



**NEW ZEALAND POLICY
RESEARCH INSTITUTE**
TE KĀHUI RANGAHAU MANA TAURITE



Pay gaps among Ethnic Communities in New Zealand

Commissioned by the Ministry for Ethnic Communities

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Disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) and Longitudinal Business Database (LBD) which is carefully managed by Stats NZ. For more information about the IDI and LBD please visit <https://www.stats.govt.nz/integrated-data/>.

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Data and Statistics Act 2022. The results presented in this study are the work of the author, not Stats NZ or individual data suppliers.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

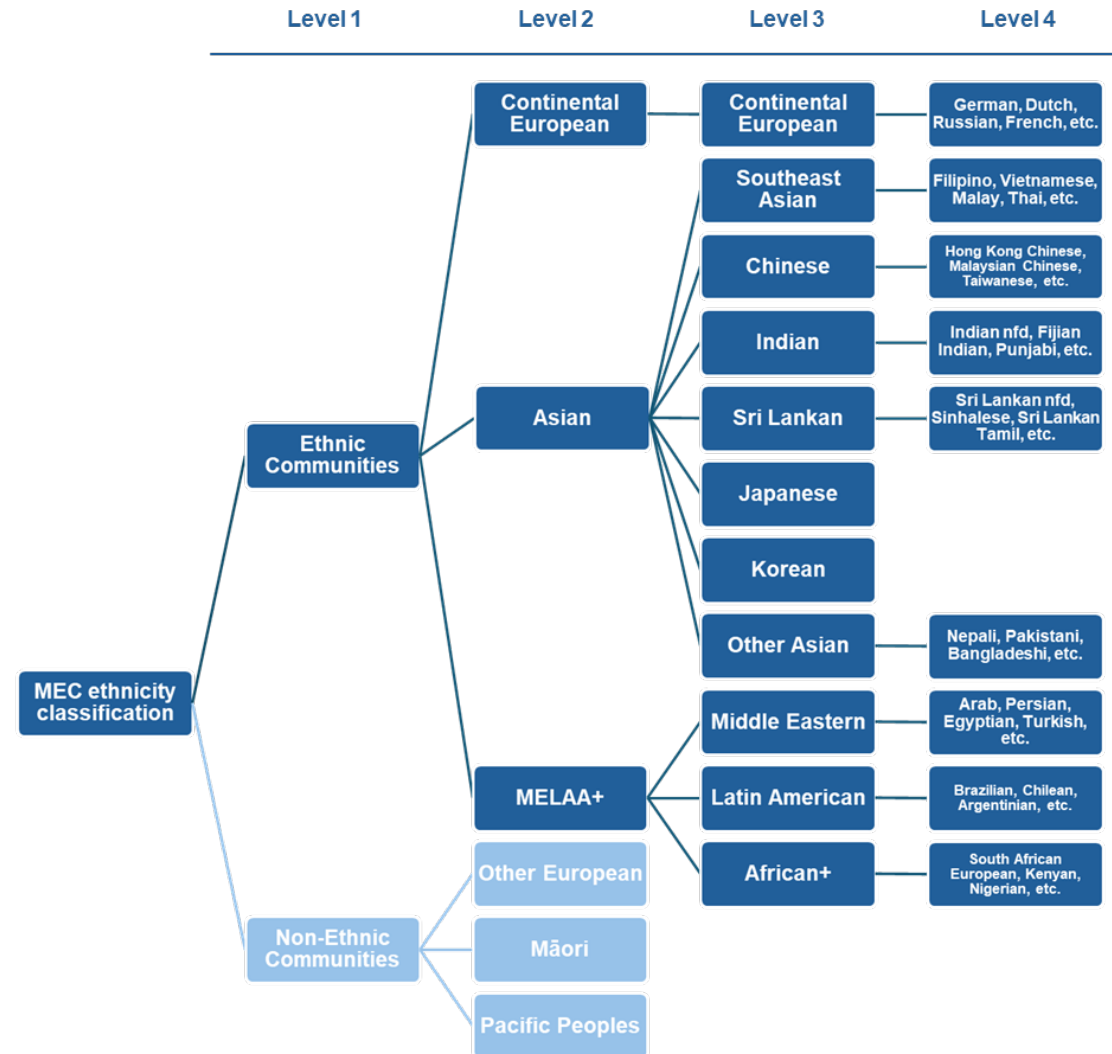


Research aims

- Aim 1: Estimation of pay gaps among Ethnic Communities in New Zealand
- Aim 2: Exploration of productivity-related differences contributing to these pay gaps
- Builds on previous work on ethnic pay gaps (Cochrane & Pacheco; Iusitini, Meehan, & Pacheco, 2024) but focuses on smaller, under-researched ethnic groups
- ‘Ethnic Communities’ = Continental European, Asian, Middle Eastern, Latin American, and African+ (MELAA+) who collectively make up about 20% of NZ population
- Ethnic Communities include former refugees, asylum seekers, new and temporary migrants, long-term settlers and multi-generational New Zealanders (75% foreign-born)
- Ministry for Ethnic Communities has created its own statistical standard for ethnicity

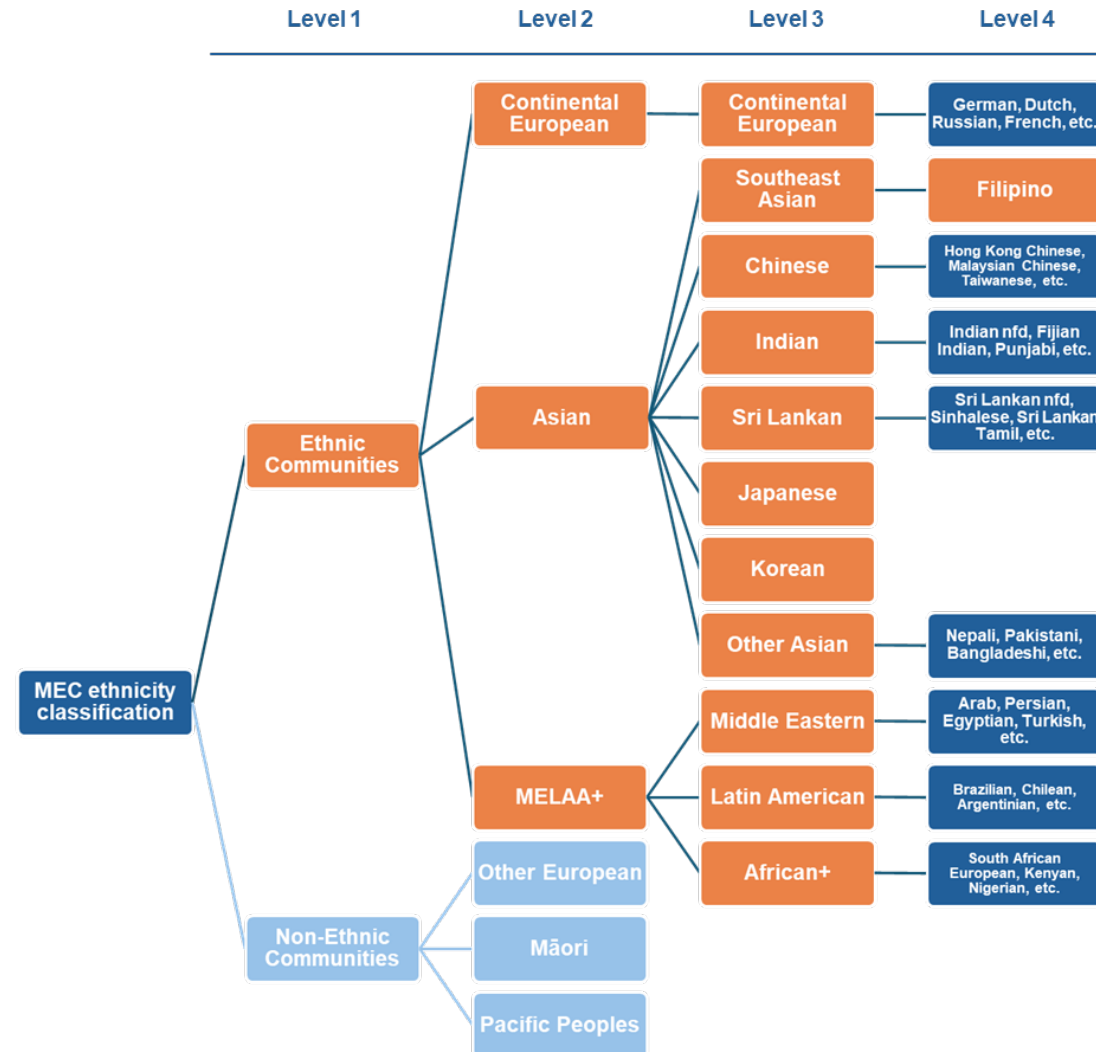


MEC's ethnicity classification



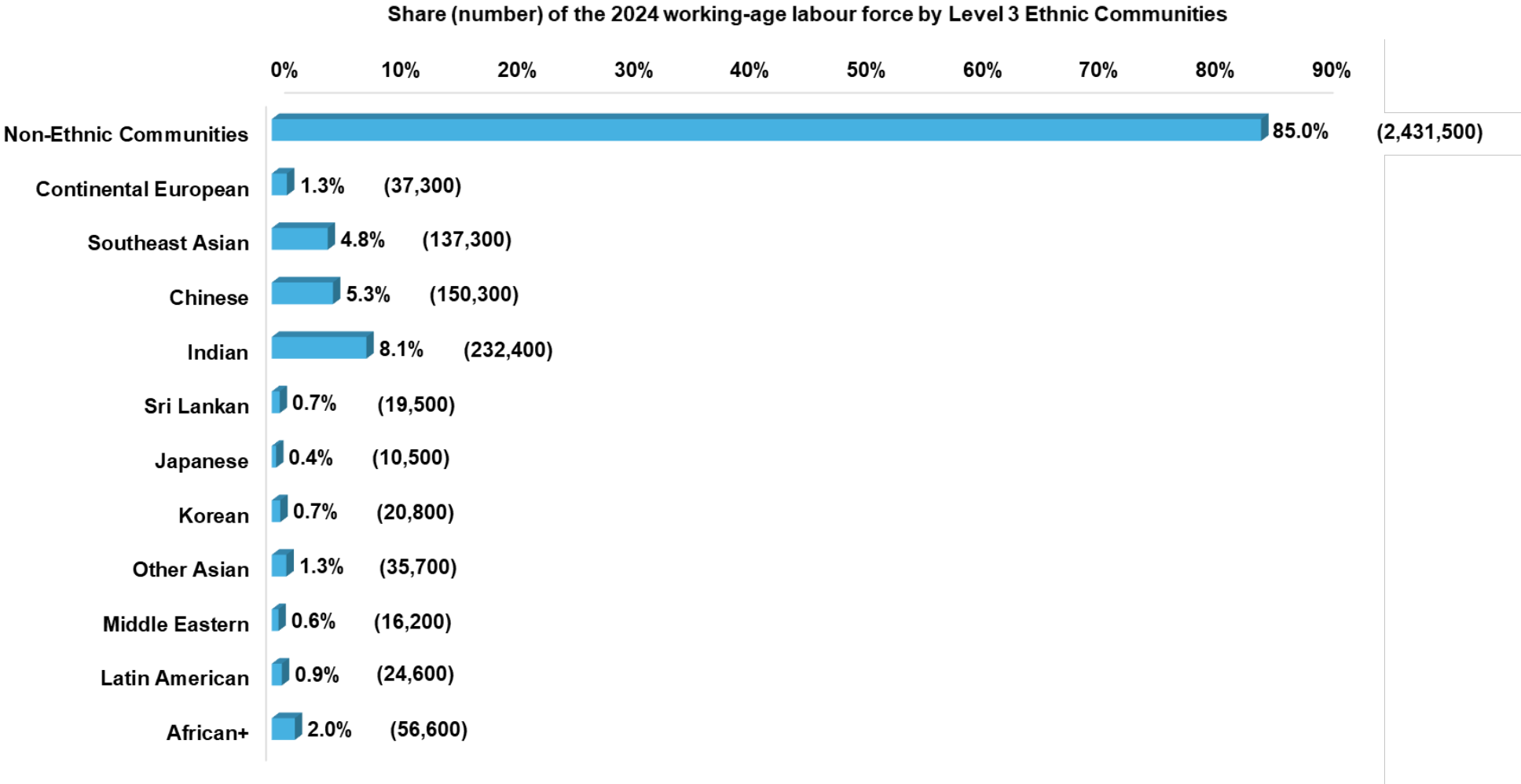


MEC's ethnicity classification





Ethnic Communities working-age labour force in 2024





Data and method

- Data source: Household Labour Force Survey pooled over 2016 to 2024
- Sample: paid employees aged 16 to 64 years
- Reference group: Sole New Zealand European
- Pay: total real hourly earnings
- Pay gaps calculated using mean earnings:

$$\frac{\text{Sole NZ European mean real hourly earnings} - \text{Ethnic Community mean real hourly earnings}}{\text{Sole NZ European mean real hourly earnings}} \times 100$$

- Drivers of pay gaps investigated using Blinder-Oaxaca decomposition with Heckman correction



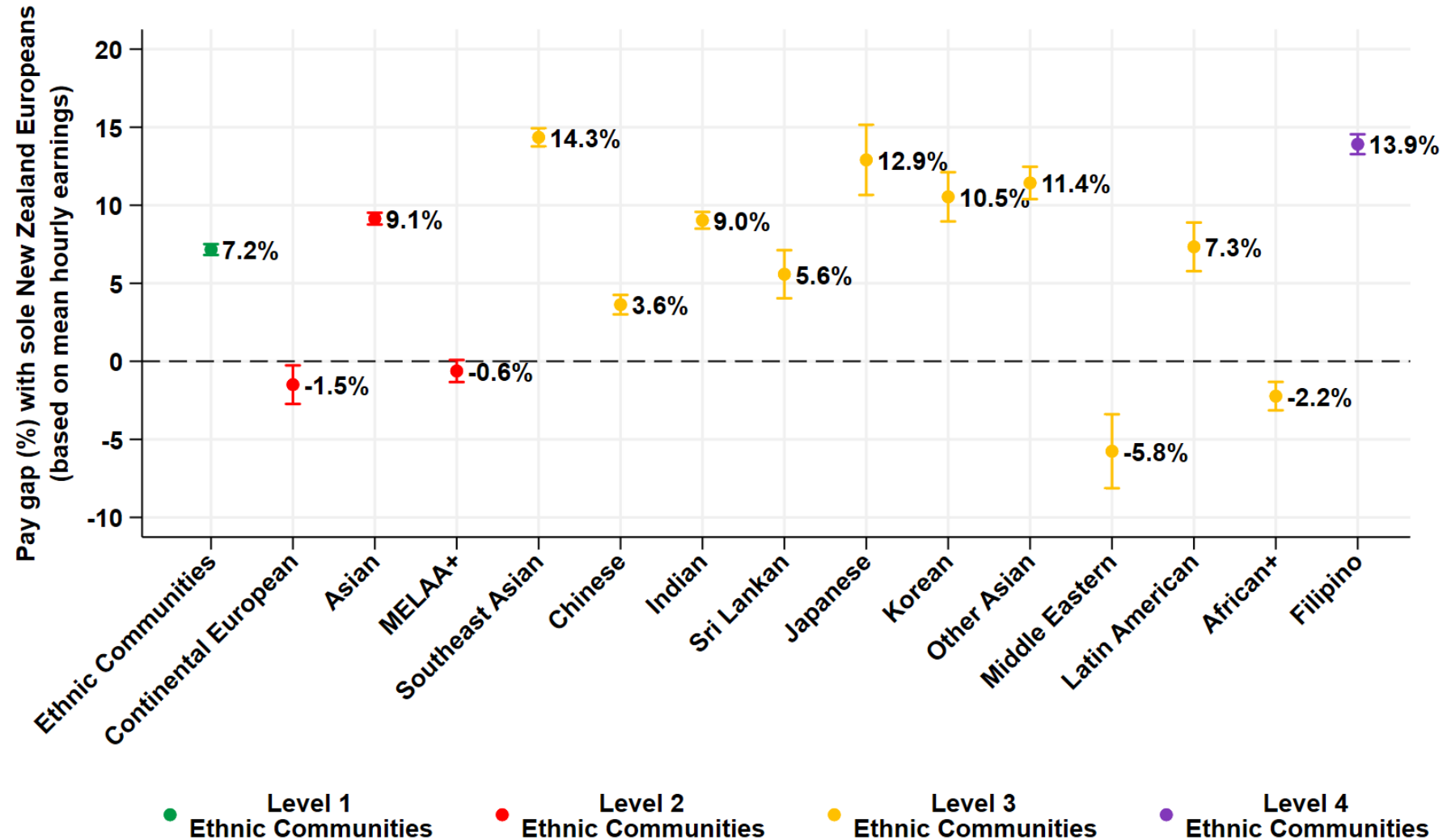
Explanatory variables in decomposition

Category	Variables
Demographic characteristics	Sex, age, age-squared, NZ-born, English language ability
Household characteristics*	Sole parent, partnered status, number of dependent children, household income
Regional characteristics	Region of residence
Education characteristics	Highest qualification attained
Job-related characteristics	Occupation, part-time work, permanent job, job tenure, employment continuity, union membership
Industry characteristics	Industry of main job

* Household characteristics are excluded from the decomposition in order to identify the Heckman selection model.

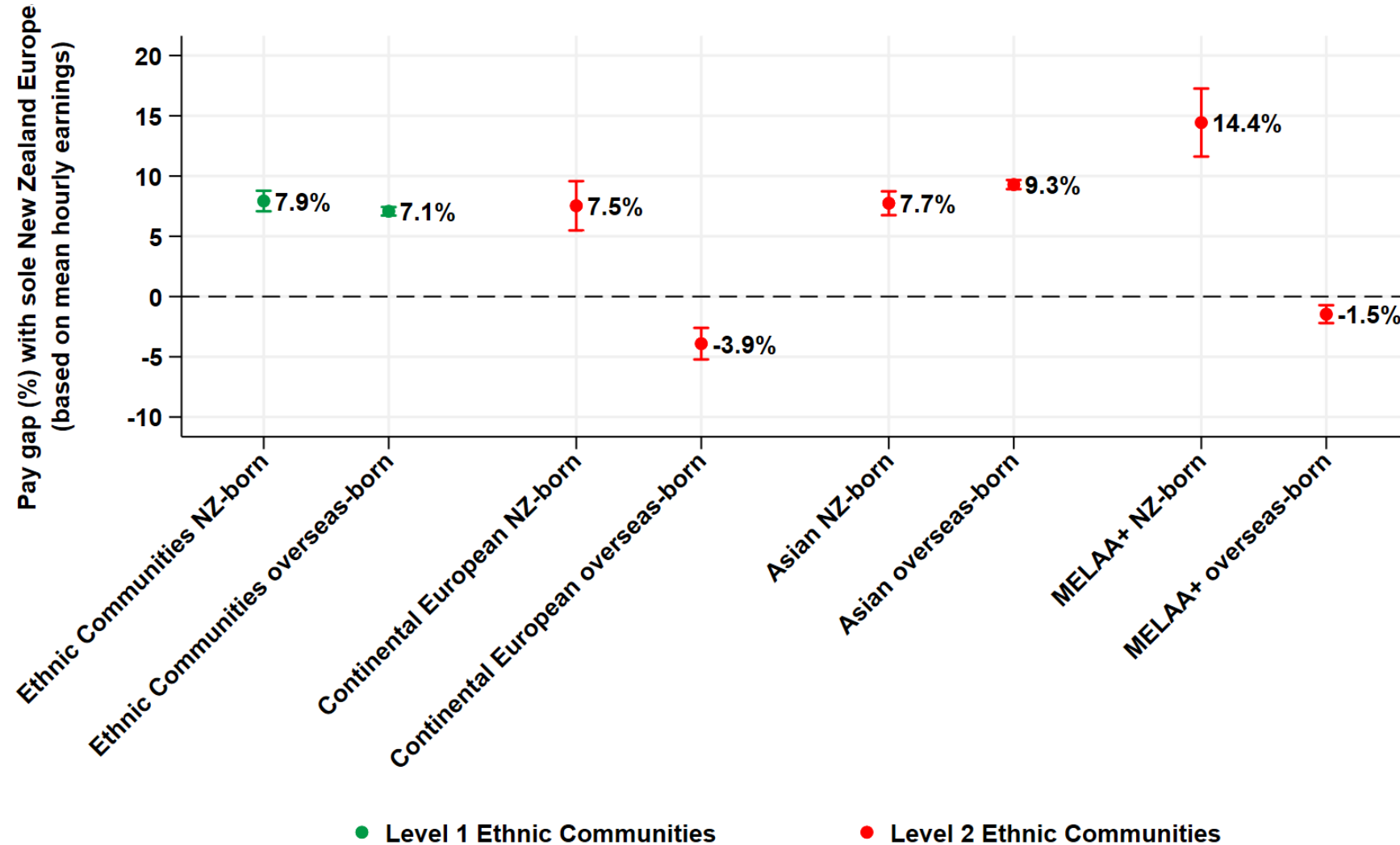


Estimates of pay gaps among Ethnic Communities





Estimates of pay gaps among Ethnic Communities by place of birth



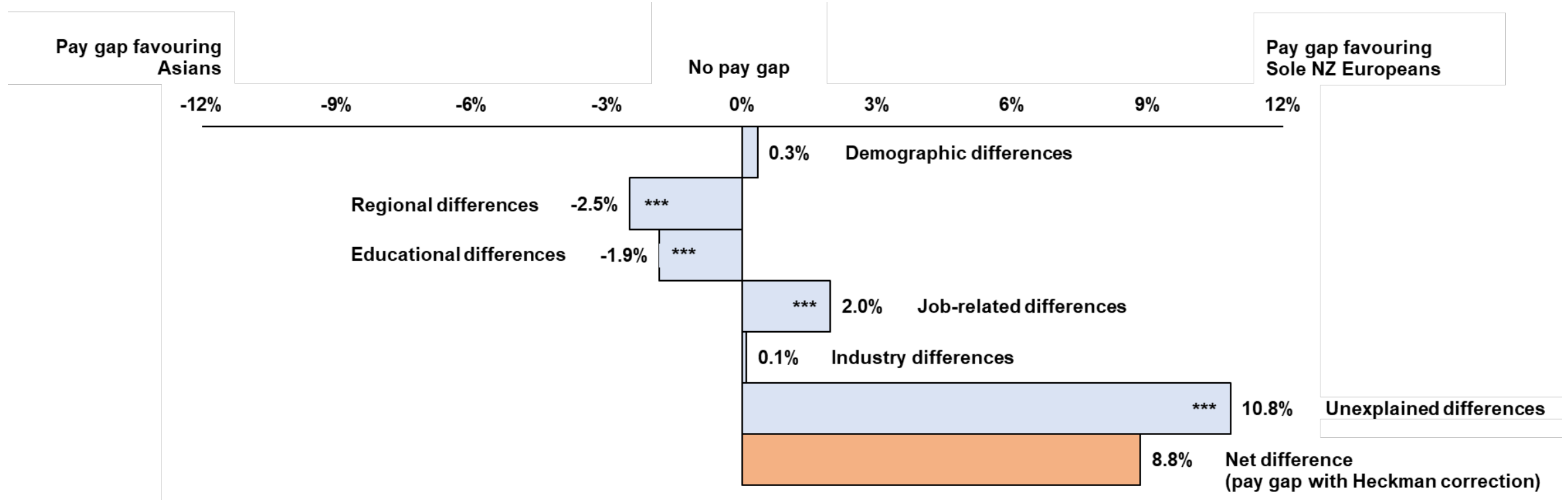


Estimates of pay gaps among Ethnic Communities by place of schooling





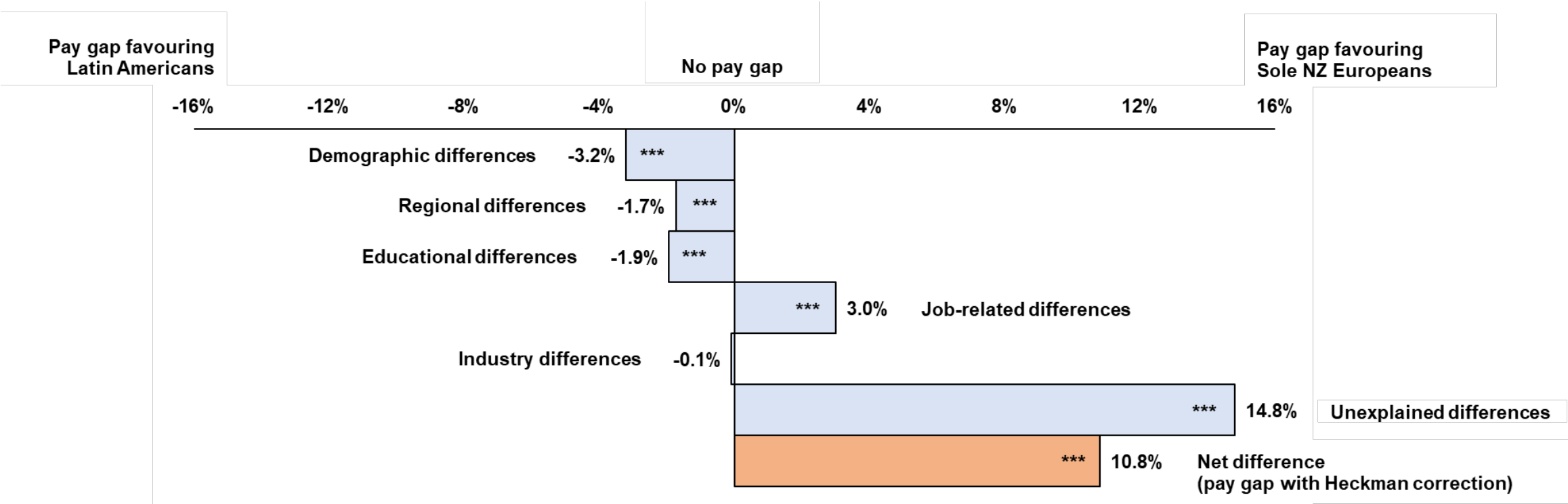
Blinder-Oaxaca decomposition results - Asian



* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$



Blinder-Oaxaca decomposition results – Latin American



* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

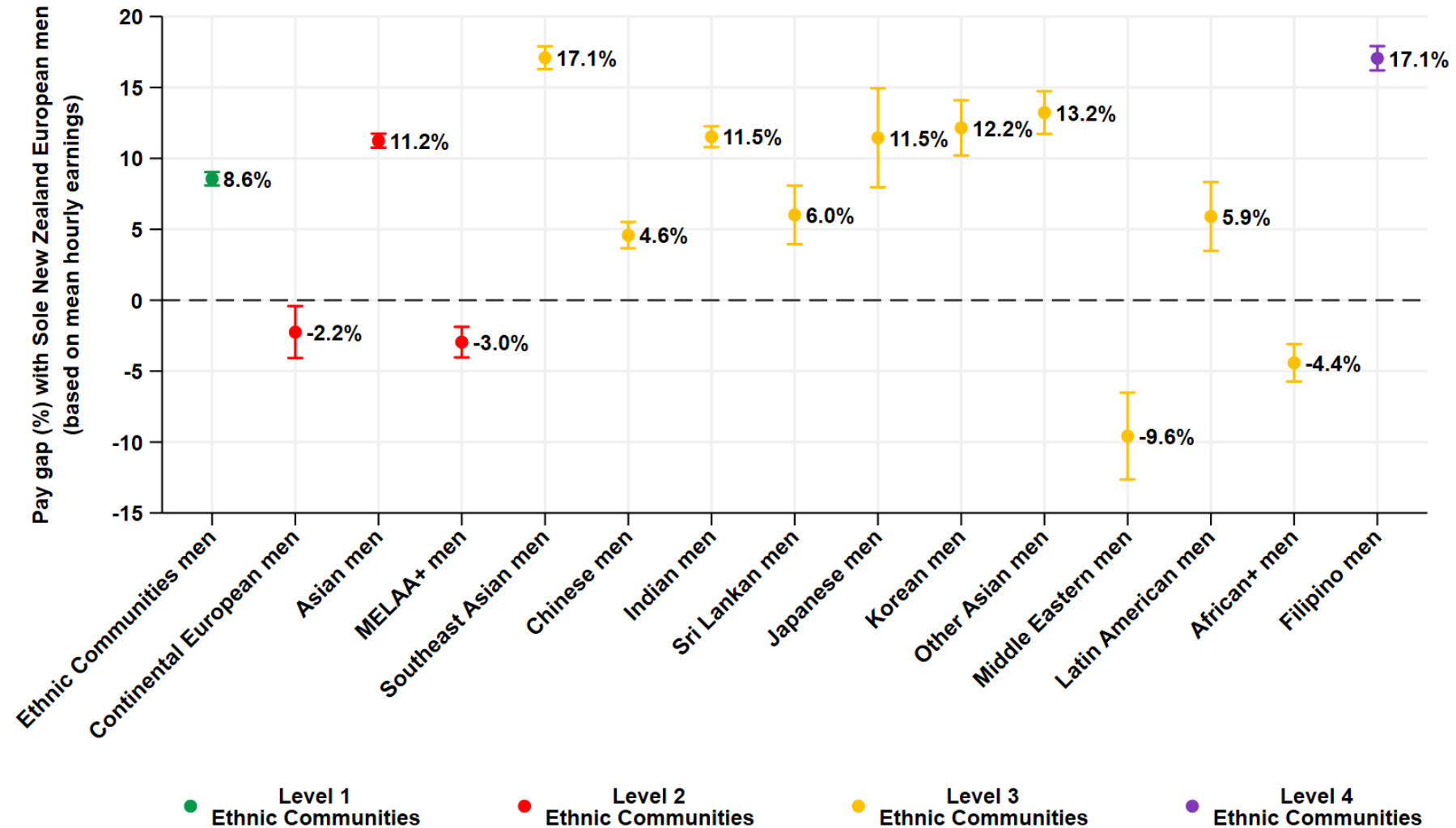


Conclusions

- Ethnic Communities benefit from being relatively highly-educated and disproportionately located in Auckland, but some ethnic groups over-represented in lower-paying occupations (industry differences generally not a driver of ethnic pay gaps)
- Wage penalties for Asians and Latin Americans are largely unexplained by standard wage-influencing variables, but may reflect their more-recent arrival coinciding with shift in immigration policy since 2012
- For Asians, being overseas-born and overseas-schooled is linked to *worse* pay gaps, but opposite applies to all MELAA+ groups and Continental European
- Earle (2020) finds Asian respondents in *2014 Survey of Adult Skills* more likely to report being over-qualified for their job (especially if they are also immigrants and have English as a second language)
- Poot and Stillman (2010) find degree-qualified immigrants are initially 'over-educated' but converge over time, but Stillman and Maré (2009) find hourly wage gap (10%-15%) for immigrant men doesn't converge even after 30 years (but does within 10 years for tertiary-qualified immigrant men)
- Policy response (if any) is unclear – are ethnic wage penalties due to segregation into lower-paying firms or to within-firm wage-setting?

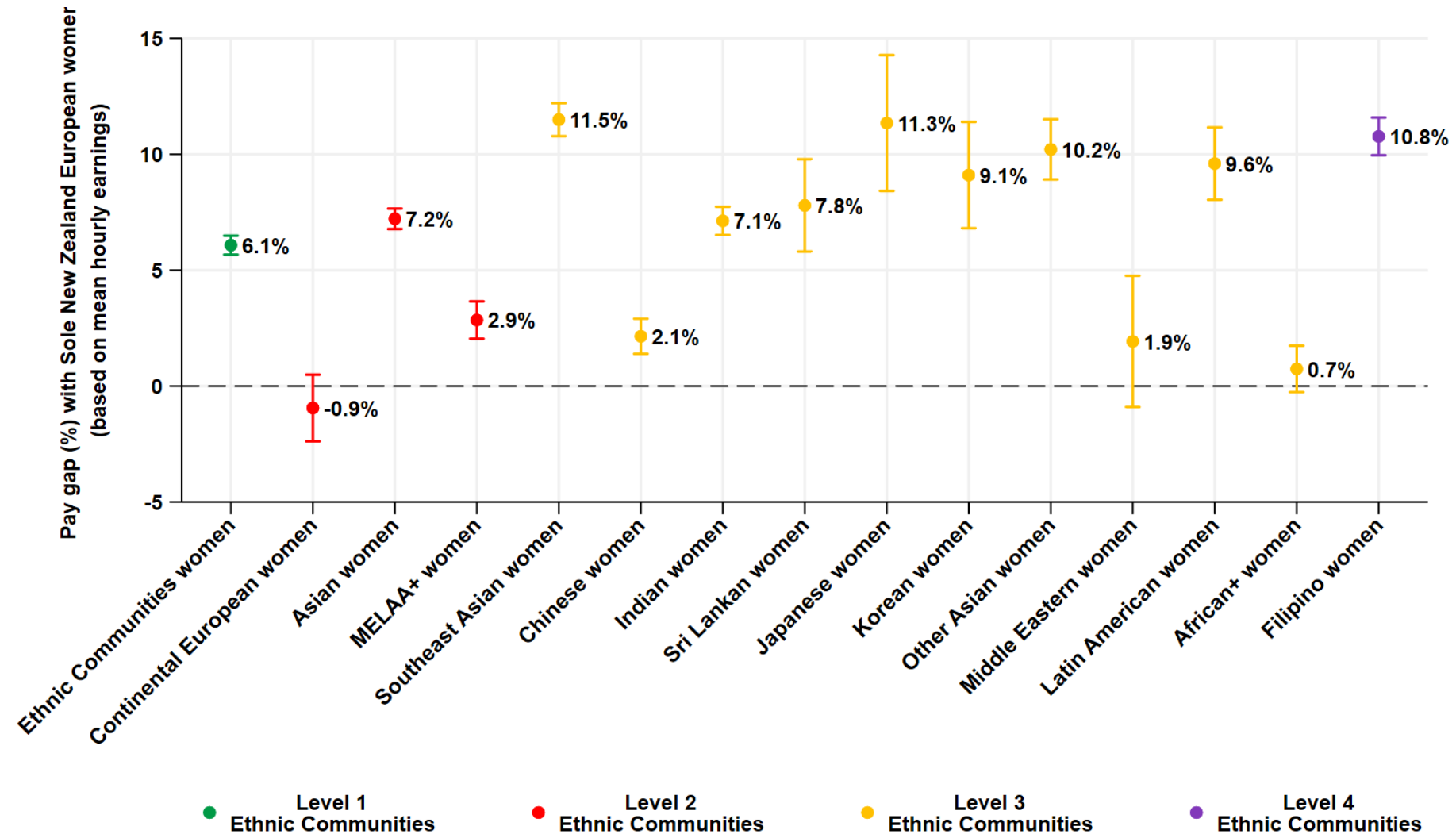


Estimates of pay gaps among Ethnic Communities – men vs. men



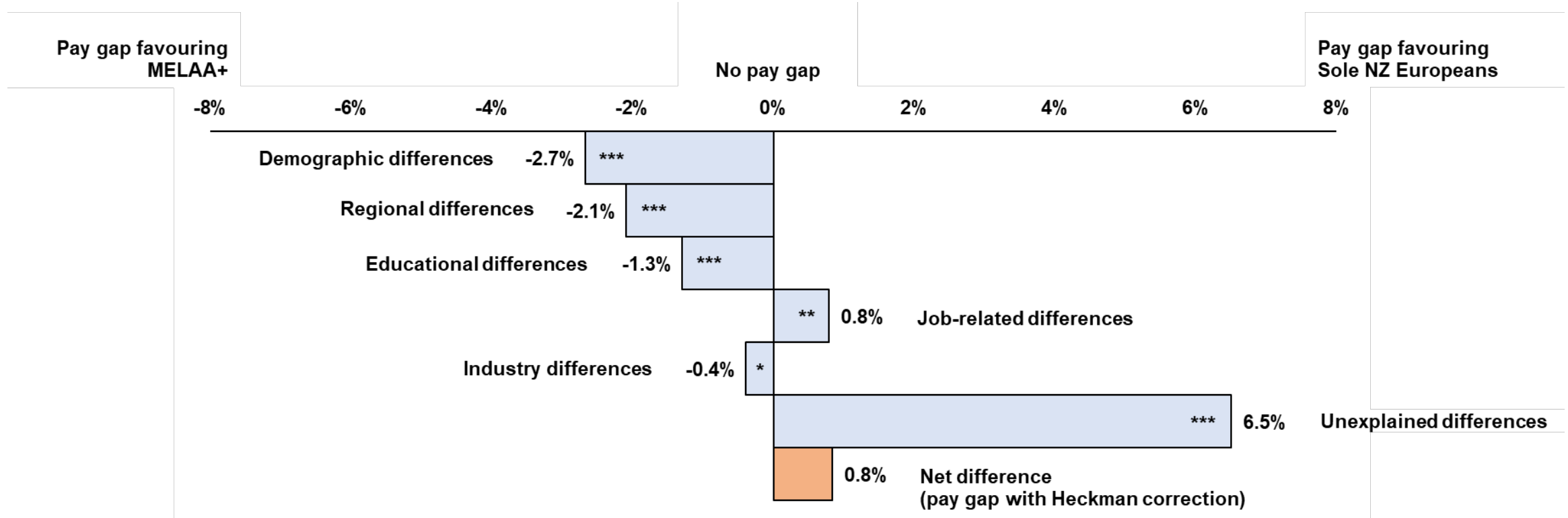


Estimates of pay gaps among Ethnic Communities – women vs. women





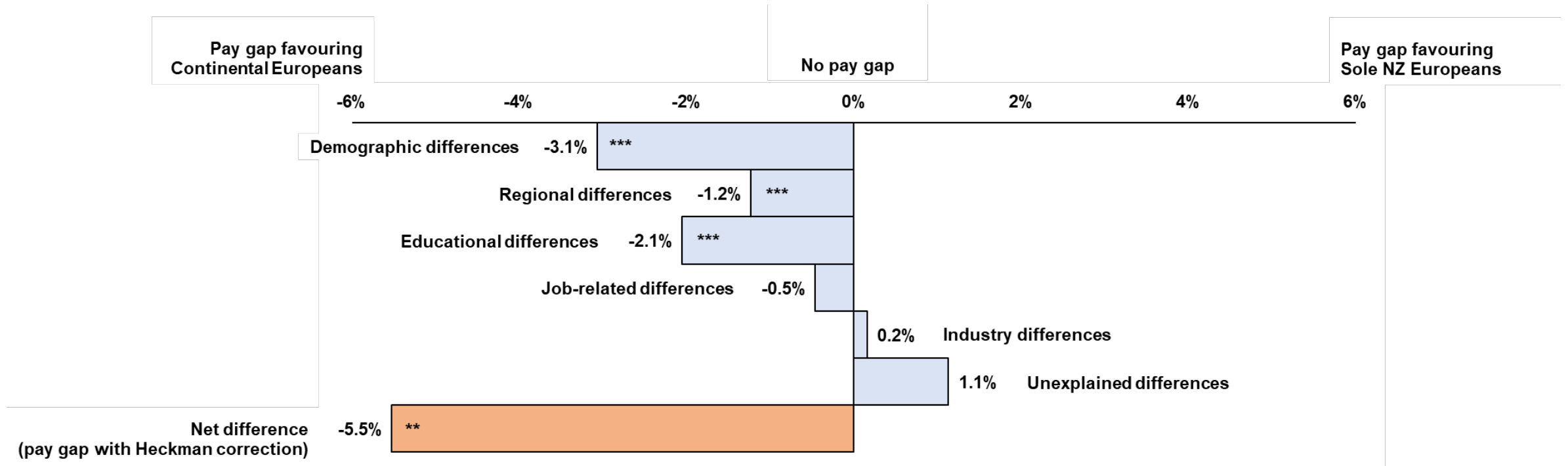
Blinder-Oaxaca decomposition results – MELAA+



* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$



Blinder-Oaxaca decomposition results – Continental European



* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$