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A Note on Construction Worker Migration to New Zealand 1962-2018

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NON-TECHNICAL SUMMARY¹

We construct a long time series of permanent and long-term arrivals and departures of construction workers to and from New Zealand between 1962 and 2018. After briefly describing the data and the sources, we discuss some key observations in the data. We observe that the large outflow of construction workers following the collapse of construction sector activity in the mid-1970s, combined with changes to migration rules in the early 1990s, led to a significant, persistent reduction in the net migration of construction workers. That reduction was probably partly responsible for the capacity constraints we currently observe in the construction sector.

¹ The views expressed here are the views of the authors and do not necessarily represent the views of our employers – the Productivity Commission, and the Reserve Bank of New Zealand. We thank our colleagues at the Reserve Bank for comments and suggestions. Correspondence: ozet.karagedikli@rbnz.govt.nz

1. Introduction

This short Note is about data. More specifically, it is about constructing a long time series of permanent and long-term arrivals, and departures of construction workers to and from New Zealand. By taking care of the changes to classifications by Statistics New Zealand, and combining different sources, we create a long-term series of construction worker migration.

We observe three interesting patterns in the data. First, net migration of construction workers has been negative, in an accumulated sense. Following the 1975 downturn, New Zealand started losing significant number of construction workers. In 26 years out of 36 from 1976 to 2012, net flow of construction workers was negative on an accumulative basis. New Zealand's net flow of construction workers has remained in negative territory since 1963 (it is currently around -8,000), while accumulative total net migration has increased sharply since the 1990s.

Second, New Zealand used to allow more construction worker immigrants as a proportion of total immigration. Between 1963 and 1983, around 3-3.5 percent of total immigrants were construction workers. This went down sharply to around 1.5 percent. The 1990s policy that favoured university graduates is likely to be one of the reasons for the significant shortfall in construction workers in the face of large increases in the population.

Finally, we observe that major economic downturns in New Zealand are associated with large departures of construction workers, which have been likely to have contributed to shortages when the economy subsequently recovered. An important policy question is how to retain construction workers in the country during downturns, or how to attract more construction workers during expansions.

The remainder of this Note is structured as follows. Section 2 summarises the data sources, and discusses some patterns that we observe in the data. Section 3 discusses some of the implications of the observed flows.

2. Data

Table 1 below summarises the data sources for different periods. Because of the March year annual nature of the earlier data we kept the data to annual March years. We kept the definition to bricklayers, carpenters and painters for simplicity, and also for the availability of the data for the earlier periods. Although the minor changes in definitions may create breaks in the series, we still think it is valuable to keep a long term perspective.

Table 1: Data Sources

Period	Source	Details	Description of data
1963- 1979	Statistics New Zealand	Annual Report "Population and Buildings"	Carpenters, painters and bricklayers

1979-1991	Statistics New Zealand	Infos series EMIM.S1JEZ95 EMIM.S1JEZ93 EMIM.S2JEZ95 EMIM.S2JEZ93	Bricklayers, carpenters and other construction workers, and painters
1992-2009	Statistics New Zealand	Infos series EMIA.s23EZ711/712 EMIA.s13EZ711/712	Building frame and related trade workers, building finishers and related trade workers
2010-2018	Statistics New Zealand	Infoshare table ITM304AA	Bricklayers, carpenters and joiners, floor finishers and painting trades workers, and glaziers, plasterers and tilers

Figure 1 above shows the number of construction workers immigrating to (solid black line) and emigrating from (solid red line) New Zealand, along with net migration of construction workers (dashed black line). New Zealand experienced a large outflow of construction workers in the late 1970s, following the collapse of the large construction boom of the early 1970s. In response to the boom and the associated labour shortages, the government introduced an assisted passage scheme to attract migrants. This contributed to high inflow of immigrants in 1973 and 1974.

Around the same time, the inflow of construction workers, which peaked in 1973-1974, started slowing. This was perhaps partly due to an assisted passage scheme and publicity to attract migrants contributed to a record inflow of immigrants in 1973 and 1974. Many of these migrants were from the Pacific Islands. However, by this time the labour shortage had eased, and the Government started a major review of immigration policy.

The Trans-Tasman Travel Arrangement allowed Australian and New Zealand citizens to enter each other's countries (to visit, live, work or remain indefinitely) without having to apply for a permit. As a result, net migration of construction workers went into negative territory, where it remained for most of the 1975-2013 period.

Figure 2 shows the fraction of total migrants that are construction workers. The proportion of immigration accounted for by construction workers was around 3 percent of total immigration over the 1960s and 1970s. This figure fell sharply over the subsequent decades. It has only recently recovered towards 2 percent.

Figure 1 Migration of construction workers (annual March years)

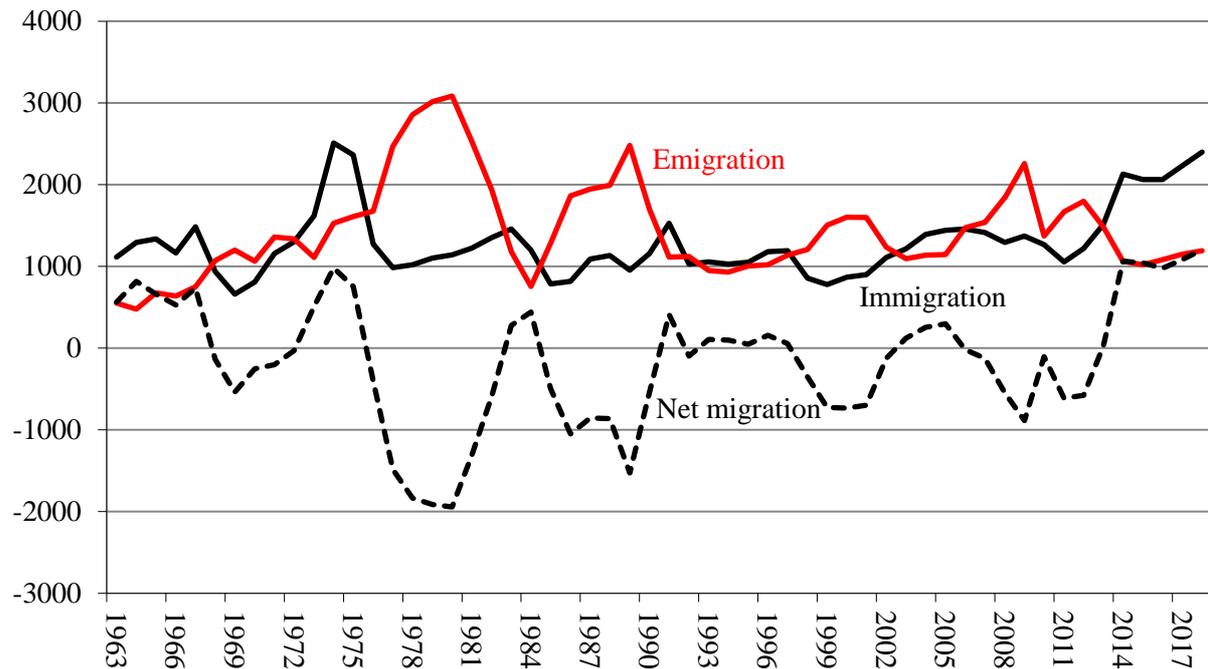


Figure 2 shows the fractions of total immigration and emigration that are construction workers. Interestingly, the proportion of immigration accounted for by construction workers was around 3 percent of total immigration over the 1960s and 1970s. This figure fell sharply over the subsequent decades. It has only recently recovered towards 2 percent.

Finally, figure 3 shows the accumulative net migration of all groups and construction workers. It is only over the past decade that net migration started adding significantly to the population. Since 1963, total net migration has added in total just under half a million new people to the population. In contrast, total accumulated net migration of construction workers is negative over this period.

Figure 2 Fraction of migrants who are construction workers

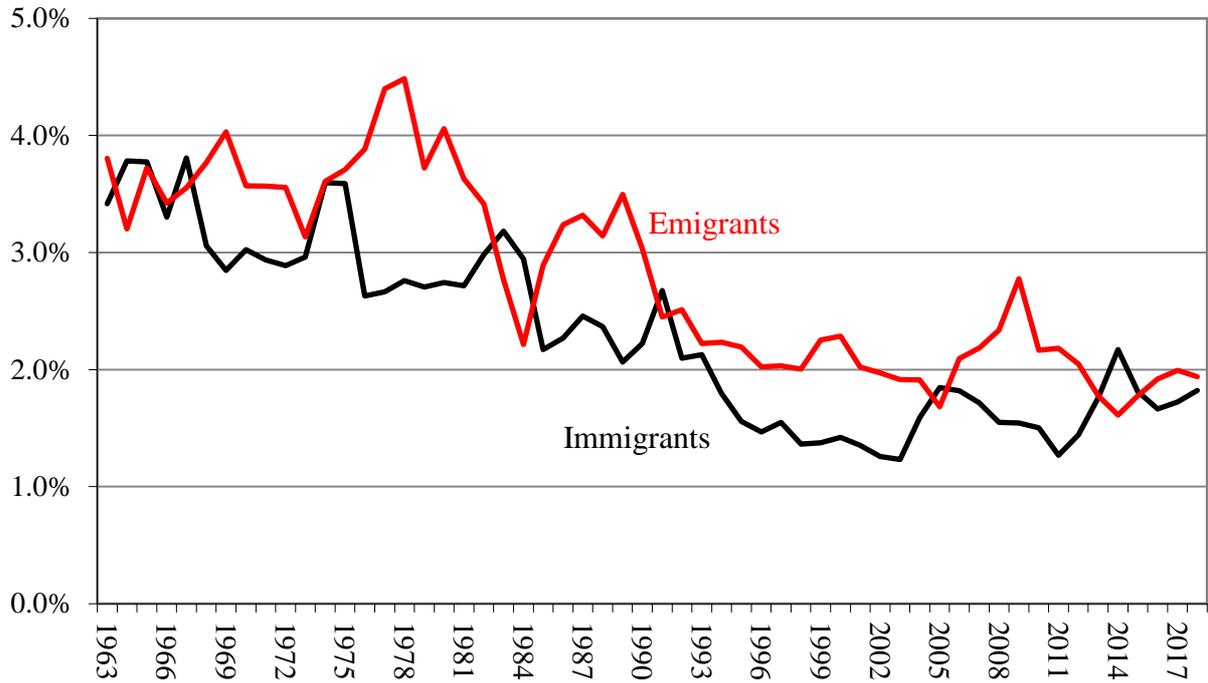
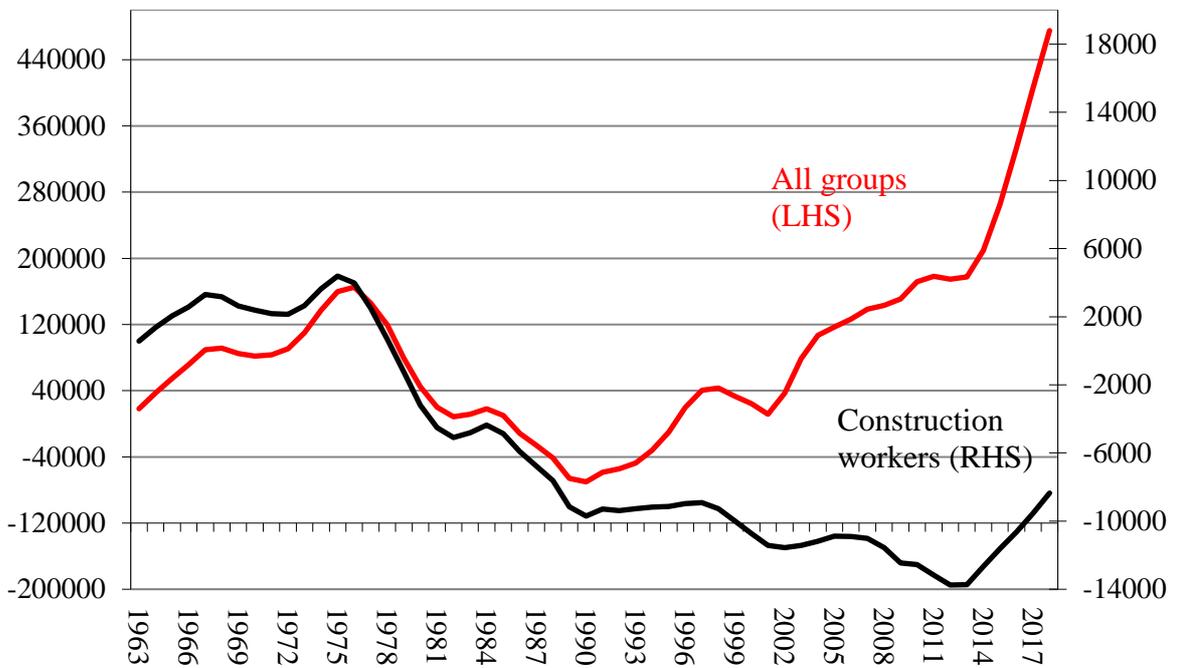


Figure 3 Accumulative migration of construction workers, and all groups 1963 – 2018 (March years)



3. Discussions

Why did New Zealand lose so many construction workers in the mid-1970s, late 1980s, and then in the late 2000s? The first and the last episodes are associated with a large turn around in building activity, as well as economic activity. The late-1980s episode, however, does not coincide with a large fall in building activity (measured by new dwelling permits), but may well be related to the weak economic performance at the time. It is also possible that the state of the Australian economy also matters for the departures.

The departures of construction workers were not offset by the arrivals of construction workers. It is conceivable that new builders have been trained. However, even if the departing construction workers were replaced with new workers within the economy, the experience levels of the two groups would have still led to a deterioration of skill levels.

Capacity constraints in the construction sector and the shortage of construction workers in Auckland are well documented (Coleman and Karagedikli, 2018). Part of this shortage is probably at least partly due to large construction worker outflows and weak inflows of construction workers.

Part of this shortage is also likely to be an unintended consequence of the changes to migration rules in 1991 which on the recommendation of the migration working party, replaced occupational priority list with a point system,² which favoured white collar workers with tertiary qualifications. It should not be forgotten that the departures are sensitive to the relative economic cycles between Australia and New Zealand especially with the introduction of free labour mobility in the early 1980s.

References

Coleman, A and Ö Karagedikli (2018), Residential Construction and Population Growth in New Zealand: 1996 – 2016, Reserve Bank of New Zealand Discussion Paper, 2016/02

² For a chronological detail of New Zealand's immigration rules see <https://www.parliament.nz/en/pb/research-papers/document/00PLSocRP08011/immigration-chronology-selected-events-1840-2008>

