

# GLOBALISATION OF LABOUR FLOWS AND ITS IMPACTS ON NEW ZEALAND

## Introduction

Over the past two decades, international movements of people have increased significantly. This is not migration in the traditional sense – the ease and cheapness of travel and communication means that individuals (and their families) may travel internationally for employment, without settling for the rest of their lives as in traditional migration models.

This paper considers the implications of such phenomena for NZ – the risks and opportunities for individual New Zealanders and on capacity in the New Zealand labour market. Particular challenges for New Zealand include the risk to the economy longer-term of skills shortages, the apparent costs of losing skilled New Zealanders overseas, and ensuring good outcomes for migrants in the labour market. Opportunities arise from the potential to gain skills and valuable links into the global economy. The paper also discusses possible policy solutions available to government to maximise the opportunities whilst managing the risks around globalisation of labour flows. These will be considered not just in terms of immigration, but of other factors which also influence labour flows.

## Executive summary

- New Zealand and other developed countries face long term risks to their economies associated with increased demand for global skills in the labour market, ageing populations, and specific skills shortages. These trends are resulting in high demands for skilled workers and their increased mobility.
  - The interaction of migration with education and training is complex. Many migrants bring education and skills obtained at no cost to New Zealand, while New Zealanders departing use their publicly funded training elsewhere. Displacement of local workers or disincentives for locals to invest in education and training are risks of inward migration.
  - More people are migrating both to and from New Zealand on a permanent or long-term basis than ever before. These flows are volatile and not easily influenced or predicted.
  - There has been a net permanent and long-term loss of New Zealand citizens every year for the last 20 years. The open labour market with Australia is the largest single component of New Zealand citizen migration. Relative economic conditions are a big influence on this flow. Almost one-third of the New Zealand citizen departures to Australia are former migrants to New Zealand.
  - Throughout the 1990s, New Zealand has attracted skilled migrants in large numbers to ‘replace’ those departing citizens, and they are a key resource. However the high numbers involved mean that any risk of poor settlement outcomes for these migrants including un- and under-employment is a critical issue.
  - In general, many of the same factors that keep skilled New Zealanders in the country also attract skilled migrants. New Zealand is in the process of undertaking a range of initiatives aimed at encouraging retention and return of citizens, supporting migrant
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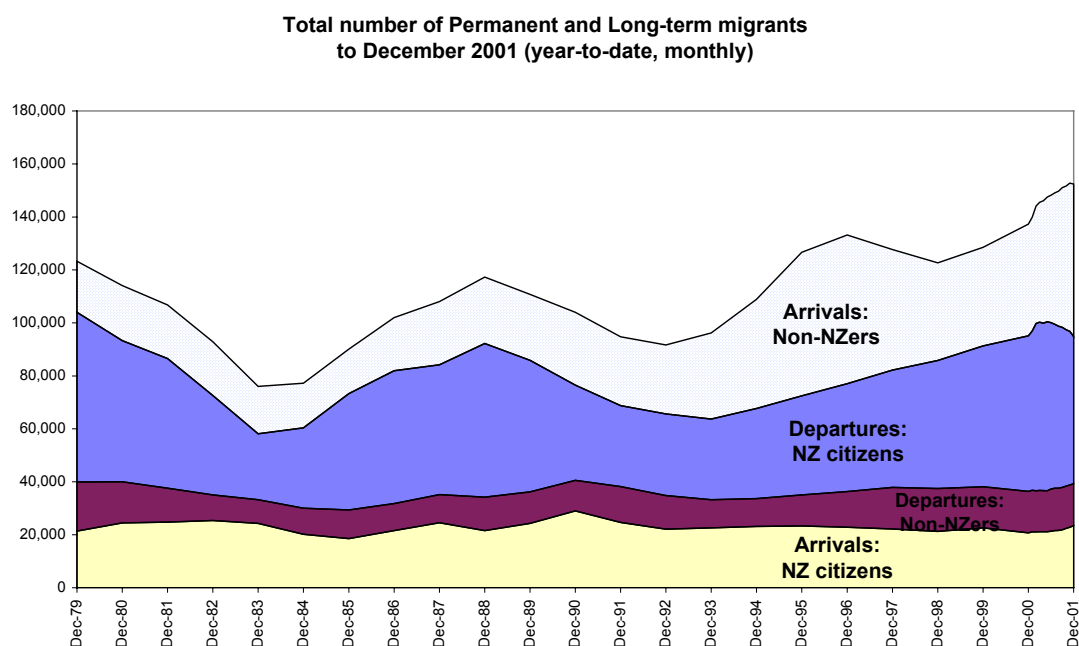
settlement, and improving connections with skilled expatriates abroad. These policies are broadly consistent with approaches of other countries to similar problems.

- It will continue to be essential that those who come to New Zealand are able to create or match to opportunities in the labour market. For migrants, a focus on facilitating movement to permanent residence by those already in New Zealand on work permits is one method of ensuring this. Engagement with expatriate New Zealanders should also be connected to the needs of the economy and labour market.

## How is migration to and from New Zealand changing?

### More people are moving permanently or long-term

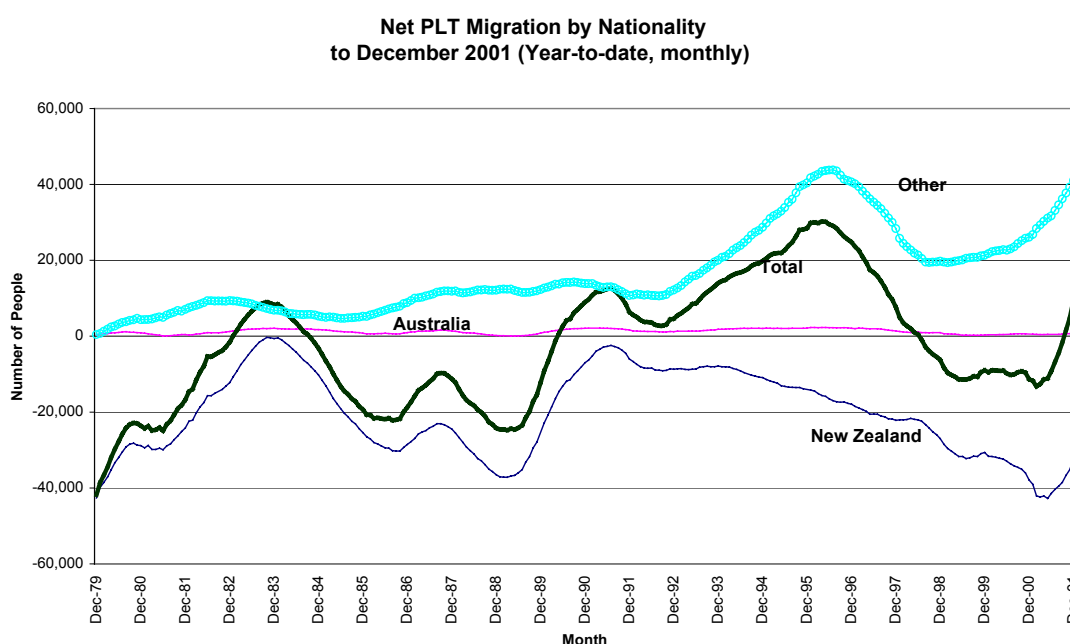
- The chart below shows the *total* number of people migrating permanently and long-term both to and from New Zealand since 1979. (Short-term movements, including tourists, students etc, have also increased, but this paper is focussed on longer-term movements.)



- The total number of people migrating to and from New Zealand is higher now than at any time.
- The record volume of people moving is caused by both high departures of New Zealand citizens and arrivals of non-New Zealand citizens.
- The number of New Zealand citizens returning has been remarkably constant regardless of relative economic conditions – a puzzling pattern that deserves further investigation.
- The next chart shows *net* permanent and long-term migration (arrivals minus departures) by citizenship since 1979 for three groups - New Zealand, Australian, and all other citizens. There has been a net permanent and long-term loss of New Zealand citizens

every year for the last 20 years, totalling over 400,000 since 1981<sup>1</sup>. The annual net loss has been increasing again since 1992 and in early in 2001 reached levels not seen since the late 1970s. In the last year, there has been a turn-around, with departures slowing and returns increasing, but losses are still at a 10 year high.

- This loss has been offset by a gain of citizens from the rest of the world - increasing significantly since the early 1990s. The net gain of citizens from other countries is currently increasing strongly, approaching the mid-1990s peak seen below. This is consistent with NZIS approvals experience, where the agreed level of residence approvals for 2001/02 has recently been increased to up to 53,000<sup>2</sup>, and approvals for “temporary” permits (work and student permits etc) are also at high levels.
- If losses of New Zealand citizens continue to reduce, New Zealand will again experience a rapid gain in net migration.



### Australia is the most significant single destination

- The largest number of New Zealand citizen departures are those going to Australia. Over the last twenty years, net loss to Australia was on average more than half of the total net loss of New Zealand citizens.
- However a number of those who leave as New Zealand citizens previously arrived as migrants. Australian arrivals data tells us that in 2000, 30 per cent of New Zealand

<sup>1</sup> Total losses in the 1990s were actually lower than in the 1980s. Between 1981-90 the net loss was just over 210,000, and from 1991 to 2000 160,000. 2001 was a loss of 32,000. This has led to a significant number of NZers residing offshore - recent estimates are of 700,000 to 1 million New Zealanders living overseas, including 400,000 in Australia. Richard Bedford, “2001: Reflections on the Spatial Odysseys of New Zealanders” Briefing Paper No2, New Directions seminar, April 2001.

<sup>2</sup> NZIS approvals and PLT statistics give different views of the same picture. PLT data counts people as they cross the border, declaring long-term residence intention. They may be approved as Permanent Residents or have a “temporary” status such as a student or work permit. Increasing numbers of applicants for Permanent Residence or longer term “temporary” permits are already onshore. E.g. currently over half of Permanent Residence approvals are granted to onshore applicants.

citizens arriving in Australia as new settlers were born elsewhere – whether this should be considered an immigration failure is discussed further below.

## **Why might increased migration flows be of interest to government?**

The size of migration flows potentially affects a number of areas of government, from education, health and social assistance as well as less tangible social impacts such as increasing ethnicity diversity. This paper is particularly concerned with the effects of increased globalisation (as seen in migration flows) on the labour market.

The Department of Labour's Human Capability Framework describes the labour market as a system that *matches capacity to opportunities*. The success of labour markets can be defined by three components:

- Opportunities - type and number of jobs employers are willing/able to offer
- Capacity - the skills, knowledge and abilities that people have.
- Matching - the process where opportunity and capacity come together.

There is a range of local influences on the total capacity in the labour force, including demographic change, changing lifestyles and labour market participation. Capacity is formed informally through social interactions as well as formally through changes with education and training. In addition, temporary and permanent migration in and out of a country affects the total capacity in the labour market and its composition. Effects arise both from how many migrants are resident in NZ and the numbers arriving and departing – the “turnover”.

## **The importance of migration in the labour market will grow both as migrant numbers grow, and as the needs of the labour market change**

In many countries, including New Zealand, there is concerns about the ability of the working age population to match with labour market opportunities. Many developed countries face the prospect of a smaller working age population, as a result of lower birth rates and ageing populations and are increasingly looking to migration to supply necessary labour<sup>3</sup>. Overall, a greater proportion of jobs require high rates of literacy and numeracy, while world-wide there is a growth in demand for skilled workers, particularly in industries such as healthcare and information technology. The combination of these trends is likely to create continued pressure on the supply of skilled labour in New Zealand<sup>4</sup>. It is important to ensure that people entering the labour market have the skills necessary to participate successfully and that New Zealand is able to attract and retain the skilled people it needs.

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<sup>3</sup> For example, the announcement of the most recent Canadian immigration target states that 70 per cent of their expected labour force growth will be from immigration, moving to 100 per cent long term.

<sup>4</sup> 'Skills Information Action Plan: Initiatives and Proposals' CAB M (01) 34/17 and 18. While many current problems appear to be recruitment difficulties rather than absolute skills shortages, there are long-term risks of skills shortages for New Zealand.

As we will see below, migration can worsen or ease skills shortages. The term ‘skills shortages’ is here used to refer to the supply of skilled people not keeping up with specific demand (as opposed to shortages caused by recruitment difficulties or skill gaps<sup>5</sup>). Persistent skill shortages present certain risks to the economy. Skills shortages can and do co-exist with unemployment, emphasising the need to ensure that the capacity developed or brought into the country matches the opportunities available. The government’s draft Tertiary Education Strategy recognises this by calling for a better alignment between the nation’s investment in tertiary education and research and the nation’s economic and social priorities<sup>6</sup>. Similarly the recent review of work permit policy by NZIS aims to facilitate the entry of highly skilled and talented workers needed by particular employers.

## **There are other migration impacts on the labour market**

There is also a risk that migration will change the capacity investment (training and education) decisions that local individuals make. For example, if migrants are prepared to work at a lower wage, this may drive down the returns available to individuals in particular occupations and act as a disincentive for locals to train in it. Reduced returns may also encourage locals to seek higher wages elsewhere. These are extremely difficult effects to assess and academic debate on their size and importance is still inconclusive<sup>7</sup>. The reality is that importing skills versus training locals is not an ‘either/or’ choice, or even a ‘short-term/long-term’ trade-off. Both ways of building and maintaining capacity are necessary for a small economy like New Zealand in the global labour market. However, the risks and trade-offs must be managed to ensure the two flows are, as far as possible, complementary.

## **What impact do migration flows have on the NZ labour market?**

### **Migration flows are as big as other demographic flows in and out of the New Zealand workforce**

The size of migration flows on labour market capacity can be identified relative to other contributory factors. In the year to September 2001:

- 60,419 New Zealand citizens left New Zealand on a long term basis, and 22,421 returned after being overseas for more than 1 year
- around 60,000 young people reached working age (15 years) and 53,000 died, contributing a net 6,000 to 7,000 to the working age population (“natural increase”).
- 74,952 people completed a tertiary qualification in the 2000 academic year.<sup>8</sup>
- 54,259 non-New Zealand citizens arrived in New Zealand, and 15,935 departed after a stay of more than 1 year.

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<sup>5</sup> Skill shortages may arise for a number of reasons, including recruitment difficulties, where poor conditions or pay deter people from taking jobs, and skill gaps, where job vacancies are filled, but workers lack all the skills desired by employers.

<sup>6</sup> ‘Release of the Draft Tertiary Education Strategy’, POL (01) 342

<sup>7</sup> Borjas, G. Handbook of Labour Economics Ch3

<sup>8</sup> Qualifications completed at ministry-funded Private Tertiary Education Providers and at Public Tertiary Education Institutions. Tertiary education statistics 2000, Ministry of Education

Modelling work by BERL<sup>9</sup> gives an estimate of the relative contribution of migration flows to human capital stocks, compared to other inflows to the labour force. They estimate that the annual flow of tertiary graduates adds 1.25 per cent to the nation's overall earnings, while the demographic changes - people reaching working age - adds 1 per cent, and retirements cost 0.5 - 0.75 per cent. In comparison, inward migration flows over 1992 - 1998 added an annual average of 2.4 per cent overall, while outflows represented a loss of 2.0 per cent.

The New Zealand labour market is highly integrated with international markets – in 1996 19 per cent of our working age population was overseas born, and the proportion in Auckland was 31 per cent.<sup>10</sup> These figures compare with 24 per cent in Australia and 19 per cent in Canada, and contrast with 9 per cent in the US and 4 per cent in the UK.<sup>11</sup> In New Zealand's case, these proportions are not static, but result from substantial numbers of people arriving and departing on a long-term basis.

Comparing migration flows internationally is difficult, but NZ's international migration is relatively high by a number of measures. Richard Bedford cites "Economist" magazine estimates that well educated New Zealanders are twice as likely to emigrate as comparable Americans. For the 2001/02 year, the immigration approvals level of up to 53,000 is equivalent to 1.4% per capita of existing population – significantly higher than the Australian level (0.4% in 2000) and Canada (1.0%).<sup>12</sup> The US currently receives approximately 1 million legal migrants per year - adding the estimated 300,000 illegal migrants, gives an annual intake of just 0.5% of total population.<sup>13</sup>

There have also been large changes in terms of ethnicity and source country of migrants to New Zealand. In the 1980s approximately 30 per cent of permanent residence approvals were from UK/Ireland, and 20 per cent from Asia.<sup>14</sup> Immigration policy changes in the late 1980s and early 90s focused increasingly on migrants' skills rather than country of origin, leading to a broadening of source countries. Consequently, over the last ten years, 14% of approvals were from UK/Ireland, 11% from China, and 8% each from South Africa, Taiwan and India, contributing to a rapidly changing ethnic makeup for New Zealand.<sup>15</sup>

### **Those who move are more skilled than those who stay put**

The size of migration flows in and out of the labour market is described above. Just as important is the skills and attributes of those moving in and out of New Zealand. Arrival and Departure data shows that New Zealand citizen migrants are generally younger than the population average and are more likely to state professional/ technical occupations on arrival/departure cards than the resident New Zealand population<sup>16</sup>.

<sup>9</sup> "Human Capital: Report to the Department of Labour", BERL, 1999.

<sup>10</sup> Figures from the 2001 census (available shortly) can be expected to be higher again, given ongoing net gains in overseas born people, and net losses of New Zealanders, since 1996.

<sup>11</sup> 1998 World Bank figures, quoted by Plater & Box, "Facts about Economic Integration: How Integrated is New Zealand with the Rest of the World?", Treasury Working Paper 00/21

<sup>12</sup> Bedford, 2001, op cit

<sup>13</sup> George Borjas, 1999, *Heaven's Door: Immigration Policy and the American Economy*, Princeton University Press pp202 -203

<sup>14</sup> Birrell and Rapson, *People and Place* vol 9 no 1 2001, pg 65

<sup>15</sup> NZIS Approvals statistics, total residence approvals for 1992 to 2001. 2001 Census figures show slightly more NZ residents of Asian ethnicity than Pacific.

<sup>16</sup> 'Descriptive analysis of emigration patterns of New Zealand citizens, using data from New Zealand arrival and departure cards', Humphris (2000) Department of Labour pg. 24

There are important differences between New Zealand citizens going to Australia and those who state other destinations. The lack of restrictions on Trans-Tasman migration has meant that the age and skill profiles of New Zealand migrants to Australia are generally more similar to the New Zealand resident population. However, they are still somewhat more skilled than remaining New Zealand residents and tend to do better in the Australian labour market than Australians.<sup>17</sup> Recent changes to welfare entitlements for New Zealanders in Australia can be expected to accentuate this trend, as the loss of a safety net will deter some people from moving to Australia and, over time, to encourage less successful migrants to return to NZ.

New Zealand citizen migrants going beyond Australia tend to be younger and more highly skilled than those going to Australia, as noted before, but many of these moves are long-term but not permanent. The 'OE' pattern of travel is testified to by the reasonably stable returns of New Zealanders (20-30,000 per year for the last 20 years). However, these returns have not increased as much as departures have, resulting in the net loss of New Zealand citizens that is causing concern.

Based on Arrival and Departure data, new migrants to New Zealand are younger and more highly skilled on average than the New Zealand population. Compared to the New Zealand citizens who depart, arriving migrants are older but still declare higher skilled occupations. There has actually been a net gain of people in professional and technical occupations over the last nine years, supporting the argument that the "brain drain" is actually a "brain exchange". At the peak inflows of the mid-1990s, the effect of migration was *prima facie* the equivalent of a 50 per cent increase in the number of New Zealanders graduating each year. Another dimension is that migration flows are much more variable, and therefore less predictable, than other factors affecting capacity.

## **The global circulation of skilled workers offers benefits to the New Zealand economy**

While public debate often identifies high migration flows as a problem, there are benefits. Outward migration may take pressure off the New Zealand labour market at times of high unemployment. If New Zealand citizens are able to go overseas and access work and educational opportunities that are unavailable in New Zealand, and either return to New Zealand with experience and ideas, or maintain contact with New Zealand networks, then New Zealand may benefit quite substantially from people travelling.

Overall a growth in international connections and networks offers potential benefits for export sectors and tourism, but may also facilitate the loss of skilled New Zealanders. The growing ethnic diversity which inward migration is causing represents a change and challenge to social cohesion, but also brings innovation and creativity.

### **Benefits are conditional upon successful settlement of migrants**

The difficulty with the "brain exchange" theory is that replacing departing New Zealanders is not simply a matter of migrants with skills being present in New Zealand. Migrants bring formal and informal capacity into the country that may or may not be recognised and valued in the labour market. Their skills must be needed and utilised. But, apart from the temporary

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<sup>17</sup> In June 2000, New-Zealand born people in Australia had a higher labour market participation rate (78.4 per cent) than the Australia-born (67.3 per cent) or migrants from English speaking backgrounds (64.2 per cent). In addition, the New Zealand born had a marginally lower rate of unemployment (6.0 per cent) compared to the Australian-born (6.2 per cent) DIMA publication from website. pg 38

work permit holders who must already have a job offer, immigrants have been expected to either find (match) opportunities in the labour market themselves, or create them.

Expectations of the acceptable time it takes a migrant to become employed (at a level appropriate to their skills) appear to be changing. Historically, the benefits of migration were expected to accrue not to the generation that migrated but to the next generation. In New Zealand today, the selection criteria are designed to recruit migrants who will quickly participate according to their skills and resources, especially those from General Skills (GSC) and Business categories. Indeed the majority of GSC applicants obtain points for a job offer, and the Talent Visa policy is expected to reinforce this approach.

The points allocated in the General Skills category are designed inter alia as a proxy for employability, but problems with matching and lack of opportunities may limit successful employment outcomes for some migrants. Similar issues have been apparent for business migration policies in recruiting people who are able to create and establish the business opportunities hoped for.<sup>18</sup> Studies both overseas and in New Zealand illustrate the hurdles for migrants to achieve this transition into the economy of their adopted country, and to work at the level of their skills. Skilled migrants can have particular difficulties, because skilled occupations may be more culturally specific, requiring both local language and social skills as well as technical. There is also some anecdotal evidence of returning New Zealanders facing difficulties utilising overseas acquired skills.

### **Migrants with poor outcomes are an ongoing concern<sup>19</sup>**

The criteria for entry through the General Skills category has become more focused on employability over time, and the transition of new workers into the labour market varies by individual. However, there is a set of barriers shared by many new migrants. In New Zealand, in a detailed study of the 1996 census Winkelmann and Winkelmann found that migrants' incomes only caught up with those of comparable native-born adults after twenty to thirty years of residence. This finding includes all migrants, both skilled and unskilled<sup>20</sup>. Certain groups of recent migrants (especially those from non-English speaking backgrounds and those lacking higher qualifications) appeared to be having even more difficulty than their predecessors, suggesting a risk of long term difficulties. An update of this analysis with 2001 census data will be undertaken in 2002.

The employment rate gaps between recent migrants and native-born adults continue to be quite large<sup>21</sup>. In the year ended June 2000, there was a 17 percent employment rate gap between recent migrants (those who had lived in New Zealand for 1-5 years) and those born in New Zealand. In the same year, the gap between migrants with 6-9 years of residence in New Zealand and native-born New Zealanders was about 6 percent.

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<sup>18</sup> Evaluation of early 1990s business migrant policies found that some migrants brought wealth, but lacked business skills, or were not able or interested in establishing businesses in NZ. NZIS are presently evaluating current policies, which have been significantly revised to better meet desired outcomes.

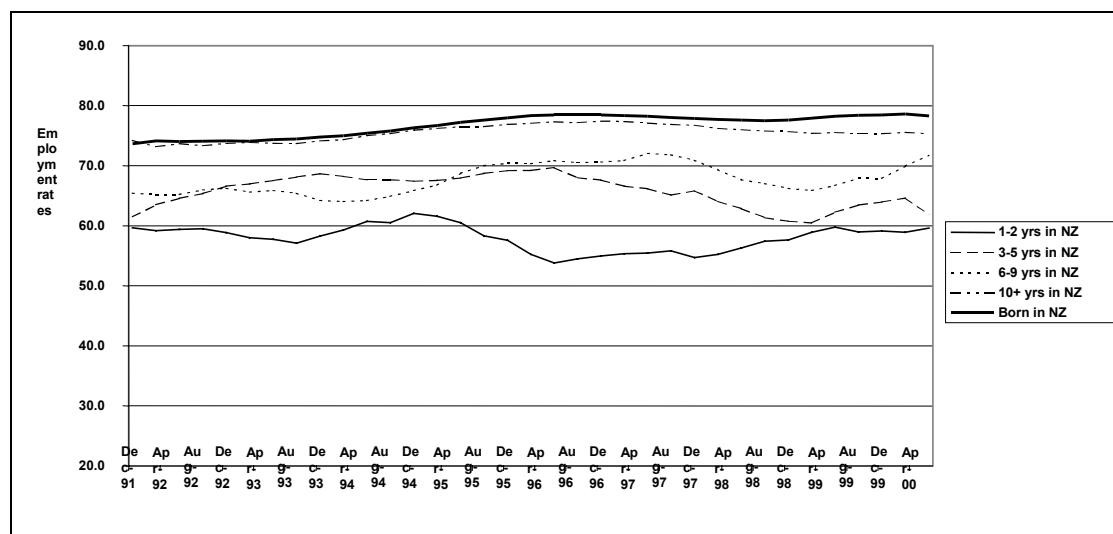
<sup>19</sup> Evaluating migrant employment outcomes is difficult, because there are a number of data sources, none of which give a comprehensive picture. Statistics NZ data (Census, HLFS, Arrival & Departure Cards) identifies migrants as long term residents not born in NZ. This does not allow us to distinguish between permanent residents (and whether they came under employment or family related categories), or persons on long term permits such as students or work permit holders. Those who were approved under nation-building or international obligation categories (such as refugees) might be expected to integrate more slowly than those who entered under General Skills. Information from the LISNZ study will be invaluable when it is available.

<sup>20</sup> As per note 19, this study was not able to identify which immigration category migrants had entered under, so "skills" refers to their self declared qualifications and occupations.

<sup>21</sup> Household Labour Force Survey, Statistics NZ



**Employment rates of all adult immigrants  
by duration of residence in New Zealand<sup>22</sup>**



WINZ/MSD data about migrants has shown improvements over the mid 1990s picture, particularly with regard to skilled category migrants. However, tightening of entitlement rules means that skilled category migrants who are unemployed are much less likely to be eligible for welfare benefits. Thus an improvement in these statistics has reduced the fiscal cost of migration, but does not necessarily tell us about overall outcomes. However, no matter what category they came in under, migrants having employment difficulties represent a cost and wasted potential for both themselves and NZ as a whole.

### Causes of immigrant employment problems

Winkelmann and Winkelmann<sup>23</sup> found the main factors affecting the labour market performance of recent immigrants to NZ educational qualification, years in New Zealand, and region of origin. They speculated that problems with the recognition of qualifications, a lack of New Zealand experience, and poor English language ability (to professional levels) all potentially contribute to problems for skilled migrants in the labour market. Prejudice or unfamiliarity by employers may also be a factor.

Immigration and other policies have been modified in response to the problems documented by the Winkelmann research and other evidence. Nevertheless, the slow rate of integration into the labour market of many new migrants in the mid-1990s underlines the risk that the rate of new migrant arrivals can outpace their absorption into the labour market. The planned analysis of 2001 census data will provide an important stocktake of more recent migrants' integration into the workforce, as well as checking on the subsequent experience of the mid-1990s cohort who were experiencing particular difficulties.

<sup>22</sup> Source: Statistics NZ, HLFS Notes: Estimates are for 25-59 year olds. The data series were smoothed via the calculation of five-quarter moving averages. The New Zealand-born group includes all ethnic groups, and is shown for comparative purposes.

<sup>23</sup> 'Immigrants in the New Zealand Labour Market: a Cohort Analysis using 1981, 1986 and 1996 Census Data', L. Winkelmann & R. Winkelmann, Labour Market Bulletin 1998:1&2,

### **‘Re-migration’ may be a positive or negative outcome**

Re-migration – the permanent departure from New Zealand of those who came as migrants - may relieve some of this pressure. Winkelmann and Winkelmann found that New Zealand had high rates of re-migration by those who entered as migrants. They estimated that on census night 1996, 43 per cent of men and 32 per cent of women aged 25-44 years who had entered New Zealand on a permanent or long term basis in the previous two years were no longer in the country.<sup>24</sup>

Many will have gone to Australia, having obtained NZ citizenship after three years residence. As described above, former migrants to NZ have been an increasingly important component of trans-Tasman migration. While it is common to talk of a trans-Tasman labour market, Victoria University research has shown that “borders do matter” – that is, New Zealanders actually migrate to Australia less than the economic relativities would predict<sup>25</sup>. However, growing numbers of migrants to NZ during the 1990s have shown much less hesitation to cross that border – which is consistent with the theory that having moved once, it is easier to move again. Some commentators suggest this is the very value of immigration – migrants are more responsive to market signals and therefore speed up labour market adaptation.<sup>26</sup>

Our hypothesis on globalisation has suggested that those workers with skills in demand are likely to move between countries on a temporary rather than permanent basis, and re-migration is consistent with this. In that case, so long as the migrant made a useful contribution during their stay, the outcome has been good and, if they maintain positive links with NZ after departure, all the better. However, if the migrant left because they could not find appropriate employment while in New Zealand this might be considered a poor immigration outcome, for both the migrant and New Zealand. With little information available on those who re-migrate, and particularly on whether they entered New Zealand as skilled or family migrants, the question of whether re-migration is a positive or negative outcome cannot be resolved.<sup>27</sup> The Longitudinal Immigration Survey (LISNZ) will provide valuable data over the longer-term on these outcomes, including other possibilities such as return to the migrant’s home country.

### **What are the causes of skilled labour migration?**

A number of factors are responsible for the increase in migration flows, only some of which are in the control of government. While relative economic performance may be the strongest single influence on migration, options do exist to manage the risks represented by these flows while taking better advantage of the opportunities they generate. We can’t stop people leaving but we can make it more attractive for them to stay and others to come.

### **Skilled workers can move countries more readily**

Internationally, a variety of factors are influencing the increased movement of workers. While the availability of temporary work offers and permits may vary with the business cycle

<sup>24</sup> Winkelmann & Winkelmann, op cit, p40.

<sup>25</sup> Poot, 1995, “Do Borders matter? A model of interregional Migration in Australasia” *Australasian Journal of Regional Studies* 1 (2): 159 – 182. One can hypothesise that if the data on NZ citizen migration patterns could distinguish between New Zealand born and overseas born, modelling the two different flows would show that the Trans Tasman border matters much less to those who had previously migrated to New Zealand.

<sup>26</sup> George Borjas, 1999, “Does Immigration grease the wheels of the labour market?” Harvard University mimeo.

<sup>27</sup> Assessing the outcomes for Family migrants must consider a wider range of objectives than employment.

in receiving countries, longer-run trends such as the ageing populations of developed countries indicate a long-term need for migrant workers. Improvements in and increasingly inexpensive availability of communications technology, and ease and cheapness of air travel all facilitate the globalisation process.

Labour markets in some areas of work are becoming increasingly internationalised, with employers competing for skilled staff with employers in other countries, as well as in their own. While some occupations have always transferred relatively easily abroad (such as doctors), ICT is a new highly transferable field of work. The spread of multi-national companies also means that many people may migrate across countries while working for the same company. Many companies are located across different countries and offer transfers of personnel between countries within the company, with easier immigration approval<sup>28</sup>. This has the effect of creating labour markets within a company, rather than within a country<sup>29</sup>.

### **Incentives exist to follow opportunities overseas**

In addition to the international factors increasing the movement of skilled workers, New Zealand's size, distance from other parts of the world and relative wealth contribute to the high mobility of its citizens. New Zealand is a small geographically isolated country with inevitably limited job opportunities and local markets. Ease of access to Australia makes Trans-Tasman flows by NZers very responsive to relative economic conditions and more akin to inter-regional, rather than international migration. Looking further, relative wages and costs in source and destination countries explain some of the departures of New Zealand citizens and arrivals from poorer source countries, although relative 'lifestyle' comparisons can also be the motive. Other factors such as historical connections can override the economic, as the UK, for example, remains both a significant source and destination country.

The long-term but not permanent nature of much young New Zealander migration, 'Overseas Experience', is a well-established tradition for young New Zealanders. The cost and distances involved in travelling from New Zealand to the Northern Hemisphere in particular mean that people are more likely to stay away for extended periods. Overseas controls on immigration encourage this pattern, as developed countries increasingly open their borders for skilled temporary workers while retaining strict controls on permanent residence<sup>30</sup>. However, more overseas stays may lengthen or become permanent as international competition for young, skilled English-speaking migrants increases and restrictions ease. A possible trend towards longer stays was supported by LEK Consulting research into the intentions of New Zealanders overseas.<sup>31</sup>

### **What policy options do governments have?**

#### **Government can control entry of non-New Zealanders, but not demand for entry**

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<sup>28</sup> Following the General Agreement on Trade in Services (GATS), countries such as the USA, UK and Canada allow for intra-company transfers as a category of temporary work permit. Entry is not conditional on a labour market test (i.e. employers are not required to prove a local is not available).

<sup>29</sup> 'New Technology, high-level labour movements and the concept of the brain drain' Allan M. Findlay University of Glasgow, in *The Changing Course of International Migration* OECD Paris 1993.

<sup>30</sup> New Zealanders holding dual citizenship or other rights such as grandparent entry to the UK are exceptions to this – they have the choice to stay away.

<sup>31</sup> New Zealand Herald, August 27 2001

All of the people who come to New Zealand permanently or long term, and do not have New Zealand or Australian citizenship, must have some sort of immigration approval in order to enter the country. Our isolated island situation enables strict enforcement of that compared to countries with land borders. Hence changes in permanent and long-term arrivals of 'other citizens' will be strongly influenced by changes to New Zealand immigration policy. However, demand for entry is generated by wider push and pull factors (such as the insecurity in Hong Kong prior to the handover to China) that drive individuals' choices.

Major changes in 1986 opened the way for non-traditional source countries, increasing numbers of migrants from non-English speaking backgrounds. In 1991 skilled migration selection criteria shifted away from an occupational focus to a broader human capital focus. These were significant shifts, and have undoubtedly resulted in the increasing diversity and higher measurable skill levels apparent in numbers migrating throughout the 1990s. Policy changes through the mid to late 1990s have focused on improving the likelihood that migrants will be able to successfully use their skills in the New Zealand labour market.

However, ongoing migrant under- and un- employment, at the same time as the NZ economy has skills shortages, illustrate the difficulty of selecting and matching migrants to the needs or opportunities of the New Zealand economy. In response to this, current immigration policy evolution is directed towards better connections between migrants and employers prior to approval, and increasing emphasis on work permit policy as a primary entry route. Immigration policy, like all public policy, will always need to evolve in response to experience and to keep up with international developments.

### **Exits of both New Zealand and non-New Zealand citizens, as well as returns of New Zealand citizens, can only be influenced**

The open trans-Tasman labour market leaves the New Zealand government with few levers to affect the flow of New Zealand citizens to Australia – relative economic performance seems to be the strongest influence. However, Australia has recently moved away from integration

by limiting the access of New Zealanders to social assistance. Apart from minor peaks in departures just prior to the effective date of the new policy, the long-term effect, if any, of this on New Zealand movements to Australia is yet to be seen.<sup>32</sup>

The consequence of the causes of increased movements of skilled workers is that fewer people are following the model of ‘settler’ migration, in which people move once, then remain permanently in their new country. Government’s goals are widening from how to attract more permanent residents, to include attracting skilled migrants to spend a part of their working lives in New Zealand and attracting New Zealanders back after they have worked in other countries.

### **Other countries try to influence skilled migration**

Many countries, both in the developed and developing world, perceive that they have a problem of ‘brain drain’ – losing their skilled people in search of better opportunities. Measures aimed at retaining or encouraging return of skilled citizens include networking, and investment in research and technology opportunities. In Canada, the government was concerned about brain drain among young scientists. It instigated endowment programmes within the universities providing incentives in the form of endowing chairs, salaries and research funds to attract young scientists<sup>33</sup>. Other initiatives of countries concerned about permanent migration include promotion of other forms of mobility such as short stay and sabbatical years, and encouraging exchange programmes for those living abroad to visit their home country.

A review of other countries shows certain types of policy are being developed to limit the negative effects of increased migration while taking advantage of its benefits. In developed countries, temporary work permits are increasing in number (e.g. USA) or becoming faster and easier to receive (e.g. Canada). This is particularly the case for ICT and healthcare workers, while many countries have a list of perceived skill shortage sectors that enable easier entry for workers. Similar policy changes are being undertaken in New Zealand. This is an area where policy can never be static, but must continue to adapt to emerging trends.

### **New Zealand expatriates can be assets not losses**

As described on page 3, there may be up to 1,000,000 New Zealanders living overseas. Many countries with an extensive ‘diaspora’ of expatriates are making attempts to gain benefit from this, recognising that some are unlikely to return but may still play a role in their country of origin. The South African Network of Skills Abroad (SANSA)<sup>34</sup> involves identifying and communicating with highly trained South Africans abroad in order to tap into the knowledge, resources, and networks set up by nationals abroad, mainly in the United States and Europe. The next step is to inform business and organisations in South Africa of the contacts

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<sup>32</sup> A reduction of applications for New Zealand residence is even predicted by some, who hold that in the past New Zealand residence was being sought as a means of easier entry to Australia. Gregory, 2001 ‘Does Moving Away from Labour Market Integration Matter? Implications of Recent Changes in Australian and New Zealand Immigration Policy’ Gregory, 2001

<sup>33</sup> UN Economic and Social Council, Economic Commission for Africa Report on the Regional Conference on Brain Drain and Capacity Building in Africa, 2000 p14

<sup>34</sup> UN Economic and Social Council, Economic Commission for Africa Report on the Regional Conference on Brain Drain and Capacity Building in Africa, 2000 p10

available, and to bring back expatriates where appropriate for short-term work at home. Another example of this linking to experts based abroad is the African Telecommunications Think Tank – a virtual body that has been relatively inexpensive to implement<sup>35</sup>. In Taiwan, the success of the economy was associated with research-led development, and the attraction back of nationals with specific expertise trained in the USA. Advisory committees of qualified expatriates mean that the country benefits from their knowledge, and maintaining this connection to Taiwan results in some returning to begin new enterprise<sup>36</sup>.

In New Zealand steps are being taken by government to engage with its skilled expatriate community, with the L.E.K. report<sup>37</sup> being the most recent focus of discussion. The ‘World Class New Zealanders’ initiatives are in their early stages, and are consistent with the approaches cited above. Industry New Zealand proposes to establish a network of enterprising New Zealanders abroad, and build a programme of business exchanges, inbound and outbound missions and conferences and develop a website to maintain connectedness for those involved.

### **Settlement of new migrants remains vital**

Whether migrants are short or long term, rapid utilisation of their skills is crucial. Evidence from migrants across the world points to difficulties in settling as contributing to their return to home countries, or moving on again<sup>38</sup>. This is particularly true for families who accompany the skilled worker. This may be a factor that contributes to the return of New Zealanders, but it also contributes to the risk of losing those skilled migrants who enter New Zealand with the intention of staying long term. NZIS now have a Settlement Branch, which is a co-ordination point for the many activities that can contribute to better settlement outcomes, including a range of employment initiatives. The wider range of source countries of New Zealand migrants with more varied cultural backgrounds is a challenge to both their successful settlement and wider social cohesion requiring responses beyond immigration policy. An opportunity may exist to invest more both in informing migrants about New Zealand, and informing and adapting local communities to new arrivals.

### **Conclusion**

The New Zealand economy and labour market have improved their performance in the last year (relative to other countries) but a global slowdown is signalled in the wake of the IT and financial market slow downs, and adjustment in the US economy. Economic forecasters are divided on the likely impact of any downturn in the global economic environment on the New Zealand economy, which is small and closely integrated with the world economy.

However, the New Zealand economy is currently performing better than most other OECD countries. This appears to be influencing net migration positively. Given the already high levels of immigration by non-New Zealanders, even a small turnaround in net losses of New

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<sup>35</sup> UN Economic and Social Council, Economic Commission for Africa Report on the Regional Conference on Brian Drain and Capacity Building in Africa, 2000 p12

<sup>36</sup> New Zealand Herald July 7 2001

<sup>37</sup> “New Zealand Talent Initiative. Strategies for building a talented nation” November 2001

<sup>38</sup> New Zealand Herald July 7 2001

Zealand citizens could lead to a very rapid increase in overall net migration and, ironically, a risk of over-supply. Immigration policy has been adapted in the light of the experience of increasingly high levels of immigration through the 1990s, which should help to reduce the migrant employment problems of the mid 1990s. However, the volatility of NZ net migration patterns, and subsequent pressures on wider infrastructure, underlines the need for caution in the inflows where inflows can be managed.

The specific nature of skills required at any time means that skill shortages can co-exist with unemployment. While the focus of this paper is the supply of labour into the market, this is only part of the story. We have also emphasised the need to match to or create opportunities for work. Although overall higher skill levels in a population are associated with economic growth it does not necessarily follow that all skilled New Zealanders overseas should be attracted home nor that unlimited numbers of skilled migrants should be allowed into New Zealand. Some will be able to start businesses and create wealth and opportunities, but the majority need to find jobs suitable to their skills and experience. If larger numbers of skilled arrivals accompany (or result in) investment and job growth this would be beneficial. If however, large numbers migrated or returned to New Zealand at the same time as global recession, the economy's ability to take advantage of their skills may be reduced.

In such a scenario, the best targeting of government and other policies in this area is that which focuses on employers' actual or imminent needs, whether filling (genuine) skills shortages or migration based on job offers (GSC and work permit policy). As described above, government has plans in both these areas and, longer-term, reviews of investment in training and education are resulting in more focus on the needs of employers. The difficulties in predicting change in the labour market and employers' skill needs have been considered by Cabinet and further investment in this is under consideration<sup>39</sup>.

The successful settlement – of which employment is a vital part – of new immigrants and returning New Zealanders is vital to ensure immediate benefits from net migration gains. In the longer term, ensuring the best use of these skills, both home grown and imported, is also the best protection against the possible negative effects on NZ of increasing migration flows and globalisation.

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<sup>39</sup> 'Skills Information Action Plan: Initiatives and Proposals' CAB M (01) 34/17 and 18