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The University of Adelaide
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NEW IMMIGRANTS

IN THE

AUSTRALIAN LABOUR MARKET

A Comprehensive Analysis of Employment, Entry Wages,
Wage Mobility and Occupational Transition

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Master of Economics by Research

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ABSTRACT

The Longitudinal Survey of Immigrants to Australia, Cohort 1 (LSIA-C1) includes information on labour force status and occupations twelve months prior to immigration, as well as labour force status, wages, hours worked, use of qualifications and occupations of respondents around six, eighteen and forty two months after migration (among other information).

Using data from the LSIA dataset, I analyse the labour force experience of immigrants who arrived in Australia between September 1993 and August 1995, within the theoretical framework of the Human Capital Theory. I subdivide the respondents in three groups: those who gain employment within six months of arrival (Type 1), those who are employed three and a half years after arrival following a spell of unemployment (Type 2), and those who remain non-employed after three and a half years of settlement (Type 3).

Following a descriptive analysis of labour force transition probabilities and other demographic characteristics for all Types, Type 1 and Type 2 hourly entry wages are analysed and compared. In addition, Type 1 wage growth over the three and a half year period of settlement is studied. Finally, occupational transition probabilities of Type 1 and 2 are carefully investigated.

This analysis reveals a general 'randomness' in the entry wages and some wage mobility for Type 1 immigrants. However, even three and a half years after Type 1 immigrants start work, a large proportion of their wages distribution still remains random. This is found to be mainly due to three causes: (1) Pre-migration qualifications have virtually no relationship with entry jobs or entry wages; (2) there is hardly any job mobility over the period of the survey: Most immigrants stay in their first jobs and occupations and generally do not move back towards their pre-migration occupations; (3) the apparent weekly wage growth of immigrants is found to come mainly from an increased number of hours worked, while the hourly wage growth appears to come from regular on-the-job pay increases, rather than from occupational adjustment.

While four years of settlement is a relatively small timeframe in the life of an immigrant, these results are worrying as they reject the now well established theory and empirical findings of immigrants' upward labour market adjustment post-migration. Further research is needed to better understand the root causes of this lack of immigrant job and occupational adjustment and what can be done about it.