

The Economic Integration of Immigrants Programme 2007-2012

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Introduction

The Economic Integration of Immigrants Programme (IIP) is a multi-university five-year FRST-funded research programme with the key aim of contributing to progressive improvements in the utilisation of immigrant human capital, to the advantage of migrants specifically and New Zealand society more generally. This paper introduces the research programme and outlines its two central objectives together with the specific research activities associated with each. Its website is <http://newsettlers.massey.ac.nz/>.

New Zealand's labour force and society are being transformed by international migration (Bedford, 2006; Moody, 2006). Like other OECD countries, particularly other traditional migrant settlement countries, it has seen a significant rise in the intake of highly skilled labour migrants and entrepreneurs over the last decade (Chaloff & Lemaitre, 2009, p. 10). The current global economic downturn is temporarily leading to lower mobility, increased protectionism and declining migrant quotas. However, in the long-run, competition for skilled migrants will continue to intensify due to global economic integration, the needs of knowledge-based economies and ageing populations resulting from sub-replacement fertility. Identifying the contribution that immigrants can make in achieving greater innovation and productivity growth, while sustaining an inclusive society that is tolerant of increasing socio-cultural diversity in membership, requires a much stronger evidence base concerning the economic incorporation (or otherwise) of migrants and their children. Moody (2006, p. 40) concluded her analysis of migration and economic growth with a plea for strong empirical work as the basis for government policy. The five-year Integration of Immigrants Programme (IIP) is responding to this plea and aims to provide the desired evidence base. This research is complemented by the 2005-2009 Economic Impacts of Immigration (EII) Programme (Department of Labour, 2009). While the central focus of the IIP is the economic incorporation of immigrant

families, the EII is primarily concerned with the impact of immigration on the New Zealand economy generally.

The IIP is using contemporary conceptual and methodological approaches from international and local research to conduct analyses of existing and new data bases. Earlier New Zealand research on migrant economic incorporation is being updated and expanded with the aim of identifying those pathways that will overcome barriers to successful integration, and the possible policy interventions for enhancing outcomes for both new residents and host communities. The IIP has two linked objectives. Objective 1, led by Professor Jacques Poot, is using data from the 1996, 2001 and 2006 Censuses of Population and Dwellings, the Longitudinal Immigrants Survey: New Zealand (LisNZ), the New Zealand Income Survey (NZIS) and the Survey of Families, Income and Employment (SoFIE) to develop econometric models of the integration of immigrant cohorts into the New Zealand labour market. These models take account of both the demand and supply factors that determine labour market outcomes.

Objective 2, led by Professor Paul Spoonley, makes extensive use of the census and LisNZ data, as well as new information from specialist surveys and case studies, to examine the nature of economic incorporation in both the formal labour market and in a variety of informal and non-formal ethnic-related settings. The latter include family businesses, non-paid domestic and family economic activity, self-employment and paid and unpaid community work. The IIP seeks to contribute to the policy objective of optimising the use of immigrant human capital by quantifying the nature and extent of skill under-utilisation, identifying barriers to the effective economic integration of migrants and their families, and developing strategies for enhancing family/household well-being in formal and informal economic settings.

Research Activities: Objective One

Within any given labour market, the outcomes for those who are working or seeking work depend on a whole range of personal characteristics (the supply side) and also on specific features of (potential) employers (the demand side) and the ways in which firms and workers interact (the labour market). As far back as the early decades of the 20th century,

Douglas (1919) noted that labour market outcomes were affected by an individual's skills and their country of birth. Much more recently, it has been shown that the children of overseas-born parents may also have outcomes in the labour market that differ from comparable people with native-born parents (see OECD, 2007). The key question is to what extent any difference in outcomes between immigrants and New Zealand-born is the result of them having different average characteristics, or whether such differences remain after taking into account all the factors that determine earnings and other labour market outcomes.

The economic integration of immigrants is one of the key goals of immigration policy. Labour market integration, which occurs when immigrants and New Zealand-born people with the same human capital have (on average) the same labour market outcomes, is an important precondition to economic integration. Economic integration is a broader concept and is concerned with whether immigrants and comparable New Zealand-born not only have the same labour market outcomes but also reach the same levels of economic wellbeing in terms of, for example, the ability to own a home or save for retirement. Objective 1 of the IIP is primarily concerned with labour market integration although some aspects of broader economic integration may be considered as well. Econometric modelling is being used to quantify and explain differences in labour market outcomes between immigrants and the New Zealand-born population. Because of limitations in data availability in New Zealand (specifically that – unlike Australia – the census does not collect information on the birthplace of parents), the focus will be on first generation immigrants only, rather than second or later generations.

An important predictor of any difference in labour market outcomes between immigrants and comparable New Zealand-born workers is the number of years the former have been in the host country. Generally speaking, the longer an immigrant works in New Zealand, the more their wages approximate those of local workers. Barry Chiswick (1978) first reported evidence of earnings convergence in a US study entitled 'The effect of Americanization on the earnings of foreign-born men'. This study – and subsequent ones – found that, in a cross-section of immigrants, those with the least time in the host country experience the largest gap in earnings between them and comparable locally-born

workers. The gap reduces with increasing years in the host labour market and, for some groups, there is eventually equalisation or even a cross-over.

The first formal analysis of the earnings gap between immigrants and the New Zealand-born was undertaken by Poot (1993) who found that, particularly during their first five years in New Zealand, immigrants' earnings grew much faster than those of comparable New Zealand-born workers. In a much more extensive econometric study, Winkelmann and Winkelmann (1998) reconfirmed an entry disadvantage for migrant groups in the labour market, with subsequent convergence to outcomes for comparable New Zealand-born people. However, the initial disadvantage became bigger during the 1990s for migrants from non-English speaking countries. Winkelmann and Winkelmann (1998) used formal econometric modelling of the type that is currently being used in the IIP. Boyd (2003) updated their modelling descriptively by analysing multi-way cross tabulations of the 1996 and 2001 censuses. Like Winkelmann and Winkelmann, Boyd also detected a disadvantage for migrants from non-English speaking countries but found that their situation had improved in 2001 compared to 1996.

Stillman and Maré (2009) used an alternative data source, the 1997-2007 New Zealand Income Survey (NZIS), and found that the pattern of entry disadvantage followed by subsequent improvement is more pronounced for employment rates than for wage rates. The relative improvement is also particularly pronounced for immigrants born in Asia while immigrants from the Pacific Islands do not appear to catch up to comparable New Zealand-born workers. However, with the exception of a few birthplaces (such as the Netherlands), a weakness of the NZIS data is that due to its limited sample size, it cannot account for the increasing diversity of migrants in terms of source countries. Neither can it account for certain important factors, such as English language ability. Consequently, the current development of IIP models based on census and LisNZ data provides complementary evidence to the recent findings using NZIS data. Other than earnings, immigrant economic success can also be gauged by their wealth accumulation. Recently, Gibson, Le and Stillman (2007) used econometric models to explain wealth differences between immigrants and the New Zealand-born by means of the 2001

Household Saving Survey. They found that differences in age, education, income and inheritances can only partially explain differences in wealth between New Zealand-born and migrant couples.

Objective 1 of the IIP has identified current best practice in modelling economic integration by a quantitative synthesis of the international literature, using a methodology referred to as meta-regression analysis (e.g. Roberts & Stanley, 2005). The results suggest that, across studies, the effects of years since migration on earnings is nonlinear. On average, an additional year in the host labour market increases earnings initially by 2.1 percent, reducing to 1.6 percent after 10 years. These results can be compared with estimates of the effect of years since migration on the earnings of New Zealand immigrants, compared to the New Zealand-born, using 1996, 2001 and 2006 census data. Provisional estimates suggest that the gradient of the relationship between income and years since migration in New Zealand is about half that of the meta-analysis. One possible explanation is that New Zealand's emphasis on immigrant recruitment of skilled and experienced workers through the points system generates an initial percentage earnings gap that is (on average) less than in other host countries but that it takes a similar number of years in most countries until the gap becomes as small as possible (Stillman and Maré, 2009, suggest that this point is reached after about 15 years).

There are some disadvantages in using census data for research on the economic integration of immigrants. The first is that the census only reports total income and not actual labour market earnings (this problem can be partially overcome by focussing on full-time salary and wage earners who are likely to have limited other sources of income). The second problem with census data is that we cannot link observations on individuals across censuses. For example, when we compare a particular group of immigrants who have been in New Zealand for 5-9 years in 2001, we cannot assume that they are exactly the same people as the immigrants in the 2006 census who have been in New Zealand 10-14 years. The extent to which we can measure earnings catch-up between 2001 and 2006 is, in this case, contaminated by the selected emigration of immigrants (the effect of mortality is quantitatively negligible). Because of these weaknesses, the IIP will also use three waves of the LisNZ. In

the LisNZ, the same people are followed over time and labour market earnings are reported separately from other earnings. Moreover, the extent to which labour market outcomes are linked to the criteria under which the immigrants obtained residency in New Zealand will also be investigated.

In addition to focussing on earnings, the same issues apply to other aspects of labour market integration, such as labour force participation or unemployment rates. While these indicators of labour market integration have already been considered by Winkelmann and Winkelmann (1998), further work will be undertaken on, for example, the extent to which immigrant qualifications are fully utilised. Another important issue is the extent to which integration outcomes are gender-specific. Winkelmann and Winkelmann (1998) and Stillman and Maré (2009) estimated equations for males and females separately but, more generally, economists have been slow to incorporate gender into their migration research in a substantive way (Morrison, Schiff, & Sjoblom, 2008, p. 12).

There is, therefore, plenty of scope for extending previous econometric modelling in New Zealand. Extensions include: measuring the impact of the geographic or occupational concentration of particular groups of immigrants; measuring the role of ‘push factors’ in the sending country at the time of migrants’ departure; analysing the extent of variation in outcomes across very similar immigrants; analysing the extent and persistence of occupational downgrading; the impact of selective re-migration of immigrants; the role of English language ability in economic integration; identification of differences in economic integration by visa category: temporary/permanent, economic, family-related and humanitarian; estimation of the effects of post-settlement investment in education and training by migrants; the importance of family characteristics (e.g. birthplace and human capital of partner, the presence of children) and networks; and, finally, the extent to which economic integration is linked to entrepreneurship, risk taking and self-employment.

Research Activities: Objective Two

The second objective explores migrant economic activity from both quantitative and qualitative perspectives. Studies undertaken under

Objective Two provide data on the economic strategies and activities of immigrant families and communities in both the formal labour market as well as in a variety of formal and non-formal ethnic-related settings, including family businesses, non-paid domestic and family economic activity, self-employment, and paid and unpaid community work. This objective also draws on the 2006 Census and the LisNZ survey, especially with reference to the social contexts provided by families, households and communities for the economic incorporation of immigrants and their adult children, and investigates the role and impact of social and cultural networks in supporting and facilitating economic integration. Key goals are the identification of any barriers to the effective economic integration of migrants and their families in New Zealand, as well as possible strategies for enhancing family/household well-being.

Given New Zealand's preference for skilled and entrepreneurial immigrants, it is surprising that little attention has been paid to ethnic sub-economies, precincts or ethnic entrepreneurship, and their impact on human capital formation, productivity and New Zealand's economic competitiveness. Research on the Business Immigration Programme (New Zealand Immigration Service, 1998, 2002) noted that further research is required to monitor the success of the programme, particularly given the high levels of self-employment for certain groups (migrants resident in New Zealand for five years or more who are self-employed range from 32% for Hong Kong Chinese to 43.3% for those born in the People's Republic of China; see Ho and Bedford 2006, p. 226). Internationally, there is evidence to suggest that the business performance and returns for immigrant entrepreneurs are weak (Ley, n.d.). The United Nations (2006, pp. 18-19) identified some of the policy considerations around ethnic entrepreneurship: whether migrant entrepreneurs have access to financial institutions and credit; training in management practices, marketing and other relevant skills/knowledge; and whether the regulatory environment promotes or inhibits immigrant entrepreneurs.

Theoretically, Objective 2 draws on the 'mixed embeddedness' approach (Rath, 2000, 2006) which argues that the nature of immigrants' concrete embeddedness in social and/or ethnic networks needs to be supplemented by an understanding of their relationships and transactions

in wider political and economic structures. Three considerations are important: the opportunity structure in which immigrants seek work and set up businesses (and which is undergoing significant change in New Zealand); an understanding that immigrants are active rather than passive agents in the process of economic integration; and the need to take into account the demand/regulatory aspects in migrants' economic settlement that are often overlooked.

In addition to questions around the capture of immigrant entrepreneurial talent, there are questions about whether ethnic entrepreneurs and the self-employed (with or without employees) choose or are forced into these options (see Ho & Bedford, 2006; Rath, 2006). Some (see, for example, Salaff, Greve, & Wong, 2001) have explored the notion that immigrants turn to entrepreneurship when their ambition to join the labour force as salaried/waged workers is frustrated (see also United Nations, 2006, for an extensive review of the literature). Their research demonstrated immigrants' reliance on ethnic networks for social capital and the establishment of businesses. This suggests two very different issues facing immigrants: firstly, how much does the decision to become an entrepreneur reflect choice, as opposed to a forced option; and secondly, what is the role of ethnic networks and enclaves in helping establish these businesses? The latter question includes immigrants' reliance on ethnic networks for obtaining the required capital and advice and for the establishment of value chains as well as the location of the business (co-ethnic location provides advantages in that suppliers, workers and markets are all in a concentrated space). In this sense, social and cultural capital are intimately connected to business establishment and networks and the development of ethnic economies and precincts (Anderson & Jack, 2002).

These ethnic networks, given both internal and external influences, have contributed to spatial expressions of ethnic co-location. These include the clustering of ethnic businesses (ethnic precincts) or residences and businesses (sometimes called ethnoburbs; see Li, 2006). Local research (Ho & Bedford, 2006; North & Trlin, 2004) suggests that the answer to the question about whether self-employment is a choice or a forced option is not straightforward because of the influence of a multiplicity of factors, including financial (inter)dependence, lifestyle

preferences, the ability to service co-ethnics and autonomy (see also Law, 1996; Shen, 1998). Regardless of the answer to this question, migrant entrepreneurs are contributing significantly to the diversification of economic activities in gateway cities such as Auckland. As Kloosterman and Rath (United Nations, 2006, p. 49) note, '[m]igrant entrepreneurship and small-scale production that can respond flexibly to changing consumer tastes are on the rise, responding to structural transformations in advanced economies where the service sector is expanding'.

In order to better understand the articulation of these issues within a New Zealand context, the IIP is undertaking both quantitative and qualitative research. In terms of the former, 2001 and 2006 census data is being analysed to explore the extent to which more recent immigrants (those who arrived post-1998) are engaged in employment (including self-employment). This analysis complements the econometric analysis that underpins the research for Objective 1. In addition, data from the three waves of the LisNZ are being used to construct a range of employment pathways. This work will also identify variations between groups of migrants from different source countries, birthplaces and entry cohorts. A case study on transitions to employment, building on research by Bedford and Ho (2005), is being conducted using the Approvals Management System (AMS) data base which contains detailed information on all migrant applicants and approvals by visa/permit category since July 1997. Cohorts of migrants who arrived in New Zealand as students, temporary workers or working holiday permit holders, and who have subsequently become permanent residents, are being identified from the data base and their pathways to employment examined.

In terms of qualitative research, the IIP is gathering information by conducting one-hour, face-to-face interviews with one hundred workers and one hundred business owners from five immigrant groups (British, South African, Indian, Chinese from the People's Republic of China and Korean). The interviews with immigrant business owners (self-employed with at least one employee) explore their economic strategies and activities, the nature and mobilisation of financial and other resources, and their relations with their own ethnic community and others. (This has been supplemented with an Asia: New Zealand Foundation project on

Chinese businesses; see Spoonley & Meares, forthcoming). Interviews with migrant employees examine the methods through which they obtained employment in New Zealand and the extent to which their first and current jobs are commensurate with their qualifications and experience. More broadly, all interviews explore migrants' experiences beyond their work lives, including their leisure activities, the hopes and dreams that inspired their migration and the extent to which these have been realised post-migration. Follow-up interviews are planned with the same cohort two years after the first interviews.

Three case studies explore a number of the key issues outlined earlier: ethnic precincts in Auckland; migrant networks and lifestyle migrants. The ethnic precincts case study focuses on immigrant precinct activities in a number of locations across the Auckland region. Ethnographic interviews with immigrant business owners who are located with co-ethnics in precincts focus on the nature of their economic and social activity, including the quality and strength of ties with co-ethnics and others in relation to information, capital, supplies, consumption, employment and labour. Information is being sought on the nature and economic significance of ethnic sub-economies, domestically and transnationally. The migrant networks case study focuses on immigrant communities who, while not clustered in precincts, maintain economically and/or culturally significant networks, especially via computer-mediated communication (Spoonley, 2001). Ethnographic interviews examine the nature of these information networks for particular immigrant communities and how they contribute to the mobilisation of immigrant resources, relations with co-ethnics, locally and internationally, and New Zealand institutions and information. The final case study explores the pathways taken by migrants who have come to live in New Zealand mainly for lifestyle reasons, focusing on their experiences of inclusion/exclusion, their mobility patterns, transnational linkages, investment behaviours and human capital, and the impact of these on the 1.5/second generation.

Conclusion

Nearly one-quarter of New Zealand's population is foreign-born and nearly one-third of these immigrants have been in New Zealand less than

five years. The successful economic integration of all immigrants, and particularly the ability of recent migrants to make a contribution to economic prosperity, is an important economic and social policy goal. Given that the current economic environment is much less buoyant than that of the last fifteen years, questions arise about the extent to which economic integration is going to be more difficult in the years to come. The IIP research programme aims to identify a range of critical success factors that may assist in better integration. Some of the IIP research will also permit a monitoring of economic outcomes over the current business cycle. Ultimately, the programme endeavours to contribute to improvements in the utilisation of immigrant human capital, as measured by quantitative and qualitative indicators of economic outcomes for immigrants, to the advantage of the migrants themselves in particular and the society of Aotearoa/New Zealand more generally.

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