizenship and, on the other, represented a significant conduit to "outsourced" labour. As the UK joined the European Community in 1973, New Zealand was forced to reinvent its economy and its place in the world increasing its ties with Australia and Asia.

The migration policy progressively abandoned racial biases in favour of labour and skills shortages. Asian migrants, particularly targeted by racist legislation and behaviours since the 1880s, have become the second and fastest growing ethnic group after Europeans among immigrants since the 1980s.

Further, the labour market was deeply affected by the economic reforms of the 1980s and at the same time it also became increasingly integrated, through migration, with the international labour market.

A moving planet

Today global migration is a massive phenomenon that affects almost 200 million people worldwide each year. New Zealand receives around 2 per cent of the total permanent inflows of population. Migration flows are not unidirectional in time and space. A migrant can migrate, re-migrate and return home, more than once in a lifetime.

Today, most migrants come from the developing countries and move to developed countries. Yet, increasing and economically relevant movements of high skilled migrants are also happening among advanced economies.

While legal migration is a regulated and relatively organized flow of people, undocumented migration is often a tragic adventure rarely finding a happy-ending. Undocumented migrants feed the most voracious human exploiters with high profit margins and often with their own lives. However, New Zealand's isolation provides a powerful security shield towards these undocumented flows.

New Zealand's immigration policy

New Zealand's present immigration policy which evaluates personal skills through a point system, reflects the focus on the labour market firstly introduced by the Immigration Act of 1987 which radically modified the previous focus on ethnicity.

Its evolution reflects the aim of specifically targeting skilled labour shortages that, through time, were identified by analysts and the business sector as the main constraint to increased productivity and economic growth.

The result of this bias in favour of skills and qualifications has been that New Zealand now has amongst the highest proportion of foreign born nationals with a tertiary qualification in the OECD (5th out of 25 countries in 2004), coupled with this migrants make up a large share (26 per cent) of the population in New Zealand.

The dominant role that employers started playing in the definition of the immigration policy shifted the balance from labour market policies that focussed on supply considerations, to a policy framework that focussed on labour demand as the main driver. In 2003 the general skills category was replaced by a skilled migrant category. Additionally, the temporary immigrant was provided with a possibility to obtain residence after a working period.

The immigration policy now allows for temporary and permanent flows of labour market related migrants responding to temporary and long-term skill shortages of the economy, as well as the interest in attracting businesspeople.

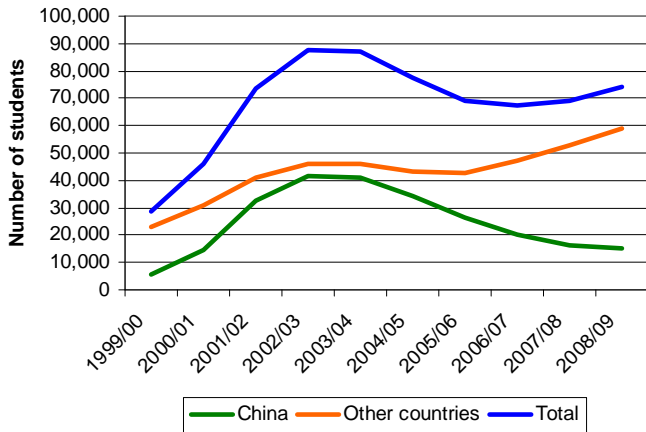
Temporary migrants

The official objectives of New Zealand's temporary entry policy are to facilitate the entry of visitors, students, and temporary workers to contribute to building strong international links,

attracting foreign exchange earnings and addressing skills shortages.

The number of migrants coming to New Zealand for work or study over the decade to 2008 has grown rapidly. International student numbers have been decreasing since a peak in 2003, but increased again since 2008 (Figure 2).

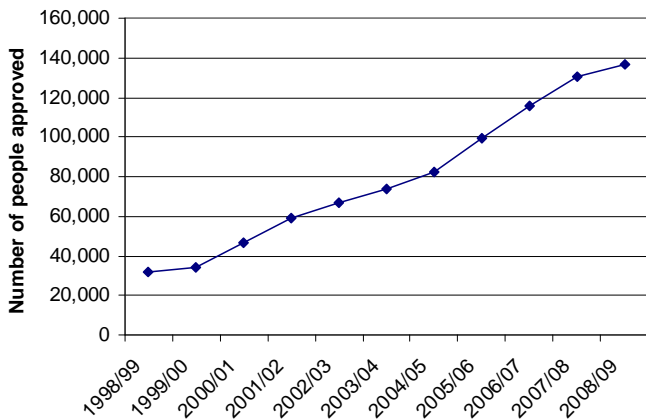
Figure 2. Foreign students in New Zealand. 1998–2009



Source: Department of Labour, NZ

The number of people issued temporary work permits in New Zealand grew 13 per cent on average between 1997 and 2008. In 2009 they accounted for more than 136,000 people (Figure 3).

Figure 3. Temporary work permits, 1998-2009



Source: Department of Labour, NZ

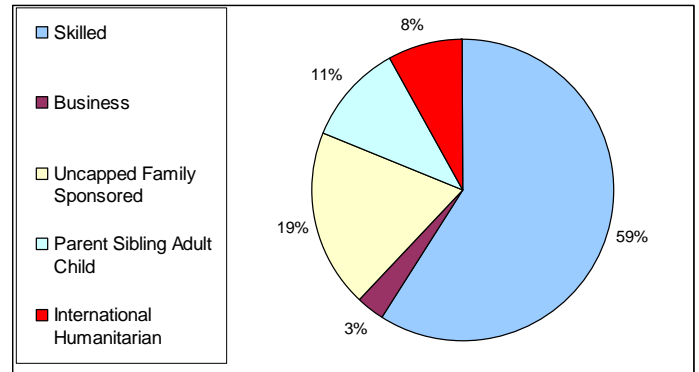
Migrants' work experience in New Zealand before residence is positively linked to their employment outcomes after gaining residence. Most residence approvals in 2009 had previously held a temporary permit (81 per cent of 46,097 approvals). An increasing number of international students gain permanent residence in New Zealand after completing their studies. These students are already partially settled in New Zealand and offer employers New Zealand qualifications.

In 2009, the United Kingdom provided the most temporary work permit holders in New Zealand with more than 20,000 (15 per cent), followed by China (9 per cent). However, work permits granted to Chinese people decreased in 2009 by 18 per cent, while India continued to show strong growth (24 per cent) as well as the Philippines. The number of work permits to people from Japan is on a steadily declining trend.

Permanent migrants - in search of the perfect migrant

People who want to migrate permanently to New Zealand must apply through one of the five residence streams of the New Zealand Residence Programme shown by Figure 4.

Figure 4. Residence approvals by category, 2009



Source: Department of Labour, NZ

Skilled migrants

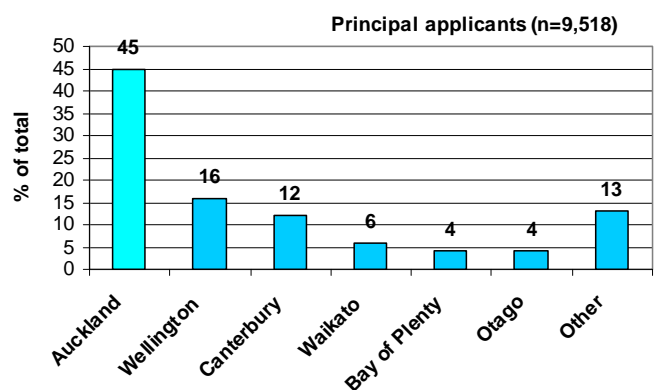
In 2009, 46,097 people were granted permanent residence in New Zealand: 62 per cent through a scheme designed to attract a skilled workers and business people that is 28,547 people.

The skilled migrant scheme is a points-based system designed to ensure that people migrating to New Zealand have the skills, qualifications, and work experience New Zealand needs.

The largest source countries in 2009 were the United Kingdom (19 per cent), China (15 per cent), and South Africa (12 per cent). South Africa's quota has increased by almost 30 per cent over the last two years. The average age of people approved for permanent residence was 29 years.

Forty-five per cent of the employed skilled migrants work in the Auckland Region (Figure 5), despite a provision that allows applicants to claim bonus points for having employment outside of Auckland. In 2009 more than half of all applicants (55 per cent) claimed bonus points for a job outside the Auckland region.

Figure 5. Skilled Migrants: region of employment, 2008



Source: Department of Labour, NZ

Business migrants

The Business Immigration Policy aims at attracting entrepreneurial capacity and foreign investment. From 2003 to 2009, 16,743 people were approved for residence through the Business Immigration Policy. The main source countries were China (5,707), South Korea (4,243), and the United Kingdom (2,156).

Since 2006, the overall number of approvals through the Business Immigration Policy has dropped substantially (from 3,751 to 413). Only 33 people were approved residence through the Investor Category in 2009, while 187 applicants achieved a long-term business visa. The number of business visas granted has decreased considerably since the peak of 1,807 principal applicants in 2002.

The main reasons for this overall decrease were very stringent language and investment requirements.

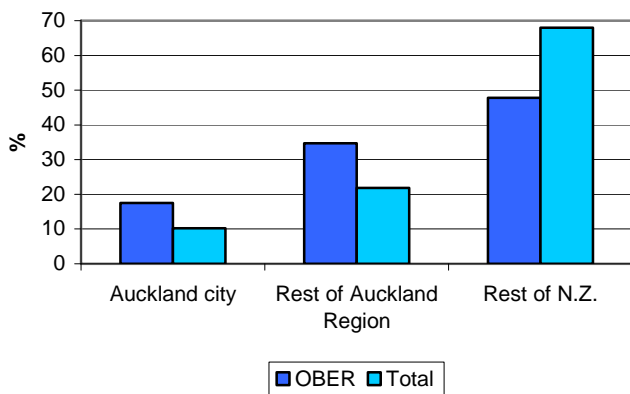
In July 2009, the Migrant Investment Policy was simplified. The main purpose is to increase the number of entrepreneurs but foremost to attract wealthy investors by relaxing age and language requirements. Therefore now there are only two categories of business migrants: Investor Plus and Investor.

Auckland: a multicultural challenging reality

Auckland is undoubtedly the place where the relevance of migration is most manifest. Today Auckland is not only the international hub of New Zealand, but it is also among the ten most ethnically diverse cities of the world.

In 2006 more than one in three Aucklanders was born overseas. Overseas born employed residents (OBER) tend to concentrate in Auckland city. In fact, while Auckland city's quota of employment is around 10 per cent, more than 17 per cent of overseas born employed residents work here (Figure 6).

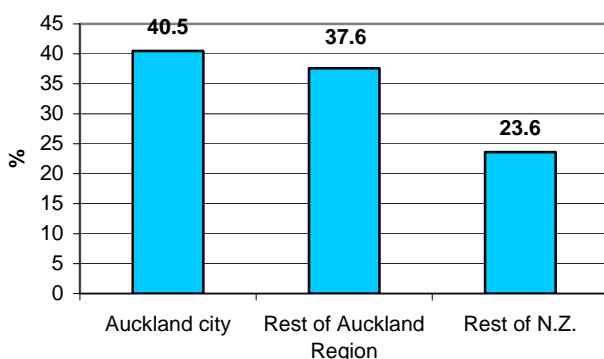
Figure 6. Distribution of OBER and total employed by area. 2006



Source: Statistics New Zealand

The participation of migrants in Auckland's labour market is striking: the more than 82,000 immigrant workers employed in Auckland city represent 40.5 per cent of its total employment (2006), compared to 37.5 per cent in the rest of the Auckland Region and "only" 23.6 per cent in New Zealand, that is 469,000 people (Figure 7).

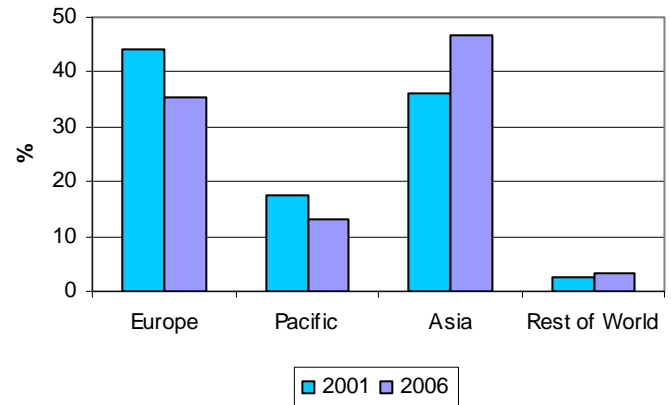
Figure 7. Immigrants as a percentage of total employed by territorial authority. 2006.



Source: Statistics New Zealand

The majority of employed migrants working in Auckland are Asian (46.8 per cent). Europeans, whose quota is rapidly shrinking over time, represented almost a third of immigrant workers in 2006. Pacific people's quota is also plunging, they represented 11 per cent of working migrant residents in 2006 (Figure 8).

Figure 8. Working immigrants' ethnicity in Auckland city



Source: Statistics New Zealand

On average, employed immigrants are more qualified than national employed. The higher level of educational degrees of migrants is particularly evident at the Auckland Region and at the national level (Figure 9). In Auckland city, 38 per cent of overseas born residents have an education qualification equal or superior to Bachelor Degree, as compared to 36.2 per cent of total employed.

Figure 9. Percentage of OBER and of total employed population who have an education qualification equal or superior to Bachelor Degree (7 upwards). 2006

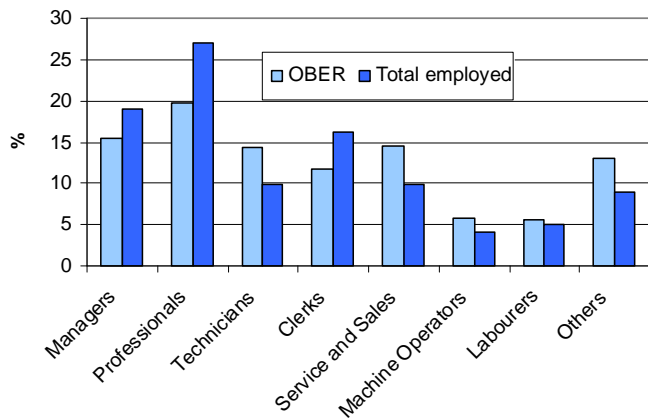


Source: Statistics New Zealand

Auckland city's migrants work predominantly in high skilled occupations such as professionals, managers and technicians, while in low skilled occupational categories migrants are normally underrepresented (Figure 10). Professionals is the most important occupational category among Auckland city's employed migrants, representing almost 20 per cent of the total.

However, compared to the total working population in Auckland, migrants are more represented in the technicians occupation, rather than, as the educational levels would suggest, in professionals and managers. This is probably due to higher barriers to entry for regulated occupations (e.g. doctors, lawyers, etc).

Figure 10. Occupation category of overseas born residents (OBER) and total employed in Auckland city. 2006



Source: Statistics New Zealand

Main economic contributions of migrants

An obvious and fundamental contribution of immigration is increasing the population. By increasing the population, private demand increases and finally the size of the economy grows, both in quantitative and qualitative terms. This effect is particularly relevant for Auckland city.

Temporary and permanent flows of migrants help to attract global talent to address skill shortages and bring capital, expertise, and international connections to build the workforce of Auckland and New Zealand.

There is no data to statistically support the allegation that immigration increases productivity and innovation in the New Zealand context, though the skill and educational levels of migrants tend to suggest relatively higher productivity. Studies conducted abroad support this economic benefit of migration.

The economic benefits of migrants are increased by settlement policies that support their integration in a multicultural society as well as professional and businesses' advisory policies that aim to improve their integration into the labour market. In addition, the effective matching of their skills and occupation improves the productivity and international competitiveness of the economy.

Another fundamental economic contribution of migration is its capacity to alter the demographic structure of the hosting country, modifying its age structure (in 2008 the average age of people approved for residence was 30 years). For ageing societies like New Zealand, the inflow of young and productive people makes the social security and welfare more viable through time. The destination country (NZ) acquires a human resource, free riding all the costs related to its education and health, which were borne by the skilled migrant and its country of origin.

Migrants have a very positive impact on public finances, according to the Department of Labour. In 2006 migrants contributed 68 per cent more in taxes than they received in benefits and services (compared with the New Zealand-born population's 13 per cent). Therefore, migrants contributed 24.7 per cent of government revenue and accounted for only 18 per cent of government expenditure.

As Auckland city and region are the main settlement areas of immigrants, migration flows have a significant impact on the housing market (residential and commercial). In combination with the natural population growth, migrants are the main driver of growth for the housing/construction sector - a sector that is

among the most important to the city's economy with a high share of employment.

Improving migrants' productivity...

Assessing the matching of labour demand and the skill shortage lists (short and long term) is of paramount importance in understanding whether New Zealand's immigration policy approach has produced the desired results. Effective matching is as important for those who manage the policy (labour demand), as for those who are selected through it (labour supply/immigrants).

Further, while immigration policy directly controls the supply of migrants into NZ, their availability (whether they choose to emigrate to NZ or to go somewhere else) depends on a global context where exists an internationally mobile pool of 'talent'.

The New Zealand process seems robust and responsive to employer requirements. Yet in practice, there appears to be ongoing mismatches between skilled migrants and employer demands. The debate over this issue is slightly controversial, as the Department of Labour assessments show that the policy streams provide for an almost perfect matching between labour demand and supply, whereas some surveys and less formalized evidence suggest a certain degree of mismatching.

As a consequence, a number of initiatives have been launched, both by the private and the public sector to maximise the economic benefits of immigration flows. One such initiative in Auckland is OMEGA (Opportunities for Migrant Employment in Greater Auckland) which aims to match highly qualified migrants with Kiwi mentors to help them achieve employment that matches their skill set. As well as the retention of skilled migrants over time, these initiatives also aim to reduce the under-employment of skilled migrants and improve their well being.

... and improving their life

Multiculturalism is about not only recognizing different value systems and cultural practices within societies, it is also about building a common commitment to core, non-negotiable values, such as human rights, rule of law, gender equality, diversity and tolerance. Multiculturalism emphasizes not only the freedom of individuals to express and share their cultural values, but also their obligations to abide to mutual civic obligations. This is not an automatic outcome of immigration; its achievement is the result of specific policies that must be actively managed.

Many public policies, and in particular at the Auckland local level (i.e. the Auckland Settlement Strategy), have been designed and implemented in order to assist and address the post-migration phase, the settlement of selected migrants in a more supportive way and to help the society deal with diversity in a positive and constructive way.

As it is important to attract immigrants, it is equally important to retain skilled nationals and businesspeople. In New Zealand emigration is also very strong and plays a significant role in population fluctuations. Of the 600,000 Kiwis living abroad, 477,000 live in Australia and 58,000 in the U.K. This could negatively affect the economy, although the occupational categories where emigration is particularly significant are the less skilled categories (machinery operators, elementary occupations and service and sales). However, as more than 30 countries have policies to attract skilled migrants, if the economic performance of the country does not keep pace with the rest of the world, working abroad could become more attractive and the risk of a brain drain could increase.

For further information relating to the contents of this report contact mattia.barbera@aucklandcity.govt.nz