

# NEW ZEALAND'S BRAINS: WHO THEY ARE AND WHERE THEY MIGRATE

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*"[These migrants] raised the average IQ of both countries."*

*— Robert Muldoon, Prime Minister of New Zealand, 1975–1984, in response to questions about increasing emigration of New Zealanders to Australia.*

## Introduction

If asked whether there is a “brain drain” or “brain gain” in New Zealand, a group of Kiwis will have many issues to discuss and very different viewpoints. Some will say that New Zealanders are leaving permanently for Australia or Britain in staggering numbers, while others will agree that some people are leaving but will soon return. Some New Zealanders will talk disparagingly about those who are entering their country from Asia and the Pacific Islands. Some will say that the movement of people is detrimental to the country, while others see it as a great benefit. Still others will blame the economy when educated Kiwis leave, or the government’s response when they do not return. Various viewpoints about these many issues exist because available information concerning migration and talent flows into and out of New Zealand is confusing and inherently inconsistent due to its cyclical nature.

In order to investigate the topic, it is important to define the terms. The collective education and skill of a particular population is commonly referred to as “human capital.” The term “brain drain” refers to a large-scale departure of skilled or educated individuals from a particular geographic region, leading to a depletion of human capital. A “brain gain” is the opposite of a “brain drain” and refers to an increase in human capital within a particular geographic region. A “brain exchange” occurs when a brain drain is counteracted by a simultaneous brain gain of similar magnitude, resulting in a negligible net change in human capital. The term “talent flow” refers to the flow of human capital through a nation, taking into account immigrants and emigrants. A positive talent flow refers to a brain gain, while a negative talent flow refers to a brain drain. (Carr et al., pp. 387–88) For example, if a nation has a population of ten million people and nine million of them have a college education, there is

significant human capital in that nation. If one million of these educated citizens depart, this is considered a brain drain. If two million educated citizens leave permanently and two million educated people arrive permanently from other nations, then there is a brain exchange. In the last scenario, large movement has likely resulted in an overall skill set that is closer to the nation's needs. (Glass and Choy, pp. 10–11) Because of the substantial number of educated citizens who have migrated and the negligible change in human capital overall, this hypothetical country is experiencing significant talent flow with negligible overall brain drain or brain gain.

In recent years, New Zealand has experienced a significant talent flow with periods of brain drain and periods of brain gain. Each time migration patterns change, the media and the public decry the oncoming brain drain and largely ignore its return to equilibrium. The larger underlying story of the migration relates to the ethnicity of those who contribute to the talent flow, as citizens of European descent tend to be replaced by immigrants of Asian and Pacific Island descent, creating a change in the social structure of New Zealand. Furthermore, there are links between migration patterns and the world economic situation that show a greater outflow of New Zealand's citizens during times of world prosperity and a lesser outflow during difficult times. Finally, Kea New Zealand, an organization that attempts to connect Kiwis from all over the world, and New Zealand's two main political parties, the Labour Party and the National Party, have an important role as they work to change the public's perception of what is happening regarding talent flow through New Zealand.

## Why Does Talent Flow?

Talent flow is a phenomenon that occurs between many sets of nations for various reasons. Talent flows exist between Eastern Europe and Western Europe, from India and China to other industrialized nations, between Canada and the United States, from rural regions to urban areas in the United States, and from Africa to the rest of the world. When a region's available human capital does not line up with the available career opportunities, incentives for

migration are born. The ensuing migration can be one-way or two-way, depending on the economic needs and government policies of the regions involved. If a region has many skilled citizens but few job opportunities, that region will likely experience a one-way migration as its skilled citizens depart. (Schmitt and Soubeyran, p. 297)

Many factors besides the state of the economy explain the reasons for one's decision to move to another country. While economic factors tend to be the most important for New Zealand's emigrants, other factors are more important for people who want to come into New Zealand. For example, political factors affect immigrants from China who want to live in a Westernized nation. Due to their geographic proximity, New Zealand and Australia are popular choices for the Chinese. As will be discussed in more detail later, this influx of educated Asian immigrants is affecting New Zealand society.

Cultural factors are also important; people are more likely to immigrate to a country with a similar culture, which gives some explanation for the large movement between New Zealand and the United Kingdom, Australia, and the United States. Immigration policies of the specific nations involved, such as the ability to bring along the rest of one's family, may determine whether a move is permanent or temporary. Over time, individual choices made by thousands of people due to the above factors combine to affect a nation's migration pattern on a macro level. (Carr et al., pp. 387–89)

## Current Migration Situation

In order to draw conclusions concerning talent flow into and out of New Zealand based on migration patterns, one must be careful to look at only those statistics that matter. In recent times, travel into and out of New Zealand has approached nine million people per year, but not everyone contributes to the talent flow. ("Demographic Trends: 2007," p. 109) The vast majority of travelers are simply business travelers and vacationers who are considered to be short-term migrants; either they are citizens who intend to stay away or foreigners who intend to visit for less than one year. Permanent and long-term (PLT) migrants are defined as cit-

izens who intend to stay away or foreigners who intend to visit for longer than one year. The distinction is made when the travelers fill out their immigration paperwork and are required to check a box that indicates their intention to visit or stay away for more or less than one year. The PLT migrants are those who are important to the study of talent flow because they are the ones who have the potential to contribute to the talent flow. (Glass and Choy, p. 14)

Economic factors, such as higher earnings and job availability, are some of the most common reasons for migration and the most likely reasons for a Kiwi to join the New Zealand diaspora. Those who leave may indeed have preferred to stay in New Zealand where they grew up and where their families live, but the higher wages available in other countries, especially in Australia, lure them away so that they may pay off their student loans sooner and begin saving for later in life. The average annual earnings of a worker in New Zealand in 2006 was NZ \$47,112. In Australia, the average earnings ranged from NZ \$53,330 in Tasmania to NZ \$64,896 in Western Australia. (“Economic Development Indicators 2007,” p.102) New Zealand’s population is only 4.2 million, while that of Australia is over 21 million and that of the United Kingdom is over 61 million. There are simply more niches to fill and jobs available in Australia and the United Kingdom and in other countries in the industrialized world.

The “Overseas Experience,” commonly referred to as the “OE,” is a cultural phenomenon resulting from New Zealand’s relative isolation in the South Pacific. Every year thousands of young, college-educated Kiwis depart for London or elsewhere to experience life outside New Zealand. According to Statistics New Zealand, about five percent of citizens between the ages of 20 and 29 leave New Zealand each year with no plans to return before the following year. Many do stay in Europe, the United States or Australia permanently; but most return eventually. (“Migration and Immigration”) Because the New Zealand government only tracks whether or not people plan to leave for more or less than one year, it is difficult to accurately determine exactly how long people tend to stay on their OE before returning to New Zealand.

More important to the question is the PLT migration of people into and out of New Zealand, including citizens and non-citizens. Over the time period from 1979 to 2007, 1,730,393 people arrived while 1,701,170 departed, resulting in a net gain of 29,223 people. This is a relatively small number since during that period there were three years (1996, 2002, 2003) with inflows higher than that and one year (1979) with a higher outflow. (“Demographic Trends: 2007,” p. 119) It must be noted that the net change in population due to PLT migration through New Zealand is effectively negligible, contrary to the popular belief of many New Zealanders who think that the nation is suffering from a huge loss of population due to emigration.

### **Replacement of Emigrating New Zealand Citizens**

The statistics in the previous section show the trends in overall migration into and out of New Zealand. In addition, data exist that show the citizenship of those who enter or leave New Zealand on a PLT basis. In each year between 1979 and 2007 more New Zealand citizens left the country on a PLT basis than entered. Cumulatively, 1,285,937 New Zealand citizens left while 677,691 returned, resulting in a permanent loss of 608,246 citizens. During the same time period, net PLT arrivals to New Zealand by citizens of other nations amounted to 1,052,702 people while only 415,233 citizens of other nations left New Zealand with plans to stay away for one year or longer. The result was a permanent gain of 637,469 people who are citizens of other nations. (“Demographic Trends: 2007,” p. 119) Thus, during the 29-year period for which these data were kept (the most recent data available), there was a replacement of about 14 percent of the current population of New Zealand with citizens of other nations. However, the simple replacement of Kiwis by others is not what makes headlines. The more interesting story is that these replacements have similar human capital but tend to be of different ethnic groups than the emigrants.

Simply proving that more people are coming in than going out does not necessarily debunk the “brain drain” theory. If all New Zealand emigrants were professionals and all

non-New Zealand immigrants were unskilled laborers, there would be a net reduction of human capital even though the population remained stable. However, when the numbers of PLT migrants are broken down by occupation, the notion of a brain drain is not supported. During the 11-year period from 1997 to 2007, 125,150 professionals, administrators, and managers entered New Zealand while only 116,358 left, for a net inflow of 8,792 highly-educated people. During the same time period, 168,671 technicians, clerks, service employees, and other less skilled workers arrived in New Zealand while 195,038 similarly skilled people left, for a net outflow of 26,367 people. The data thus show that within the migrant inflow there was a net gain of professionals and other highly skilled employees, while those with lower skill levels experienced a net outflow.

In addition to those who listed a job on their arrival and departure cards, many people were recorded as “not applicable.” The “not applicable” category had a net inflow of 99,974 people, mainly students and family members of those with recorded occupations. The sizable numbers of incoming students, many from China, contribute to New Zealand’s human capital as they study and then settle in the nation. (“Demographic Trends: 2002,” p. 107) A significant number of “not applicable” respondents are family members of other arrivals. Many of these family members, especially the children of arrivals, may attend college and become talented New Zealanders in the future. (“Demographic Trends: 2007,” p. 118)

## **Public and Media Reaction**

As suggested by the preceding statistics, there does not seem to be a true brain drain in New Zealand. But as soon as a year with high outflows occurs, the media stirs up the controversy. Headlines such as “[A] Quarter of NZ’s Brightest Are Gone” (Collins) or “It’s Time to Plug the Brain Drain” (Clarke) periodically appear in the nation’s newspapers. When the economy changes again and the upward blip in outward migration comes to an end, no headlines are published to proclaim the end of what had been perceived as a brain drain; and so the people are left in confusion over the actual situation.

The myth concerning New Zealand’s “Brain Drain” is widespread. According to the website for a government program called Sustainable Development: Programme of Action, the myth has been perpetuated because of three factors: the “Overseas Experience,” brief periods of actual brain drain that keep the fear alive, and the “not applicable” occupational status that migrants have checked on their immigration papers. (“Myth 9: The Brain Drain”)

The OE, detailed earlier, creates a misleading perception because it artificially increases the number of PLT emigrants. The only way to determine whether or not an individual is a PLT or short-term traveler is by the answer to a question on the immigration document that asks whether the traveler intends to remain out of the country for more or less than one year. An individual on his or her OE usually intends to remain away from New Zealand for more than one year and is therefore recorded as a PLT departure upon leaving and as a PLT arrival upon returning. Someone who wants to deceive the public into thinking that the brain drain issue is larger than it really is only needs to look at the PLT departure statistics, only half the picture, to show that around 1.3 million New Zealand citizens permanently left New Zealand during the last 29 years. Although it is technically correct to say that 1.3 million New Zealand citizens departed on a PLT basis during this time, 700,000 have returned. Therefore, the truth of the matter is that only 600,000 citizens remain away from New Zealand. If most of the 700,000 citizens who returned were never counted in the first place, then the number of PLT departures during this period would be roughly halved, and the number of PLT departures would not be as staggeringly high. (“Demographic Trends: 2007,” p. 119)

The second factor that has led to the widespread misconception concerning the brain drain is that some years do indeed show a net outflow of population, including professionals. For example, there was a net outflow of both professionals as well as migrants overall from 1985 to 1989. (“Migration and Immigration”) More recently, from 1999 to 2001 there was again a net outflow of professionals within a larger outmigration of New Zealanders. (“Demographic Trends: 2007,” p. 118) The overall trend is for an inflow; but since brain drain does occur

**Table 1****New Zealand Population by Ethnicity, Present and Future**

<i>Family Origin</i>	<i>2006</i>	<i>2021 (estimated)</i>
European	77%	71%
Asian	10%	15%
Pacific	7%	9%

Source: "Demographic Trends: 2007," p. 151.

for limited time periods, the phenomenon stays on people's minds and is fostered by media coverage.

The final factor that has led to the brain drain myth is a misunderstanding about immigrants who select "not applicable" when asked to name their occupation on immigration papers. As previously mentioned, nearly half of all immigrants select "not applicable" as their occupation, which is often misinterpreted to mean that the immigrant is unskilled. In reality, these are often immigrants who come in as students or families of skilled migrants, many of whom will eventually become skilled and will contribute positively to New Zealand in the future. ("Myth 9: The Brain Drain")

### **Brain Exchange and Social Structure**

While high numbers of Kiwis leave New Zealand every year, they are largely replaced by people from Asia and the Pacific Islands. Overall, the population and the level of human capital have remained fairly steady and, if not for the ethnic differences, the exchange of talent might even go wholly unnoticed. The scale of replacement of New Zealand citizens, who tend to be of European descent, by those of Asian or Pacific Island descent has created a situation in which the racial demographics of New Zealand's population are undergoing a noticeable change.

Table 1 shows the 2006 percentage of New Zealanders of European, Asian, and Pacific origin and a 2021 projection of population mix. This inevitable changing demographic is widely perceived as a problem. Despite the fact that those of non-European origin are known to be as educated and skilled as those of European descent, many current citizens, even those of Asian descent, are upset about New Zealand's

rapidly changing culture. A study conducted by two New Zealand professors of psychology found that many New Zealand citizens of all origins view those of Asian and Pacific origin to be less strongly associated with the New Zealand national identity and culture and therefore less "desirable" citizens than those of European or Maori descent. (Sibley and Liu, p. 1228) If the professionals of Asian and Pacific origin who are replacing those of European descent are not considered to be "real" New Zealanders even after they become citizens, it becomes a social problem. Thus, even if the numerical shift in immigration does not constitute a true "brain drain," the perceived shift in cultural identity is still a key issue in contemporary New Zealand.

### **Economic Linkages**

The most important factor contributing to the decisions of thousands of New Zealand citizens to depart permanently or to return after a long absence seems to be the immediate state of the global economy and of New Zealand's economy. It is a well-known fact that when the global economy is strong, the number of PLT New Zealand citizen departures tends to increase and, conversely, tends to decrease during poor economic times. During the current financial crisis, the economy has become so weak that early indications point to a substantial drop in the number of PLT departures and a growing number of returnees among those who have spent a significant period of time abroad. (Coleman)

### **Government and Kea New Zealand**

The complex immigration situation in New Zealand has created a situation in which the people and government are bound to have

many ideas about how to govern the nation's immigration policy, but at the same time they agree upon no clear solution. Since 2001 a non-governmental organization called Kea New Zealand has been working to promote New Zealand around the world through its expatriates. According to the organization's website, its mission is to "connect New Zealand with its large global talent community, and contribute to the growth, development, and future prosperity of New Zealand by facilitating the sharing of knowledge, contacts and opportunities around the world." (Kea New Zealand) Kea touts itself as "New Zealand's Global Talent Community" and encourages the formation of connections between professional Kiwis around the world. The organization holds networking events in such cities as London, Sydney, Los Angeles, and New York where New Zealand expatriates can meet and form business connections. The organization believes that the 750,000 New Zealanders who live overseas can work to promote business and create publicity for New Zealand and ultimately help the nation's economy. As of June 2009, the organization counted over 25,000 members in 174 countries and continues to grow each year. (Kea New Zealand)

The goals of New Zealand's two main political parties, the Labour Party and the National Party, differ from the goals of Kea New Zealand. While Kea's goal is to connect with expatriates in order to use them to promote New Zealand internationally, both the Labour Party and the National Party want to bring the expatriates home. The difference between the two political parties is the relative importance placed on returning the expatriates to New Zealand. The mission of the National Party is to actively promote the return of citizens abroad. Its 2008 immigration policy begins by saying that

New Zealand has lost more than 80,000 people heading overseas permanently in the past 12 months. That's more than 1,500 each week. The next National Government will implement policies to both encourage Kiwis to stay in New Zealand and to attract back to New Zealand those Kiwis who have been developing their skills overseas. (As quoted in Oldershaw, p. 1)

The National Party counts the large number of expatriates as an irreplaceable loss to the

country. Since this policy was written in April 2008, John Key of the National Party has become the Prime Minister of New Zealand. In a press release on June 24, 2009, Immigration Minister Dr. Jonathan Coleman reported that departures to Australia over the past year were down by 34 percent, departures to the UK were down by 26 percent, and net migration inflows were now above the average of the past 10 years. As he emphasized: "[The National Party] said in our manifesto we'd retain Kiwis and attract overseas Kiwis home — and we are doing just that." (Coleman) However, it was expected that there would be a decrease in PLT departures of New Zealand citizens during a worsening global economy and especially during the current financial crisis. Thus, it is unlikely that slight policy changes by the new National Party government have affected the decisions of tens of thousands of people to a greater extent than has the current state of the economy.

The Labour Party also hopes that overseas New Zealanders will eventually find their way home, but they expect Kiwis to take full advantage of their time away. According to the 2008 Labour Party Manifesto:

Expatriate New Zealanders can be viewed as part of a larger pool of talent that New Zealand can draw on to fill labor market gaps. The movement of skilled migrants between countries is now a global norm, with comparable countries such as Australia experiencing similar trends to us. . . . We do not want to discourage young New Zealanders from doing their traditional "OE," or overseas work experience, because these people generally return to New Zealand with valuable work and life experience. However, it is important that we have avenues to contact skilled New Zealanders overseas so that we can continue to promote their eventual return home. ("Labour Manifesto 2008," pp. 311–12)

It is important for groups who have different views on the issue of talent flow to work together to create a national policy that is in the best interest of the nation and its people. Such a policy would likely include a means for helping those who are away and would like to return, as well as a way to formally maintain contact with those who wish to remain away.

## Conclusion

The constantly changing talent flow through New Zealand is not new and is not going to be greatly changed by government policy, nor perhaps should it be. When the economy is good, people are willing to risk moving to another country where they may have the opportunity for a higher income, knowing that they can return to New Zealand if things do not go well. However, when the economy turns sour, New Zealanders fear the unknown and are less interested in moving abroad. Furthermore, when the world experiences a once-in-a-lifetime economic collapse of the kind we see today, New Zealanders drastically decrease their emigration levels.

As long as the country has a small and highly educated population, there will always be

talented individuals who feel the need to leave for a greater variety of opportunities. Also, as long as New Zealand remains a highly modernized society so near to the Pacific Islands and Asia, it will continue to attract the best and the brightest from those regions. The New Zealand government would be wise to learn from Kea New Zealand by taking advantage of those Kiwis who live elsewhere, and it should embrace the citizens of other nations who make New Zealand their home. After all, no other country of just over four million people has the advantage of sending out one million of its citizens as ambassadors to almost every nation in the world, promoting its businesses and boosting its economy, and then filling their places back home with the best and brightest of nearby nations.

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