



Pay gaps among Ethnic Communities in Aotearoa New Zealand Summary

Overview

- This report summarises ***Pay gaps among Ethnic Communities in Aotearoa New Zealand***, by the New Zealand Policy Research Institute, AUT, 2025.
- Overall, Ethnic Communities earned 7.2% less in hourly earnings relative to NZ Europeans based on Household Labour Force Survey data (2016-2024).
- Unexplained differences make a large contribution to pay gaps, reducing wages for all but Continental Europeans.
- Occupational differences also explain some pay differences, while regional and educational characteristics generally favouring higher wages for Ethnic Communities. Industry differences played little to no part in explaining the pay gap.
- The report reinforces the importance of detailed analyses for Ethnic Communities, as pay gaps vary significantly across ethnic groups within the broader category of Ethnic Communities:
- **Middle Eastern** and **Continental European** workers have higher average hourly earnings than NZ Europeans – this is largely explained by these ethnic groups having more favourable demographic, geographic and educational characteristics relative to NZ Europeans.
- **Asian** and **Latin American** workers have lower average hourly earnings than NZ Europeans: this difference is primarily driven by unexplained factors which outweigh Asian and Latin American's more favourable demographic, regional and educational characteristics.

Summary

- There has been limited research on pay gaps for Ethnic Communities (Asian, Middle Eastern, Latin American and African, and Continental European) in New Zealand, other than for Asian peoples.
- Ethnic Communities made up 25% of the employed labour force as of May 2025 and unexplained pay gaps may reflect lost economic potential and inequities.
- The research compares hourly wages for Ethnic Communities and NZ Europeans using national survey data. It produces *explained* and *unexplained* pay gaps. Explained pay gaps come from characteristics we can measure, like qualifications, location, and jobs. Unexplained differences have causes we can't measure with the survey data and can include discrimination.
- Ethnic Communities have characteristics that would ordinarily translate into higher hourly wages than NZ Europeans. For example, Ethnic Communities are more concentrated in the prime working ages, are more likely to live in areas where wages are higher and have higher levels of education.
- Differences in occupational distribution and other job-related characteristics generally favour NZ Europeans, largely due to their higher representation in managerial roles and longer job tenure compared to most Ethnic Communities.
- Despite predominantly favourable characteristics, Ethnic Communities have a mean pay gap of 7.2% with NZ Europeans. This is because of the influence of unexplained differences which may include personal or job-related characteristics, or discriminatory differences in the wages received.
- The results show that pay gaps vary considerably within Ethnic Communities. Southeast Asian and Latin Americans have some of the highest pay gaps, largely driven by unexplained differences. Chinese and Sri Lankans have lower pay gaps, but the gaps are still largely unexplained.
- By contrast, workers of Continental European, Middle Eastern, and 'African+'¹ ethnicity have *higher* hourly earnings than NZ Europeans, earning between 1.5% and 5.8% more per hour. These favourable pay gaps were largely explained by observed differences in characteristics such as education and region.
- Women from Ethnic Communities earned 16.4% less per hour than NZ European men and 6.1% less than NZ European women. Men from Ethnic Communities earned 8.6% less than NZ European men, although Middle Eastern, Continental European and African+ men all earned more than NZ European men. Ethnic pay gaps compound when combined with the gender pay gap.

¹ African+ is a grouping that includes people of South African or Zimbabwean ethnicity who would be classified as European or Other under the standard Stats NZ Ethnicity Classification.

Summary table by ethnicity

Group	Overall pay gap	Pay gap drivers	Pay gap due to unexplained differences ²
Asian	9.1%	Asian workers' 9.1% pay gap was driven by unexplained differences with NZ European workers and to a much lesser extent by job related differences (NZ European workers having longer average tenure and are more likely to be in management roles). These differences outweighed the positive impact of region (more Asian workers are based in Auckland, which is a high wage region), and higher average levels of education. This aggregated data hides important differences between different Asian ethnic groups.	10.8%
Chinese	3.6%	Chinese workers' 3.6% pay gap was driven by unexplained differences with NZ European workers. These differences outweighed the positive impact of region (more Chinese workers are based in Auckland, which is a high wage region), and higher average levels of education. Among the Asian population, Chinese workers had the lowest pay gap relative to NZ Europeans.	8.1%
Indian	9.0%	Indian workers' 9.0% pay gap was driven by unexplained differences with NZ European workers and to a much lesser extent by job related differences. These differences outweighed the positive impact of region (more Indian workers are based in Auckland, which is a high wage region), and higher average levels of	14.7%

² The unexplained difference in pay is one factor contributing to the overall pay gap. It can be larger than the total gap because other measurable factors—such as education, job type, or location—may work in favour of Ethnic Communities, partly balancing out the unexplained difference.

Group	Overall pay gap	Pay gap drivers	Pay gap due to unexplained differences ²
		education. Indian workers' wage differences are partially explained by job differences such as a higher concentration in retail and hospitality which are relatively poorly paid.	
Sri Lankan	5.6%	Sri Lankan workers' 5.6% pay gap was driven by unexplained differences with NZ European workers. These differences outweighed the positive impact of region (more Sri Lankan workers are based in Auckland and Wellington, which are high wage regions), demographic factors, and higher average levels of education.	16.5%
Japanese	12.9%	Japanese workers' 12.9% pay gap was driven by unexplained differences with NZ European workers and to a much lesser extent by job related differences and industry differences (Japanese workers are more likely to work in the low paid hospitality sector). These differences outweighed the positive impact of region (more Japanese workers are based in Auckland, which is a high wage region), demographics (a higher proportion of Japanese workers are overseas born), and higher average levels of education.	10.8%
Korean	10.5%	Korean workers' 10.5% pay gap was driven by unexplained differences with NZ European workers and to a much lesser extent by job related differences. These differences outweighed the positive impact of region (more Korean workers are based in Auckland, which is a high wage region), and higher average levels of education. Unexplained differences were a particularly large driver of pay gaps for Korean workers.	16.1%
Southeast Asian	14.3%	Southeast Asian workers' 14.3% pay gap was driven by unexplained differences with NZ European workers and to a much lesser extent by job related differences. These differences outweighed the positive impact of region (more	15.3%

Group	Overall pay gap	Pay gap drivers	Pay gap due to unexplained differences ²
		Southeast Asian workers are based in Auckland, which is a high wage region), and higher average levels of education (although education was less of a positive factor for Southeast Asian workers as a lower proportion (particularly for Filipinos) had postgraduate qualifications).	
Filipino	13.9%	Filipino workers' 13.9% pay gap was driven by unexplained differences with NZ European workers and to a much lesser extent by job related differences. Filipinos are more likely to be employed as labourers. These differences outweighed the positive impact of region (more Filipino workers are based in Auckland, which is a high wage region), and higher average levels of education.	18.4%
Other Asian	11.4%	Other Asian workers' 11.4% pay gap was driven by unexplained differences with NZ European workers. These differences outweighed the positive impact of region (more Other Asian workers are based in Auckland, which is a high wage region), demographic factors, and higher average levels of education.	13.4%

Group	Overall pay gap	Pay gap drivers	Pay gap due to unexplained differences ²
MELAA+³	-0.6% (favourable)	MELAA+ workers have a negligible pay gap with NZ Europeans, however this disguises significant differences between Latin American and Middle Eastern workers.	6.5%
Middle Eastern	-5.8% (favourable)	Middle Eastern workers' favourable pay gap was driven primarily by explained differences (higher average educational attainment, higher proportion living in Auckland, and higher concentration in higher paying occupations). Unexplained differences also favoured higher Middle Eastern wages.	-3.4% (favourable)
Latin American	7.3%	Latin American workers' 7.3% pay gap was driven by unexplained differences and job-related differences such as time in jobs. These drivers outweighed the positive impact of demographics, region (a higher proportion of Latin American workers live in Auckland), and higher average levels of education.	14.8%
African+	-2.2% (favourable)	African+ workers have a favourable pay gap with NZ European workers. This reflects favourable demographic, regional, and to a lesser extent educational and industry characteristics being fully offset by unexplained differences.	6.5%
Continental European	-1.5% (favourable)	Continental European workers' favourable pay gap was driven primarily by explained differences (higher average educational attainment, higher proportion living in Auckland, and favourable demographic characteristics).	1.1%

³ MELAA+ includes Middle Eastern, Latin American and African+ ethnic groupings.

How was the research carried out?

- Using pooled Household Labour Force Survey (HLFS) data (June quarter 2016–2024), researchers calculated pay gaps (measured in hourly earnings) between various Ethnic Communities and NZ Europeans (limited to “NZ European only” to avoid overlap). Modelled pay gap estimates that accounted for labour force selection bias with a standard method were used to explain the factors driving pay gaps.
- The analysis was carried out in the Integrated Data Infrastructure (IDI)⁴ which links HLFS data with Census and Inland Revenue records. This helped researchers explore how much of the pay gap is explained by differences in education, demographics, location, job type, and industry—and how much is due to unexplained factors.

Disclaimer

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.

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

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.

Unweighted observation counts have been randomly rounded to base 3 and weighted counts have been rounded to base 100 in accordance with Stats NZ confidentiality rules. Cells marked with ‘S’ have been suppressed for confidentiality reasons.

⁴ The IDI is a collection of linked anonymised administrative and survey datasets managed by Stats NZ to facilitate research.