



Variety is the key

A recession is not the time to try to protect “Kiwi jobs”, but an opportunity to embrace ethnic diversity as a means to economic growth, a visiting economist says.

BY JOANNE BLACK

Football is not only “the beautiful game” but a beautiful example of how to maximise gains from ethnic diversity, in the opinion of economist Philippe Legrain.

“Arsenal is managed by a Frenchman, and its squad includes five Frenchmen, three Spaniards, three players from the Côte d’Ivoire, two Swedes, two Cameroonians, a Belarusan, a Brazilian, a Congolese, a Czech, a Dane, a Dutchman, an Estonian, a German, an Irishman, an Italian, a Swiss and a Togolese player,” Legrain has written.

The important point, he explains in an interview with the *Listener*, is that Arse-

nal’s make-up contradicts many people’s assumptions about how teams work best.

“If you asked most people *a priori* what kind of team works best, they would say, ‘Well it’s where everyone knows each other and has the same background because they’ll gel together better.’

“Yet, actually, in football you have people coming from all different countries, they speak different languages, often they don’t even speak the same language, they all have their own individual style of play and they come together as a team and play the most fantastic football.

“Most businesses and organisations rely on teamwork and football is a very powerful example that everyone can see.”

But the mere existence of ethnic diversity does not automatically make it beneficial, for individuals, for the organisations they work for or for the countries they live in, Legrain says.

In the football example, the different backgrounds and skills of the players are brought together in the shared endeavour of trying to achieve a victory, for which all the players have equal responsibility. By contrast, he says, the US Army is one of the most diverse organisations on Earth but because it’s so hierarchical, “and because, actually, most of the soldiers are black and most of the officers are white and they don’t really mix and they certainly don’t listen to each other’s

ideas, then the benefits of diversity aren't realised there".

"But if you have a company which employs a diverse workforce, and they do interact with each other, whether it's in meetings or informally over coffee, that's how the benefits of diversity are realised."

He says New Zealand is perfectly placed to reap such benefits because its population is already so diverse.

A former writer for the *Economist*, Legrain is a visiting fellow at the European Institute of the London School of Economics and was a special adviser to Mike Moore when he was the director-general of the World Trade Organisation. Legrain's visit to New Zealand is partly sponsored by the Office of Ethnic Affairs, and while here, he will be talking about how ethnic diversity fuels innovation and productivity.

However, his optimistic take on the benefits of diversity are in contrast with a discussion paper on New Zealand Immigration Policy written by Massey University academic Greg Clydesdale.

In that paper, Clydesdale says that although the benefits of diversity "are popular with those who seek a diverse multicultural society, there is limited empirical evidence to support it".

"All in all, the research on the benefits of diversity is equivocal."

Taking Legrain's example of Arsenal, Clydesdale says racial diversity is irrelevant to the team's success.

"Arsenal doesn't succeed because of its racial diversity. It succeeds because its management bought highly skilled players, regardless of race," Clydesdale told the *Listener*.

He says diversity would appear to have an obvious benefit for businesses involved in cooking, fashion and music. "However, the benefits for innovation are less apparent in process engineering or technology products which require a higher level of expertise and information flow ... It is questionable whether skin colour or parentage represents a significantly different way of thinking if people are exposed to similar education. For example, will it contribute to different views on process engineering?"

Clydesdale also argues that creativity in groups works best when there is a high level of "team member exchange" and this can be undermined by diversity. "Workers must feel they can freely exchange ideas but cultural barriers to communication and compatibility can undermine this. Possibly the biggest problem with diversity is that the skills

and knowledge of migrants are culturally embedded."

In his paper, Clydesdale cites a study that argues that the skills immigrants gain in their home countries are not often directly transferable to their host country. He also cites a Canadian study that says once migrants from East Asia arrived in Canada, they were more inclined to conduct business in their own language and employ co-ethnic workers.

"Although brought in to improve



"Possibly the biggest problem with diversity is that the skills and knowledge of migrants are culturally embedded."

GREG CLYDESDALE

employment for Canadians, Asian immigrants relied on family, kin and co-ethnics. They tried to recreate the relations with their workers that they used in their country of origin, expecting dedication from their staff in accordance with family-like relationships."

But Legrain says innovation comes from people with different ideas, different experiences and different perspectives "sparking off each other and that is one of the biggest benefits of migration and one of the least understood".

He says if he could give a message to employers in New Zealand, it would be to consider that the ethnic diversity of their workplace was a huge asset.

"If you are an employer, you might think a diversity policy is a luxury for the good times. You might think you need to do it because it's a legal requirement or because it's box-ticking, but really you think it's a cost and, actually, no, that's not true at all. It's a huge benefit, it's a huge asset and you ought to be making the most of it, especially in a recession.

"You ought to be looking within your business to ask, 'How can we make the most of the diverse talents of the people we already have here?' And encouraging people to mix is about listening to peo-

ple's ideas, being open to change and investing in people. It's about a whole host of things that go with it in order to maximise the benefits."

Legrain says people contribute to society by their individual input, and also there are added collective benefits that arise from the interaction between people.

"I'm not saying that migrants who are here are not contributing to society unless they are interacting with other people. I'm saying the benefits could be even greater if they did do that."

Clydesdale, who was the subject of much rancour after producing his paper saying Pacific immigration was fuelling an under-class, has argued that immigration should be cut back until the problems of such disparities have been resolved.

But Legrain says although he understands that governments and peoples have cultural objections to free migration, he thinks that from an economic point of view, allowing people to work where they want and allowing employers to hire who they want are beneficial, "and clearly, from a moral point of view, allowing people to move freely is desirable".

"Why do economies grow? Why do people get richer over time? Most of that comes from productivity growth, and productivity growth is finding new ways of doing things better, and that comes from new ideas. Where do new ideas come from? Well, we think that new ideas come from geniuses like Einstein thinking up some amazing thing. And it's true that scientists do do that. But, actually, most new ideas come from groups of people sparking off each other.

"An idea I like to give is that if there are 10 people in a room trying to come up with a solution to a problem and they all think alike, then 10 heads are no better than one. But if they all think differently and are sparking off each other, they can come up with solutions to problems faster and better, and there is a lot of economic research and evidence to show that to be true. Probably the best and most recent is from Silicon Valley – Google, Yahoo and eBay were all co-founded by immigrants, working together with people born in the United States.

"If you look across the US, half of the business start-ups funded by venture capital were co-founded by immigrants – they have a really, really huge advantage."

Clydesdale says diversity has nothing to do with the US' economic success.

"The skill-base of some migrants can deliver economic growth, but not all.



Philippe Legrain

Asian migrants in the US are more likely to study engineering and science. This means they produce more patents, more innovation and more economic growth. Clydesdale says that situation is a stark contrast with New Zealand where very few migrants are scientists and engineers. "Hence we get little growth from immigration."

"Legrain's analysis ignores the fact that some ethnic groups are more likely to contribute to economic growth than others. For example, in the United States, Hispanics are less likely to contribute to innovation and have poorer economic outcomes compared with the Asians, who contribute more engineers.

"It is this failure to recognise the importance of science and technology that has been a key failure of the previous New Zealand Government's immigration policy. Labour created an economy good for property developers,

but it did not produce the desired per capita growth."

But Legrain says the US, with 300 million people, relies so much on diversity to fuel its future growth, and a small economy like New Zealand cannot afford to do without it.

"Look at it another way: how is New Zealand going to prosper in the global economy? It's not going to prosper by being big. It isn't big, it's small. It's not going to prosper by being close to the major economies. It's geographically remote. But through the diversity of its people it is actually intimately connected to the rest of the world, and it also has this advantage, partly by design and partly by a quirk of fate, that it is one of the most diverse countries on Earth. So a recession is precisely the time to say far from this diversity being a cost, it's a huge asset and you ought to be making the most of it."

Legrain says 200 different ethnic groups are represented in New Zealand, 23% of people currently in New Zealand were born overseas and 17% of New Zealanders speak two or more languages. The important part, he says, is knowing how to maximise the benefits of that diversity.

If true, Legrain's message is timely, as unemployment is tipped to increase as more jobs disappear during the recession, and it also comes not long after a furore in which migrant workers were accused of taking "Kiwi jobs" in a New Plymouth factory.

Legrain says it is perfectly understandable that in a recession people become more worried about their job security, "and are more likely to lash out at others who they perceive as having taken their jobs away from them".

He says the truth is there is no such thing as a fixed amount of jobs to go around, but it is difficult to make people believe that.

"Innovation comes from sparking off each other and that is one of the biggest benefits of migration and one of the least understood."

PHILIPPE LEGRAIN

"It's completely untrue but it's a deep-seated fallacy.

"The reality is that foreigners or migrants or people of diverse backgrounds living in New Zealand aren't taking jobs away from anyone. When women started working in large numbers, many men said if there are more women working, there won't be jobs for us men. But the reality now is that most women work and so do most men. Just as it is absurd to say that because we're in a recession let's turf women out of jobs, so it is absurd to say turf your non-white neighbour out of a job in order to get your own job back.

"Why is it untrue economically? Because people don't just take jobs, they create them. If you think about it, you create jobs whenever you spend your wages, because that creates jobs for people who produce everything that you buy. Also, you create jobs in complementary lines of work. So, for example, a builder will create jobs for architects and for someone providing building supplies.

"To look at it another way, if it was true that more people meant more unemployment, then over time we'd all end up unemployed because as the population grows, unemployment would inexorably rise and, clearly, it doesn't." ■