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Members

Transport and Industrial Relations Select Committee

Inquiry into attracting and utilising the skills of young Kiwis returning from their OE

The Transport and Industrial Relations Committee has been asked to conduct an inquiry into “attracting and utilising the skills of young Kiwis returning from their OE”. This paper has been prepared to assist the Committee with its examination. Issues are identified and possible lines of inquiry are provided for the Committee to consider. The Committee may also wish to raise these matters with the witnesses who have been asked to appear before the Committee to give evidence on this inquiry.

Introduction

“OE” stands for overseas experience. A couple of generations ago it was called a “working holiday”. OE has been called a rite of passage for young Kiwis. Characteristics of the typical OE-er interviewed by Wilson (2005) include departure from New Zealand aged in the early 20s and an average time overseas of three years. Historian James Belich says London's position as the default OE destination is a result of historical ties and is a form of 'recolonisation'.

This paper begins by identifying the size of the OE and expatriate population. The issue of OE being a problem or opportunity is considered. Reasons people leave New Zealand and go to other countries are explored along with return factors. Discussion on attracting young people back including Government initiatives conclude the exploration of this issue.

New Zealand expatriates

People on OE are a subset of the wider expatriate population. New Zealand's expatriate population is estimated at 460,000 to 1,000,000 (Lynch 2005). Almost all of the New Zealand diaspora live in an English speaking country. While about a third conform to the “two year O.E.”, almost another third lived overseas for between 3-5 years, 10 percent for 6-9 years, and almost 20 percent for more than 10 years (Lynch 2005).

An estimate based on people identifying as New Zealanders or being born in NZ in the census of 20 countries (Bryant & Law 2004) found 360,000 (77%) residing in Australia and 60,000 (13%) living in the UK. Australia has no barriers for the entry of New Zealand citizens which is a key factor in its popularity as a destination.

OE: problem or opportunity?

There is debate about whether OE and other long-term migration is a good or a bad thing. This is linked to the flow of people from and to New Zealand. In the year to February 2010 there was a net inflow of 34,400 non-New Zealand citizens and a net outflow of 12,800 New Zealand citizens, creating a net gain of 21,600 people. Between 1960 and 2000 New Zealand experienced a net population gain due to migration flows of 180,900. Over the 20th century net migration averaged 5,000 people a year.

New Zealand is not unique as a small country that sees its citizens migrating. Ireland and Luxembourg are amongst the wealthiest countries in the OECD but still lose many people. This is because they are next to large populations, small, and other places have better opportunities. NZ will probably always be in this position even if our GDP went up to match those two other countries. Australia acts in many ways as a similar magnet for New Zealand as Britain and Europe do for Ireland and Luxembourg.

In the period 1977-2007 people in their late teens and early twenties were the most likely to leave New Zealand on a permanent or long-term (PLT) basis. Since the early 1980s, return migration of New Zealanders aged mainly in their late 20s has been bringing back over 20,000 citizens on a PLT basis each year (Lidgard 2001).

Contrasting views of brain drain and brain exchange are another feature of the problem or opportunity debate. The notion of brain drain has been a concern since at least the 1980's (eg NZ Financial Review 1987, Sceats 1987). In October 2000, the debate in New Zealand became heated after a highly publicised advertisement was published claiming that the country had "lost a generation" (*New Zealand Herald*, 5/10/2000).

New Zealand has the largest highly skilled (tertiary educated) diaspora in the OECD with 24% of those gaining tertiary education living offshore (Lynch 2005). This is what is referred to as the 'brain drain'. However the fact that two thirds of New Zealand citizens who emigrate return within five years, half of these within two years, gives weight to the brain exchange concept (Lidgard & Gilson 2002). At the same time New Zealand's immigrants are more highly skilled than our emigrants so there is a brain gain (Glass et al 2001). For many highly qualified skill sets the labour market is now international.

Here are the thoughts of one OE returnee:

I think brain drain is a red herring. Young people return to NZ with better skills, rich experiences and mature outlooks - a huge benefit to NZ. A better way of improving things is not to stop the young people going but to encourage diverse people to come to NZ ... (25-29 year old woman with an undergraduate degree who had returned to NZ from the UK) - (Source Lidgard 2001)

Another opportunity related to OE and the New Zealand diaspora is using off shore Kiwi's to provide gateways for New Zealand goods, services and tourism messages. OE and the New Zealand diaspora are concentrated in English speaking countries limiting this. New Zealand has working visa arrangements with 32 countries most of which allow for 12 month stays and are generally targeted at 18-30 year olds. Outside of English speaking countries the use of these visas is low. Could more be done to increase visits to these countries? Another point often overlooked is utilising the connections of new migrants in their source country to benefit New

Zealand. Is the debate about drain contributing to a lack of focus on capitalising on the international connections of new migrants?

Why do people go on OE and migrate long-term?

New Zealand is an isolated, recently settled, small country with high average education standards. In fact it is the most isolated developed nation in the world. This context is critical for understanding why many people want to go overseas to broaden their horizons. Research (Lynch 2005, Myers & Inkson 2003, Thorn 2008) has identified reasons for people leaving New Zealand. These are split into push and pull factors. Push factors are about the New Zealand context. Pull factors are what make other destinations attractive. Figure 1 lists these factors.

Figure 1. Why people leave and return to New Zealand

Push factors	Pull factors to new country
The OE/ a desire to travel	New adventures
Lack of challenging, well-paid jobs	New experiences
Limited career opportunities	New challenges
Student debt	New people and cultures
	Climate
	Career or vocational challenge
	Cultural (arts and music)
	Better salaries
	Better taxation rates (particularly for entrepreneurs)
	Marriage to a foreigner especially for males

(Based on : Lynch 2005, Myers and Inkson 2003, Thorn 2008)

Thorn (2008) surveyed 2,608 professionals who left New Zealand and identified that money is not the primary motivation for emigrating and will not be the reason they return. Cultural and travel opportunities were the top motive for leaving followed by career and economics. For young people (under 35 years) 44 percent identified needing to earn enough to pay back student loans quickly as a motive for leaving (Thorn 2008).

Myers and Inkson (2003) interviewed 50 people in the OE age group which is primarily 20-29 and found only 6 mentioned specific career opportunities as a reason for doing OE. The desire to experience novelty and difference was identified as the key reason for OE (Myers & Inkson 2003).

Earning potential and career prospects grow to become an increasingly important reason to stay overseas as the duration of international stay increases. For example the Generation Lost research with 680 participants largely from the IT, finance, sales and consulting industries found that over 80% raised issues of pay levels (Wilson 2001). One participant said, "I am

earning four times as much here in London, in a lower position than I held in NZ". The opportunity to start a business - through venture capital, tax incentives or government/financial support was an issue that arose for over 50% of the survey participants. For many (44%) young people (under 35 years) needing to earn enough to pay back student loans quickly was a motive for leaving (Thorn 2008).

Returning to New Zealand

On average 20,000 people who left New Zealand on a long-term basis return each year. Between 2005 and 2007, most returning Kiwis (68%) were between 20 and 39 years old. For most of the returnees attachment to people and places in New Zealand was the most important reason for returning. Other common reasons for returning are highlighted in Figure 2. Having kids and kids starting school are key return points.

Figure 2. Why people return to New Zealand

- Family
 - Environment
 - Lifestyle
 - Visa expired
 - Study completed
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Returning Kiwis bring financial spin offs, in terms of their contribution to human resources. Myers and Inkson (2003) interviewed in-depth 50 overseas experience returnees between 1998 and 2001. Sixty percent of the sample came to use OE in a quasi-strategic way to provide themselves "career capital". Also, of 36 travellers who left New Zealand without a partner, 18 had acquired one by the time they returned. According to research by the Immigration New Zealand Marketing team the main difficulties experienced when arriving home were finding a job, fitting back into professional networks, the slower pace of life, high cost of coming home and bringing home a non-New Zealand partner.

Attracting young people back

"It's not that they leave, its that they don't come back. ... there is no incentive to return and bring those experiences back and apply them to NZ" (Wilson 2001)

Who is it we want to attract back? Should the focus be on the third of emigrants staying away more than five years? A bigger question is; with the internationalisation of labour markets and analysis showing brain gain and brain exchange is there even an issue with citizens leaving New Zealand?

From some perspectives the annual net loss of New Zealand citizens, especially the highly skilled, is a key issue. Media debate highlights this view. As do prominent individuals such as Roger Kerr of the Business Round Table and other business leaders take the view that our economic and regulatory environment need to be changed to make the country more attractive. The Government acknowledge this and are committed to ensuring tax, regulatory, and infrastructure policies make returning home an attractive prospect for highly skilled expatriate Kiwis.

A key objective for immigration policy under consecutive government's immigration policies has been to retain skilled Kiwi workers and attract overseas Kiwis back to New Zealand. Under that objective, the Government states:

We will need to make coming home as easy as possible. We will sort out problems experienced by Kiwis wishing to return home, such as obtaining professional registrations and bringing home an overseas-born spouse.

(National Party, Policy 2008: Immigration)

Government initiatives

The [New Zealand Now](#) (underline shows weblink) website maintained by the Department of Labour contains a section for expatriates and partners. The Department of Labour has also developed Magnet, an online marketing program aimed at attracting skilled migrants to New Zealand. Initial results of the Magnet programme begun in 2007/8 are encouraging. In February 2010 [Career Services](#) launched a job search guide for expatriate Kiwis heading home.

There is also partial Government funding for KEA, [The Kiwi Expat Association](#). A 2009 review by the Ministry of Economic Development found the annual taxpayer investment of \$630,000 in KEA, a loose network of high net worth Kiwi expatriates, is worth the effort, but not much more should be sought from it (Moore and van der Scheer 2009).

A key policy option would be to offer the partners and dependants of expatriates permanent residence upon first grant of residence in New Zealand. This option is being considered under policy processes relating to the Immigration Bill. Also, Cabinet has already requested that the Department consider the feasibility of exempting the partners and child dependants of expatriates from paying the migrant levy. This work is underway.

Report to the House

The Committee is required to report its findings on this inquiry to the House. The purpose of your report is first to inform the House and encourage debate. In doing so your report should reflect both the oral and written evidence the Committee received, the issues the Committee considered in-depth, and the views of the members. From these the Committee should develop conclusions and recommendations to the Government.

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Members may wish to ask:

- Please explain whether the net emigration of New Zealand citizens is a concern given the country is making a net population and brain gain?
- What are the reasons that people leave and return to New Zealand that government can influence?
- What could be done to better support young people on their return from OE?
- What is your perspective on whether the value of new migrants is being overlooked in the brain drain debate?
- How could New Zealand make more of its expatriate communities?
- New Zealand has working visa arrangements with 32 countries most of which allow for 12 month stays and are generally targeted at 18-30 year olds. Could more be done to increase visits to these countries?
- Could more be done to utilise the connections of new migrants in their source country to benefit New Zealand? If so how?

References (underlined text is a hyperlink to the source)

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Useful links search terms

OE

Migration New Zealand

Brain drain | Brain drain New Zealand

Statistics New Zealand: search migration

OE brain drain