



Migrant pay gap

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DIFFERENT MIGRANTS HAVE DIFFERENT EMPLOYMENT EXPERIENCES

The majority of the migration into New Zealand is linked to work, particularly in recent decades.¹ Many migrants choose to work and stay in New Zealand for a better quality of life, the ability to get a good job, and the perception that New Zealanders are welcoming to migrants.^{2,3}

Over a quarter of our population, and nearly 39 per cent of our working age population, was born overseas as of the 2018 Census. While the largest group is by far people born in the United Kingdom, there is a large amount of birthplace diversity within the migrant group. People born in China, India, Australia, South Africa, and Polynesia make up a significant part of our population.

From the outset of this research, we hypothesised that different migrant groups have different labour market outcomes. Migrants face a myriad of challenges and barriers in New Zealand's labour market. Moreover, the set of challenges experienced by migrants from different countries and backgrounds varies. For example, migrants from Asia face significant language barriers that migrants from Western Europe and North America don't. Talking about an overarching 'migrant pay gap' fails to capture the nuances and unique experiences of these individual migrant groups, and does not inform policy or drive change for the people who experience unfair outcomes. This is especially true in a country like New Zealand where the migrant cohort is extremely diverse and brings a wide variety of skills to our labour pool.

¹ <https://www.oecd-ilibrary.org/sites/f2db15c1-en/index.html?itemId=/content/component/f2db15c1-en>

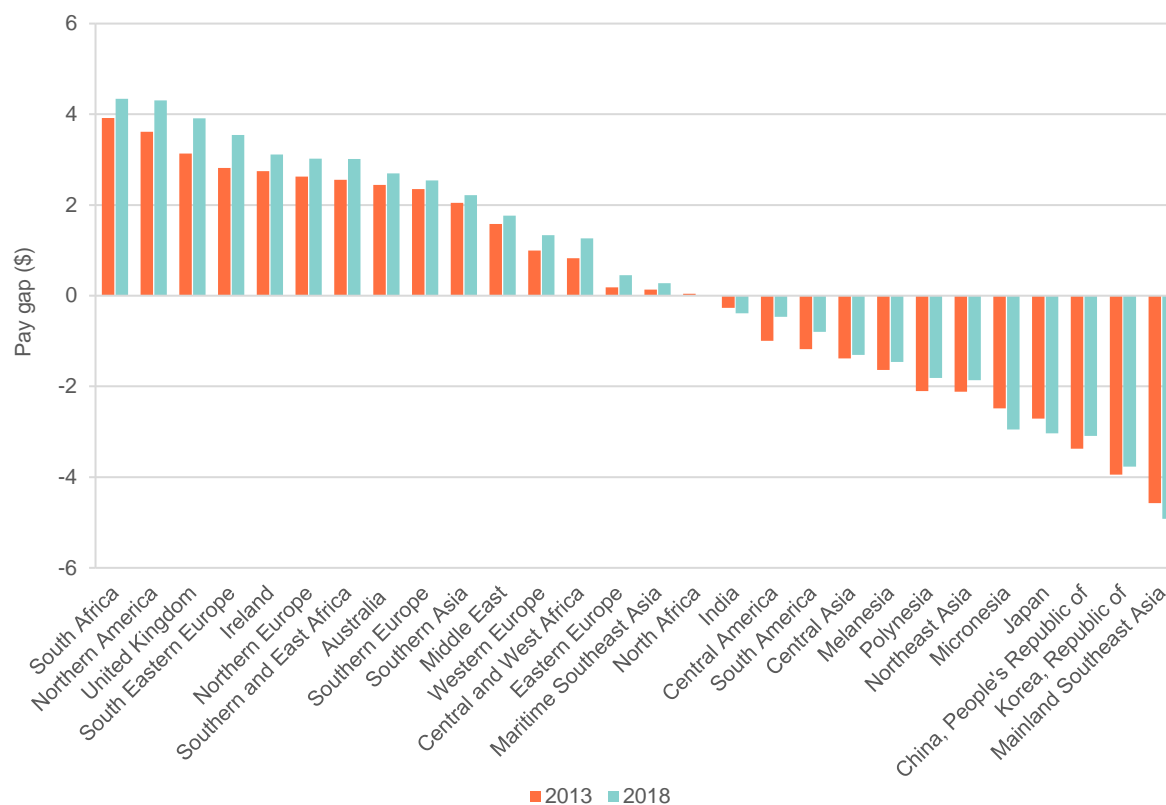
² [https://www.mbie.govt.nz/dmsdocument/2759-migrants-reasons-for-coming-to-nz-pdf#:~:text=New%20Zealand's%20relaxed%20pace%20of,good%20job%20\(11%20per cent\).&text=ability%20to%20get%20a%20good%20job](https://www.mbie.govt.nz/dmsdocument/2759-migrants-reasons-for-coming-to-nz-pdf#:~:text=New%20Zealand's%20relaxed%20pace%20of,good%20job%20(11%20per cent).&text=ability%20to%20get%20a%20good%20job)

³ https://www.wgtn.ac.nz/cacr/research/1-page-research-summaries/What_makes_skilled_migrants_choose_New_Zealand.pdf

So, what does the data say?

Using data from the Census and the Inland Revenue Department meant that we were able to effectively capture most of New Zealand's working age population as of Census 2013 and 2018.⁴

Figure 1 Pay gap by place of birth, compared to NZ-born, average hourly wage



Source: IDI data – 2013 and 2018 Census, IRD, BERL calculations

On comparing the average hourly wages of different migrant groups (by place of birth) to the average hourly wage of non-migrants, a striking picture emerged, as illustrated in Figure 1. Migrants from the regions with positive pay gaps earned higher average wages than non-migrants and those with negative gaps earned lower wages. Migrants from South Africa, Northern America, the United Kingdom (UK), and the rest of Europe all earned a higher average hourly wage than people born in New Zealand.⁵ On the opposite side of the spectrum were migrants who earned significantly lower wages than non-migrants. These were largely people born in Asia, the rest of the Americas, Polynesia, Melanesia, and Micronesia.

*In 2018, the average hourly wage of a migrant from South Africa was 15.4 per cent **higher** than the average non-migrant wage. The comparative wage of a migrant from Mainland Southeast Asia was 17.5 per cent **lower** than the average non-migrant wage.*

⁴ The complete methodology can be found in the technical report.

⁵ All average wages reported have been age standardised to account for the differences in age structures. Refer to the methodology for further details.

Between 2018 and 2013, average wages for *all* those migrants on the left side of the spectrum increased relative to the average non-migrant hourly wage. While the pay gap for some of those migrants born in one of the countries on the right side of the spectrum narrowed, it was still persistent. The average wages for migrants from India, Micronesia, Japan, and Mainland Southeast Asia fell relative to the average non-migrant wage during the five years between 2013 and 2018, i.e., the wage gap widened.

These differences were also visible on comparing median wages. Individuals born in places such as China, Polynesia, Mainland Southeast Asia, and South Asia earned a significantly lower median wage than non-migrants for nearly all of the five-year age groups within the working population. On the other hand, migrants in each age group born in places like South Africa, the United Kingdom, and Australia had higher median wages than non-migrants.

We further confirmed the statistically significant role of ethnicity and place of birth in determining an individual's pay using regression analysis. We controlled for the skill-level of the occupation an individual was in, languages spoken, years in New Zealand, and age.⁶ The results from the regression analysis corroborated the findings in Figure 1. The regression results also illustrate that even for migrants with the same level of skills, English language ability, time spent in New Zealand, and age, those born in places like Asia and South America earn significantly lower average wages than migrants from Europe and Northern America.

These gaps can arise as a result of a multitude of inherent differences between migrant groups. But even accounting for these differences does not erase the gap.

In the more detailed technical report, we examine how the pay gap differs based on factors such as years in New Zealand, occupation, education level, and visa type.

What factors might be contributing to pay gaps for some migrants?

As stark as these results are, they bring up a multitude of questions that require further investigation. Undoubtedly there are factors other than discrimination and bias that drive these differences, including language abilities and institutional barriers.

Our results show that migrants who spoke English and another language were more likely to earn a lower wage than migrants who spoke English only. It could be argued, considering New Zealand's largest source countries for migrants, that migrants who spoke English and another language had a lower English language ability than those who spoke English only.

Furthermore, there are institutional barriers, such as the fact that the qualifications of migrants from Asian countries may not be as easily transferrable as qualifications from European or North American countries. Research by the Ministry of Education on skills mismatch in New Zealand showed that certain groups were more likely to experience skills mismatch than others.⁷ Migrants who did not speak English as a first language were more likely to be overqualified. The research also found some evidence that people who identified as Asians were more likely to be overqualified than Europeans.

⁶ Median wages and regression outputs can be found in the appendix of the technical report.

⁷ https://www.educationcounts.govt.nz/_data/assets/pdf_file/0006/198843/Qualification-match-and-mis-match-in-New-Zealand.pdf

Therefore, even though these migrants may have the right skills and qualifications, language and institutional barriers may be holding them back from career progression or earning the same wages as their European counterparts. This also raises questions around the level of English language ability actually required in occupations such as engineering, ICT, etc. Moreover, these differences should disappear for migrants who have been in New Zealand for over five to 10 years. Our findings show that this is not the case and the gaps persist even for migrants who have spent a substantial amount of time in New Zealand. Understanding the factors that lead to migrants from certain countries, who have been in the country for over 10 years, to have poorer labour market outcomes than others is something that requires further investigation.

As pointed out by Haar (2019), the entirety of these differences cannot be attributed to discrimination and bias.⁸ However, the fact that these gaps exist between migrant groups within the same occupation, level of education, and/or industry indicates that (conscious or unconscious) bias and discrimination do influence labour market outcomes. For example, in 2018, migrants with a higher qualification (bachelor's degree or above) from the UK and South Africa had an average hourly wage of nearly \$40. Migrants from China and India with the same level of qualifications had an hourly average wage of under \$33.

In 2018, migrants with a bachelor's degree or higher qualification from China earned, on average, 21.6 per cent lower hourly wages than their counterparts from the UK.

One factor that likely contributes to this disparity is the degree of transferability of qualifications. Migrants from English speaking, advanced countries can transfer their qualifications to the New Zealand labour market more easily. Further research in this area should aim to understand how outcomes differ for migrants who have obtained the same levels of qualifications from New Zealand educational institutions and how these differ for people from different countries or ethnicities. The fact that the wage gap between older migrants from different regions isn't narrower indicates skills mismatches and inequities may be persistent and may not be a result of just lower English language ability or cultural differences.

Another result that indicates the more important role of unexplained factors such as bias in determining pay for some migrants is pay gaps within occupation groups. Even though overall gaps can be explained, in part, by skill level, educational attainment and language ability, significant differences in the same occupation group points to other factors playing a role. We find that pay differences exist between migrants in the same occupation groups. Comparing people in the same occupation group accounts for differences in skills levels and education to a large extent. Migrants from China, India, and Polynesia in high skilled occupations such as medical practitioners, engineering professionals, and business analysts and programmers earn significantly lower wages than their counterparts from the UK, Northern America, and South Africa.

⁸ Haar, J. M. (2019). Exploring the Ethnic Pay Gap in the Public Services: Voices from the Rito. Pou Mātāwaka, Wellington, New Zealand.

In 2018, engineering professionals from the UK, South Africa, and Northern America all earned an average wage above \$45 an hour. In contrast, engineering professionals from India, China, and Polynesia all had hourly wages below \$40.

It is also important to understand how these dynamics change when gender is added to the equation. Particularly, how these gaps look in highly feminised industries and occupations. However, this was out of scope for this research and requires a more detailed analysis.

Immigration policies and employment practices

Previous research has highlighted how critical English language ability is in ensuring migrants can access employment opportunities and develop social connections.^{9,10} Given our findings, more up-to-date research is essential in understanding whether the current immigration policies enable migrants to develop adequate levels of English.¹¹ English language education is largely provided in short courses that are unlikely to achieve levels of English competence to ensure participation and inclusion in employment, education, and community environments.

As well as funding English for Speakers of Other Languages (ESOL) programmes, the Government also has a responsibility to ensure the skills and qualifications of migrants are recognised. This includes ensuring there is no bias in how qualifications gained overseas are assessed, as well as making sure these qualifications are recognised by professional registration bodies.

Ensuring fair and unbiased hiring practices are also crucial to ensuring equitable and inclusive employment outcomes for migrants. The Human Rights Act 1993 and the Employment Relations Act 2000 cover discrimination and unjust treatment in the workplace, with the Public Service Act 2020 including good employer requirements for public sector employers. However, unconscious bias in employment persists.

Developing an Equal Employment Opportunity (EEO) policy ensures organisations provide safe, diverse, and inclusive workplaces for all employees. An EEO policy lays out the steps an organisation will take during recruitment processes and selection criteria, training and professional development, promotion and career progression, remuneration, and work locations and processes, to ensure equitable and fair employment for all.

The evidence provided by our analysis clearly shows that there are striking differences between the average and median wages of migrants, non-migrants, and even between different migrants groups. The large differences between the latter are particularly concerning since these gaps persist even after accounting for factors such as occupation, industry, and education level. While the entirety of this gap cannot be attributed to bias and discrimination, these factors almost certainly play a role in determining the wages of migrants, particularly those from Asia,

⁹ White, C., Watts, N., & Trlin, A. (2002). New Zealand as an English-language learning environment: Immigrant experiences, provider perspectives and social policy implications. *Social Policy Journal of New Zealand*, 148-162.

¹⁰ Khan, Y. (2016). *Adult migrant English language education policy in Aotearoa New Zealand, 2002-2014* (Doctoral dissertation, Auckland University of Technology).

¹¹ <https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/tools-and-information/english-language/learning-english-in-new-zealand>

Polynesia, Micronesia, and Latin America. One of the policy levers that has considerable success in identifying and addressing wage gaps is pay transparency.¹²

When people learn about being paid less than their peers for reasons other than experience or skill level, they are more likely to value their employer less and feel dissatisfied with their job.¹³ The experience is highly demotivating for those being discriminated against. Evidence shows that less than half the people who find out they are being paid less than their peers formally complained about the discrepancy. This is likely to be even less in the case of migrants, especially those in low-skilled roles and where their visa might be linked to their employer. If employees are afraid of raising the issue with their employers for fear of souring the relationship or even losing their jobs, these biases and discrepancies are more likely to be enduring.

It is possible that in many organisations, particularly larger ones with more employees, these gaps and differences are unknown to management. Reporting the pay gaps by gender and ethnicity ensures that the existence of this issue is brought to light. Acknowledging that the problem exists and taking steps to correct it builds a climate of inclusion.

¹² OECD. (2021) *Pay Transparency Tools to Close the Gender Wage Gap*. OECD Publishing, Paris. <https://doi.org/10.1787/eba5b91d-en>.

¹³https://www.hrc.co.nz/files/4015/9364/8813/Opinions_and_Experiences_of_Unequal_Pay_and_Pay_Transparency_-_Human_Rights_Commission.pdf

Technical details

This report is accompanied by a full, peer-reviewed technical document. For more information please contact info@diversityworks.nz.

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