



Pathways, Circuits and Crossroads 2011

# Points of Difference: Does the Skilled Migrant Category Points System Predict Wages?

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# Question

- How well do the SMC points act as a predictor of labour market success?
  - Public policy implications (upcoming review)
- Structure
  - Intro to SMC and LisNZ
  - Analysis of the SMC policy
  - Consider some changes
  - Discussion



# Introduction: The Skilled Migrant Category (SMC)

- The objective of the SMC is to grant residence to people who demonstrate that they:
  - have skills to fill identified needs and opportunities in New Zealand;
  - are able to transfer those skills to New Zealand and link with local needs and opportunities;
  - are able to demonstrate an ability to contribute to New Zealand both economically and socially; and
  - are able to demonstrate an ability to successfully settle in New Zealand
- In 2009/10 the SMC represented 60% of all people approved for residence
- Point-based system
  - With minimum English language, character and health requirements
- Similar points systems in Australia, Canada, United Kingdom, Denmark, Singapore, and now Germany



# SMC points

Factors	Subfactors	Points
Skilled employment Bonus Points	<ul style="list-style-type: none"> <li>• Job for 12 months or more</li> <li>• Job for fewer than 12 months or Job offer</li> <li>• Outside Auckland</li> <li>• In a growth area or area of skills shortage</li> <li>• Partner's job or job offer</li> </ul>	<ul style="list-style-type: none"> <li>• 60</li> <li>• 50</li> <li>• 10</li> <li>• 10</li> <li>• 20</li> </ul>
Relevant experience Bonus Points	<ul style="list-style-type: none"> <li>• 2-3 years to more than 10 years</li> <li>• New Zealand (1 year to more than 3 years)</li> <li>• In a growth area or area of skills shortage</li> </ul>	<ul style="list-style-type: none"> <li>• 10 to 30</li> <li>• 5 to 15</li> <li>• 10 to 15</li> </ul>
Recognised qualification Bonus Points	<ul style="list-style-type: none"> <li>• Basic qualification/Master or Doctorate</li> <li>• New Zealand Basic/Master or Doctorate</li> <li>• In a growth area or area of skills shortage</li> <li>• Partner's qualification</li> </ul>	<ul style="list-style-type: none"> <li>• 50/55</li> <li>• 5/10</li> <li>• 10</li> <li>• 20</li> </ul>
Close family support		<ul style="list-style-type: none"> <li>• 10</li> </ul>
Age	<ul style="list-style-type: none"> <li>• 20-29 to 50-55</li> </ul>	<ul style="list-style-type: none"> <li>• 30 down to 5</li> </ul>



# Longitudinal Immigration Survey New Zealand

- Immigrants approved Nov. 2004 – Oct. 2005
- Interviews 6, 18 and 36 months after taking up permanent residence in New Zealand
- Principal skilled migrants at wave 3
  - Attrition bias? Don't think so?
  - 1,758 interviews at wave 3
  - Weighted to represent the original population
- In-depth information about settlement outcomes and socio-demographic characteristics
- Does not report the actual points that were awarded in the application
- Not all points factors are included
  - Cannot estimate points for growth areas or areas of skill shortage
  - Do not include factors included for other reasons e.g. living out of Auckland or age



# Principal skilled migrants

Origin (proportion)	UK/IR (39%)	Asia (29%)	S. Africa (13%)	Other (19%)	Total (100%)
<b>Demographics</b>					
Female	30%	41%	28%	36%	<b>34%</b>
Aged 20-29 years old	12%	<b>54%</b>	13%	25%	<b>26%</b>
Offshore applicants	37%	7%	9%	13%	<b>20%</b>
<b>Qualifications</b>					
Bachelor or higher	54%	<b>70%</b>	41%	54%	<b>57%</b>
NZ post school qualification	2%	<b>50%</b>	S	10%	<b>17%</b>
<b>Labour market outcomes</b>					
Employment rate (wave 3)	95%	91%	98%	92%	<b>94%</b>
Mean hourly wage (wave 3)	\$32	<b>\$25</b>	\$30	\$31	<b>\$30</b>



# The SMC model

- Testing the log of hourly income at wave 3
  - Characteristics as at application
  - Outcomes at wave 1 also analysed
  - Employment 'too high'
- SMC factors:
  - Skilled employment (job offer and current employment)
  - Relevant work experience
  - Qualifications
  - New Zealand work experience and qualifications
  - Close family support
- Two models with and without extra controls
- Other control variables
  - Region of origin
  - Gender
  - Family composition
  - Region of settlement



	<b>Model 1 : with controls</b>		<b>Model 2: without controls</b>	
<b>SMC labour market points factor</b>				
Skilled employment [None]				
Job offer	0.101	*	0.127	**
Current employment for fewer than 12 months	0.060		0.031	
Current employment for 12 months or more	0.062		0.038	
Years of relevant work experience [less than 2]				
2-3 years	0.025		0.061	
4-5 years	-0.067		-0.012	
6-7 years	0.155		0.182	*
8-9 years	0.129		0.202	**
10 or more years	0.135	**	0.234	**
Years of relevant work experience in NZ [less than 1]				
1 year	0.040		0.064	
2 years	-0.055		-0.021	X
3 years	0.095		0.088	
Qualification [None]				
Vocational	0.139		0.104	
Bachelor	0.299	**	0.247	**
Master or higher	0.331	**	0.312	**
NZ qualification [None or Vocational]				
Bachelor	-0.009		-0.154	*
Master or higher	-0.016		-0.163	X
Close family support	-0.051		-0.025	



# SMC model: summary

- Migrants with a job offer are doing well
  - Remember those without a job must be pretty good
- Increasing returns to education
- No significant gain from
  - Longer periods in current employment, compared to shorter one or a job offer
  - Less than 5 years relevant experience
  - NZ experience or qualifications (compared to foreign ones)
    - 9 in 10 Asian and half women with NZ qualifications
- Control variables:
  - Lower for Asian and Pacific migrants (compared to Europeans)
  - Lower for Females
  - Lower for living in the South Island



# Changes

- Groupings
  - Join adjacent categories with similar results e.g.:
    - Having a job offer or current employment
    - Relevant work experience grouped into fewer categories than 2 years, 2–5 years, 6–9 years, and 10 years or more
    - Points for more than 1 year of work experience in New Zealand
    - New Zealand bachelors degrees and higher degrees grouped
- Other factors:
  - Skill level – previous job
  - English language - self-reported



	<b>Model 3 : with controls</b>		<b>Model 4: without controls</b>	
<b>SMC labour market points factor</b>				
Skilled employment [None]	0.064		0.044	
Years of relevant work experience [less than 2]				
2-5 years	-0.039		-0.004	
6-9 years	0.132	**	0.160	** ↓
10 or more years	0.135	**	0.211	** ↓
More than one years of relevant work experience in NZ [less than 1]	0.023		0.027	
Qualification [None]				
Vocational	0.137	**	0.095	
Bachelor	0.250	**	0.187	** ↓
Master or higher	0.268	**	0.234	** ↓
NZ qualification: Bachelor or higher [None or Vocational]	-0.020		-0.125	**
Close family support	-0.051		-0.027	
<b>Additional characteristics</b>				
Previous skill level [Level 1]				
Level 2	-0.115	**	-0.124	**
Level 3	-0.226	**	-0.198	**
Level 4 or more	-0.083		-0.114	*
No skill level recorded	0.031		0.062	
English Ability [Main language]				
Very good	-0.035		-0.074	*
Good, moderate or poor	-0.057		-0.191	**

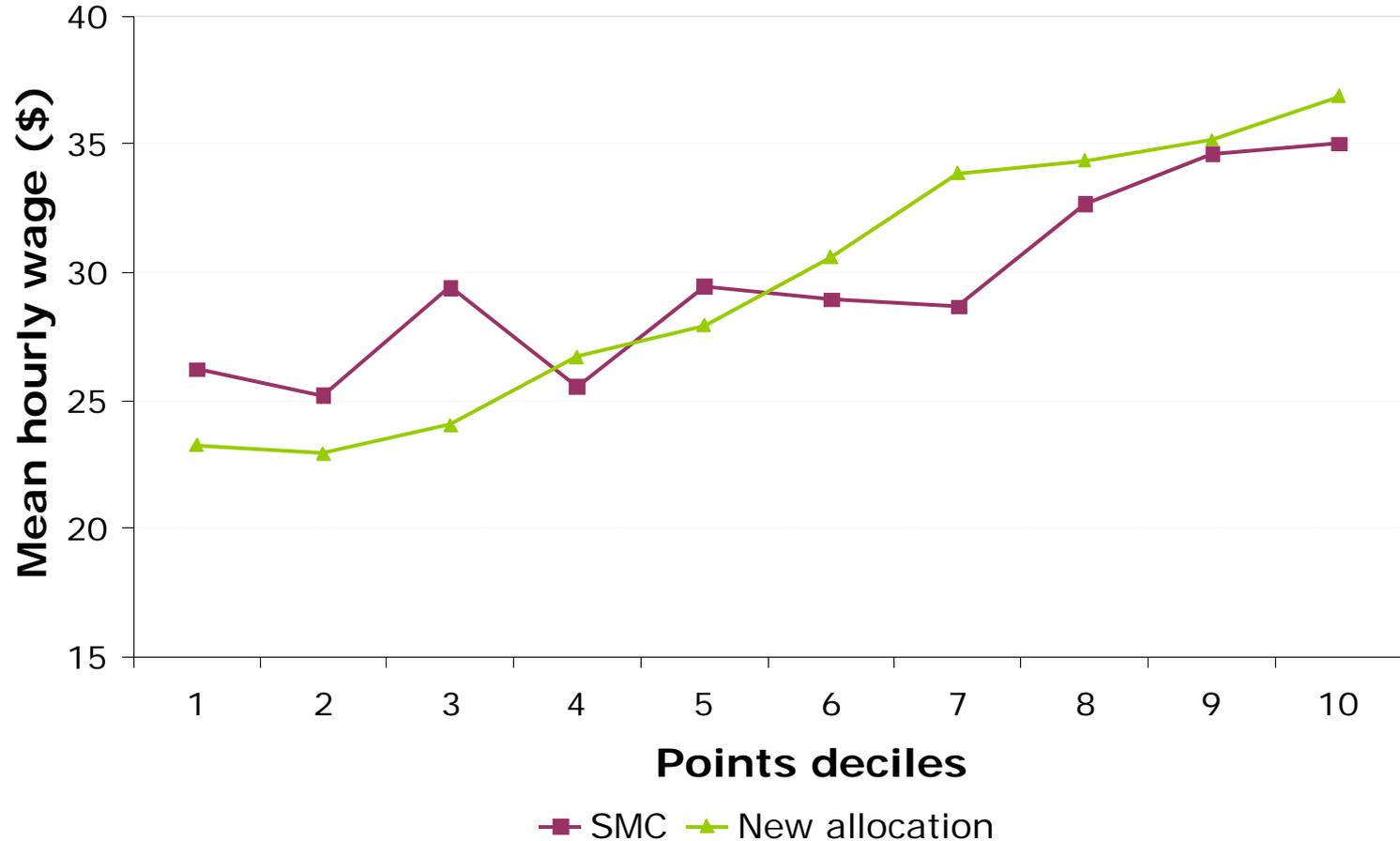


# Amended model summary

- Skilled employment not significant
- Relevant work experience increases with time
- Previous skill level shows benefits for level 1 vs lower skilled
- English ability significant when nationality not controlled for
- Control variables:
  - No change



# Ranking the current SMC and new allocations



# Areas to think about

- **Overall** SMC appears to be working well already
- **Simplifying** the system by changing the grouping within categories and joining several categories
- **Improving** the ranking of applicants by:
  - differentiating between skilled and highly skilled migrants
  - increasing the required level of English or awarding additional points
- **Adjusting** the points weighting by awarding:
  - more points for higher levels of relevant work experience
  - fewer points for vocational qualifications
- Remember the policy has other objectives than increasing wages...
  - Settlement: New Zealand experience and qualification, close family support
  - Matching skills: Skilled employment, New Zealand qualifications
  - Importance of export education
- Further work...

