IMPACT OF BRAIN DRAIN IN FIJI

Fiji’s emigration rate for the period 1980-2001 averaged around 8.0 percent. Figure 1 shows the emigration trend in Fiji over the past two decades.

![Emigration Trend](image)

It is quite clear that the political instability generated by the events of 1987 and 2000 gave greater impetus to the emigration process. Prior to 1987, emigration levels averaged around 2,460. However, thereafter, emigration levels soared to more than 5,000 annually, before falling to around 4,600 in 1992. The number of people moving abroad rose steadily from 1993 onwards, reaching a record high of 6,300 in 2001.

Between 1987-2001, about 75,800 people emigrated from Fiji. Of this, 89 percent were Indo-Fijians, while the remainder were mainly ethnic Fijians and other races. The most popular destination countries were Australia, New Zealand, the United States, Canada and more recently the United Kingdom.

Of the total emigrants, about 11 percent were in the highly skilled category. These fall under the Professional and Technical Workers and comprise doctors and medical personnel, accountants, architects, engineers and related technicians, and teachers. On average, 571 highly skilled workers emigrate every year, of which, teachers comprise 29 percent, architects, engineers and related technicians 20 percent, accountants 16 percent and doctors and other medical personnel 13 percent (see Figure 2).

![Emigration by Professional & Technical Workers](image)

Similar trends were found in a recent paper by the International Labour Organisation (ILO), which states that a significant number of people employed in managerial, professional, technical and clerical occupations, have emigrated over the last

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1 Unable to compare Fiji’s emigration rate with that of well-performing developing countries such as Mauritius and Trinidad & Tobago, due to unavailability of data.
3 Includes Chinese, Rotumans, Part-Europeans and Europeans.
decade. The paper also suggest that this represents over half of Fiji’s stock of middle to high level workers.

Most studies find that emigration is generally driven by both push and pull factors. The main push factors from the home front include political instability, unemployment and uncompetitive remuneration packages; while pull factors, from the country people are emigrating to, include family reunions, higher living standards and better prospects for children. These factors are also applicable in Fiji’s case. It can be seen from Figure 1 that there were two trigger points for emigration, 1987 and 2000. Thus, the trend in emigration suggests that prior to 1987, pull factors were the primary reason for emigration, while after 1987, push factors, mainly political instability, underpinned the higher emigration trends.

The impact of emigration, often referred to as “brain drain”, on Fiji’s economy is quite difficult to estimate, mainly due to data constraints. However, for the purpose of this brief, we have tried to analyse the effects of brain drain by looking at some theoretical and empirical aspects.

Economic theories (neoclassical and keynesian) suggest that brain drain has both supply side and demand side effects on an economy. The supply side effects are normally reflected through the factors of production, in this case a reduction in the labour force. This results in an inward shift of the home country’s production possibility curve (PPC). Thus, the productive capacity of the nation falls, which means that economic growth (real GDP) declines. The magnitude by which economic growth decreases is determined by the following factors:

- The volume of emigration;
- The level of education and skills of the emigrants;
- The amount of money (savings/investment) emigrants take with them; and
- The scarcity factor is also important.

Generally, the more educated and skilled the emigrants, the greater the impact on economic growth.

The demand side effects of brain drain affect both public and private consumption and investment spending. Brain drain places a strain on government’s ability to provide public services, in two ways:

- It reduces the revenue base through decreases in incomes and corporate taxes, as well as other forms of tax collections (Value Added Tax). This inevitably affects, amongst other things, government’s allocations for education, health and law and order.
- Brain drain also reduces the quality of public services.

Private investment and consumption spending also decline, as emigrants normally take all their savings/investment when they leave the country. This usually has broader implications on all sectors of the economy.

A number of studies on the effects of brain drain have reported mixed views (Ahlburg 1991). Some economists suggest that brain drain does not lead to a loss in economic growth.
welfare of the home country, mainly because there are other workers who can replace the emigrants quite easily. The primary assumption underpinning this view is that there exists a surplus pool of labour from which replacement workers can be drawn.

The contrary argument is that emigration does cause welfare losses to the home country. This is based on the view that the surplus pool of labour may not be able to successfully replace the highly skilled workers who have left, as they lack the necessary qualifications and experience. This is most likely to occur in highly skilled professions, particularly in the areas of health, education and other specialised services.

They also argue that the efficiency (productivity) of those who replace the emigrants is generally lower. This often results in a reduction in economic growth. In some instances the same level of economic growth may be achieved, but at a higher cost. Training replacement workers, so that earlier levels of economic growth can be obtained with greater efficiency, is likely to incur additional expense.

A number of empirical studies carried out on Pacific Island countries support the view that emigration does in fact create a huge welfare loss to the home country. These findings are also applicable in Fiji’s case.

The supply side effects are evident, to some extent, in Fiji’s labour force participation figures. During the 1980-1987 period when emigration levels were low, growth in the labour force averaged around 3.0 percent per annum. However, after 1987, significant increases in emigration generally led to a slowdown in the growth of the labour force, to an average of 2.0 percent per year. The annual employment rate for the period 1980-1987 averaged 2.8 percent, while after 1987 the annual average was 2.3 percent. During the same period (1980-2001), the unemployment rate has generally been stable at 5-7 percent. This suggests that there existed a degree of surplus labour in Fiji. Immigration has also offset the mass outward movement to some extent: between 1987-1998 about 30,000 people took up residence in Fiji (ILO, 2001).

This surplus pool of labour adequately filled the vacuum created in certain professions by emigration, in particular in areas of administration, sales, tourism services and production. However, there were some critical areas, such as the medical profession, teaching and other specialised services, where labour shortages were most acute and still exist today. This is because there is already a limited supply of workers in these areas. In addition, there is a time lag between education/training and the hiring process for highly skilled professions. Furthermore, the efficiency (productivity) and quality of these services are likely to drop and this could lead to a general decline in the country’s welfare. This implication was reflected in the 2000 UNDP Human Development report, where Fiji currently ranks 66th out of 174 countries in its Human Development Index. Fiji ranked 44th in 1998.

On the demand front, even though it is difficult to quantify, it is expected that government will have lost significant tax revenue through emigration. This could have been used in upgrading infrastructure and technology in schools, hospitals and

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9 This is to some extent confirmed through studies done by de Bres and Campbell (1975), Jones and Ward (1981), Hughes, Ahlburg and Lee (1986), Browne (1989) and more recently by House (2001), unpublished.
other vital public services. Although government has continually managed to increase allocations in priority areas, it has not been able to improve the quality of these services substantially. One of the reasons behind this could be that more money has to be spent on current expenditure (higher wages, training costs and hiring expatriate workers) rather than capital expenditure (buildings, equipment and technology). To some extent, the private sector faces similar constraints: the inadequate provision of quality services and spending on current expenditure rather than capital expenditure and research development.

In addition, the current high levels of emigration have also affected the already weak investment environment. It is estimated that between 1987-2001, Fiji citizens emigrating have withdrawn around $242 million from FNPF, as part of their savings which had accumulated over the years.\(^\text{10}\) This does not account for other forms of personal savings which individuals/families have withdrawn from the financial system. It is important to note that investment, and hence economic growth, would have been much higher if these savings (personal and via FNPF) had remained in the economy.

While the impact of emigration on economic growth, through the investment channel, can be quantified somewhat, it is quite difficult to ascertain the impact through other channels, such as the labour market. Figure 3 shows the trends in economic growth and emigration over the past three decades and it appears that emigration has had minimal impact on economic growth. In fact, during the period of high emigration (1988-2001), Fiji’s economic growth showed an improvement.\(^\text{11}\) One of the reasons for continued growth is that workers in Fiji’s primary sectors - tourism, sugar, garments and fisheries industries - are relatively easily replaced. Furthermore, Fiji enjoys a high literacy rate, around 93 percent. This enables replacement workers, particularly in the primary sectors, to reach efficiency levels equivalent to emigrant workers, in a short period of time. Of course, the argument can be made that if emigration levels had remained low, then Fiji’s economic growth would quite likely have been much higher.

Also, it may be hard to achieve and sustain a higher level of economic growth in the long-run, as continual emigration will mean that the work force will always be relatively inexperienced. Furthermore, the standard of education and health may drop as more quality teachers and medical personnel emigrate, leading to a general decline in Fiji’s economic welfare.

To address these welfare losses, government needs to have both short and long term strategies in place. Labour shortages in critical and technical areas such as medical,

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\(^{10}\) Source: various issues of FNPF annual reports.

\(^{11}\) Economic growth between 1980-1987 averaged 1.5 percent, while from 1988-2001, it averaged around 2.5 percent.
education and other finance related disciplines should be addressed immediately. Government could explore the possibility of hiring expatriates. Locals could understudy these expatriates so that Fiji benefits in the long run. In addition, attractive remuneration packages could be provided to former residents to draw their services back into the country. Government could also review immigration policies to allow dual citizenships. However, these are only temporary measures. Government needs to put in place various strategies to ensure that emigration is curbed. Some of these initiatives are:

• Ensure political stability. The successful completion of the 2001 General Elections, the removal of trade sanctions and Fiji’s readmission into the Commonwealth are positive steps. However, several contentious constitutional issues need to be resolved before the country and the economy can move forward.

• Maintain law and order. The commencement of the 2000 political crisis related litigation has restored some confidence in the validity of the legal system. However, the recent increase in criminal activity could lead to a further loss in confidence in the relevant authorities ability to maintain law and order.

• Sincere efforts must be made to create a national identity that encompasses all citizens. This program will assist in nation building and reduce any racial and religious divides that separate the people and threaten stability.

• The government must continue to promote and practise accountability and transparency to foster better relationships between government and the public.

• Government should ensure industrial stability. It should emphasise that unions and employers need to work closely on issues such as wage setting, hiring workers and redundancy packages. The proposed revival of the Tripartite Forum is a positive move in this direction.

• Provide better education and health facilities at a lower cost. The education system needs to be restructured in order to cater for the changing needs of society and the economy, in terms of globalisation and information technology. Similarly, the health system must undergo continuous improvement so that it can provide a wide range of modern medical services.

• Look into providing competitive remuneration packages for highly skilled professionals to encourage them to remain in the country. Some organisations\(^{12}\) are already moving in this direction.

• Increase intakes of doctors and other critical professions at training institutions to build up Fiji’s human resource base.

• Provide other vocational training in arts, agriculture and sports related disciplines. This will provide young people with the talent to find better employment alternatives.

• Look into ways of providing better social security such as unemployment benefits and pension schemes.

\(^{12}\) A number of firms in the financial sector have provided attractive remuneration packages for staff. Industry liaison has also suggested that a few large firms in the manufacturing and wholesale and retail sectors have started to provide better packages to more of their employees (attractive wages, company car, house, etc.).
• Provide incentives for first-home buyers as this will encourage young workers to buy homes in Fiji and thus remain in the country. Past experience shows that when people make large investments in the home country, they are likely to stay.

• Create more investment opportunities for local professionals as well as former residents. This will help increase investment levels in the economy and hence improve economic welfare.

• Promote the establishment of more universities/institutions in Fiji. This will provide a wider range of tertiary education. With the provision of internet, the possibilities of having distance learning and interactive classes with some of the internationally well known universities\(^\text{13}\) can be explored. Government should also look into the possibility of introducing satellite presentations and seminars which are conducted by these universities.

Understandably it is impossible to stop the emigration process. However, the above solutions will help to curb the current high rate of emigration and in turn increase efficiency, promote investment and eventually raise economic growth further.

\(^{13}\) Such as, Harvard, Oxford, Stanford, New South Wales, Monash, Auckland, Cambridge, etc.