Seasonal migration for development? Evaluating New Zealand’s RSE program
Overview

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Migration, which until recently was the exclusive domain of domestic immigration policy in industrialised countries, has now become central to the debate on international development and poverty alleviation. Indeed, some have argued that nothing quite separates an individual from the benefits of development as much as a work visa (Clemens et al. 2008). Economic theory, however, predicts that under certain conditions the free movement of goods is a substitute for the free movement of the factors embodied in the production of those goods—therefore, trade in goods that are highly labour intensive should do the same for wages as a physical movement of people, accomplishing a result close to factor price equalisation in the end. This is not borne out by reality, in part because the conditions listed in textbooks are not present in the real world. This means that a ready stock of migrants would be able to raise their incomes by moving to, or working in, high-paying locations.

If these new locations happen to be facing increasing worker shortages, this creates an even more favourable scenario for the mutually beneficial movement of labour. As recognised by the Global Commission on International Migration (GCIM 2005), migration helps industrialised states address general labour shortages, specific sectoral shortages and the economic and social challenges presented by their ageing and diminishing populations. Simultaneously, it can yield enormous benefits for the residents of developing countries—those left behind, in the form of increased remittances, diaspora investment and the transfer of knowledge, and, more dramatically, the migrants themselves.

Indeed, there is strong evidence now showing that labour market restrictions are imposing a much greater burden on the global economy than the remaining trade restrictions. Formal methods used by Winters et al. (2003) and Walmsley and Winters (2005) suggested that increasing developing to industrial country labour mobility by an amount equivalent to just 3 per cent of the latter’s work forces would generate US$156 billion a year in extra economic welfare (at 1997 prices, about 0.6 per cent of world income). The projected gains were larger for movements of unskilled workers than skilled workers and were divided relatively equally between the (initial) residents of developing and industrial countries. More recently, Pritchett (2006) has estimated that the same ‘3 per cent migration’ could deliver benefits of US$305 billion a year (at 2001 prices) to the current
citizens of poor countries—almost twice the combined annual benefits of full trade liberalisation (US$86 billion), foreign aid (US$70 billion) and debt relief (US$3 billion in annual debt service savings) combined. While one should certainly not take the precise numbers in these predictions too seriously, the message that differences in productivity and wages across the world are so large that moving workers across boundaries offers huge rewards is surely robust.

That the skilled and mobile workers are able to reap these rewards with increasing ease is no secret. Migration programs in most industrialised countries are skewed highly towards the skilled and are becoming even more so as the hunt for global talent intensifies everywhere. On the other hand, the unskilled tend not to have any ready points of entry into labour-scarce economies even though labour shortages exist across the board in many industrialised countries. The cost to the source country also varies depending on who migrates. Estimates from the computable general equilibrium (CGE) model (Walmsley and Winters 2005) that experiments with a 1 per cent positive shock to the labour flow (skilled and unskilled) from the Pacific islands into Australia and New Zealand show that welfare in the Pacific islands could fall if only the skilled move due to a rise in real skilled wages, which is not compensated for by the increased remittances sent back home. The gains to the Pacific economies come unequivocally from the movement of unskilled labour and therefore the movement of unskilled labour warrants further policy attention. Moreover, important concerns regarding equity of opportunity, income distribution and indeed even social stability could be alleviated if the unskilled are given some opportunity to earn a living abroad.

Since the poor lack the financial resources or social networks to migrate, programs that explicitly target those lower in the income distribution would yield the greatest benefits. Most destination countries, however, are reluctant to open their borders permanently to large numbers of unskilled workers due to concerns about the fiscal burden, administrative problems with over-stayers or socio-political tensions arising from difficult integration. It has therefore become important to design programs that balance benefits to source countries with recipient-country concerns. Temporary labour migration has frequently been suggested as a way to square the policy circle (for example, Winters et al. 2003; Winters 2003; UN 2004; Amin and Mattoo 2005; World Bank 2006a, 2006b; Koeltl 2006; Pritchett 2006) because it does precisely that: it balances economic needs on the sending and receiving sides while addressing the difficult goals of employment and stability creation for the more vulnerable sections of society.

The need to provide employment opportunities is particularly acute in the Pacific islands. Neither size nor geography are in their favour and the challenges to job creation can seem formidable. The price of smallness manifests itself in the form of higher costs for transporting exports and imports, higher utility costs and higher wages and rents (Winters and Martin 2004). The price of remoteness is also very real, with the Pacific ranking 197th in the population and gross domestic product-weighted remoteness scale (Gibson 2007). In addition, the Pacific states remain some of the most vulnerable to exogenous shocks—economic and natural—making their incomes volatile and risks pushing the vulnerable further into deprivation. Therefore, expanding employment opportunities by allowing access to labour-starved regional labour markets is considered one of the surest ways to build economic resilience and stability in the Pacific.
To be sure, there have been problems with previous temporary schemes and some scholars remain sceptical (for example, Dustmann 2000; Borjas 1994), but advocates argue that these problems can probably be overcome and that the rewards for trying are large enough to make the effort worthwhile. The World Bank (2006b) report went further and drew on global experience with temporary migration programs (TMPs) and concluded that there were specific design elements that, if properly incorporated into a TMP, could help overcome these concerns quite successfully. It suggested that any TMP would be best placed within a bilateral framework allowing a high degree of freedom to customise design and incentives as well as regulatory oversight, which are key to building trust and confidence in source-country systems. Four crucial design elements for a successfully managed temporary labour migration scheme were highlighted:

1. Cost sharing between employers and workers so that workers see positive savings in a reasonable period and have the means and incentive to return home.

2. Appropriate selection of workers in source countries targeting the unskilled so that the skilled are not able to use this scheme as a ‘back door’, resulting not only in over-staying but in diluting the integrity of the scheme.

3. Sufficient duration of access so it is long enough to reap monetary rewards but not so long as to encourage settlement (unlike German or US temporary work visas, which can last for three years).

4. Circularity of access so good workers are rewarded with repeated access year after year so that productivity and reputation building begins to matter much more than if access were a once-only event.

On the destination-country side, careful attention to the certification of employers who are allowed to participate in the program, followed by regular monitoring of their operations and facilities, are necessary ingredients for success. Furthermore, fostering an understanding among employers that training and welfare of their workers are in their own interest—encouraging employers to pay attention to the ‘pastoral care’ needs of their foreign temporary workforce to reduce culture shock and loss of productivity—has also been emphasised. Without some preparation by the receiving country, the process can be ridden with all sorts of difficulties, worker loyalty cannot be expected and training costs will likely be wasted.

Equipped with this information, and responding to the vocal needs of their domestic farmers and neighbouring Pacific governments, the New Zealand government decided to open its labour market to 11 Pacific Island Forum countries on a seasonal basis under the Recognised Seasonal Employer (RSE) scheme. A maximum of 5,000 workers were expected under the RSE in its first year. Bilateral agreements were negotiated with five designated ‘kick-start’ country governments—Kiribati, Tuvalu, Tonga, Samoa and Vanuatu—with the understanding that they would be reviewed periodically based on industry reports, source-country government and worker feedback, consultative mechanisms with various stakeholders and internal New Zealand government reviews. Each of these mechanisms has provided a potent tool for receiving information and has been used effectively by receiving and sending countries to strengthen the supporting institutions on both sides.

None of these mechanisms, however, provides the hard data about which sorts of attributes really predispose the scheme to success or failure and by how much. Indeed, none of the TMPs in the world
has ever systematically collected this information for a formal evaluation, leaving the development community with no concrete empirical evidence of what works or why it works (or does not) from the point of view of receiving countries, let alone that of sending countries, which hope that it might foster incomes and development. The study that two of the papers in this issue draw on is meant to fill this lacuna and is part of a multi-year data-collection exercise that tracks all sorts of households—those with RSE workers, with applicants and with non-applicants—and that tracks their economic performance in order to determine which attributes lead to the most positive or negative outcomes.

Before turning to these two empirical papers, however, the first paper on the RSE is designed to set the scene by discussing the various demands from within the Pacific and within New Zealand, which the RSE has been designed to respond to. Ramasamy et al. (page 71) show the very considerable lead-up to the RSE policy, including the complex way in which existing seasonal work schemes for New Zealand’s horticulture and viticulture industries have been modified around the RSE scheme. The novel aspects of the development and implementation of the scheme, which involves the governments of five Pacific states along with industry and three government ministries in New Zealand, are highlighted.

Despite the care with which the RSE scheme has been designed and implemented, the development benefits of the program lie in the hands of many Pacific Islanders, since these benefits will be determined partly by the characteristics of the participants. A critical question is whether the greater employment opportunities provided by the RSE will be skewed towards the poorest and most needy (almost certainly unskilled workers) or whether it will encourage locally skilled people in the Pacific to take on unskilled work abroad because it is better remunerated. At least a priori, the better the scheme reaches the poor, the larger will be the development impact.

The final two papers in this symposium find somewhat mixed evidence as to the extent to which the RSE is reaching poorer and less skilled workers in its first year. McKenzie et al. show that, in Vanuatu, the workers coming to New Zealand are mostly male subsistence farmers with less than 10 years of schooling. These are certainly workers whose skill levels would not qualify them for immigration to New Zealand or Australia under their points systems for permanent migration. Nevertheless, the ni-Vanuatu selected for the RSE are still from wealthier households and have better English literacy than the average ni-Vanuatu. Vanuatu does not have a history of sending many workers to New Zealand, so, in common with other migration patterns world-wide, those who leave first are often relatively more skilled (McKenzie and Rapoport 2007). As communities gain more experience with New Zealand and greater knowledge of the program, we might expect to see more participation of the relatively less skilled in subsequent years.

In contrast with Vanuatu, Tonga has a long history of migration to New Zealand, with approximately 22,000 Tongan-born individuals now living in New Zealand (Statistics New Zealand 2007). In recent years, however, most migration to New Zealand has taken the form either of family reunification or permanent migration through a special quota. In the final paper, Gibson et al. show that workers coming through the RSE are poorer and have less schooling than Tongans not participating in the RSE, and are more rural and less educated than the permanent migrants going through the Pacific Access Category quota. The operation of the RSE in Tonga has
therefore succeeded in opening migration to poorer individuals with few existing opportunities, offering the potential to raise the incomes of these households. Continued study is needed to see whether this potential is realised.

There are of course several other key differences between Tonga and Vanuatu, beyond their history of migration to New Zealand, including ethnic and spatial diversity and different approaches to the recruitment and selection of RSE workers. In Tonga, there was a government-led effort to form a ‘work-ready pool’ involving a considerable amount of local screening from community leaders. In Vanuatu, there was much greater reliance on direct recruitment by New Zealand employers using private-sector agents. It will be a task for future research to examine how these different approaches affect the ultimate development outcomes.

The RSE scheme has been based on previous experience and analysis and contains most features outlined above that constitute current ideas of best practice. That does not, however, devalue the need for an in-depth evaluation of the program, which will aid future fine-tuning (and possibly extension) in New Zealand and will help other countries contemplating the introduction of similar schemes. Australia, under new Prime Minister, Kevin Rudd, has recently announced that it will go ahead with a pilot of a similar scheme. Seasonal migration for development is therefore likely to remain near the top of the agenda for policy debates in the Pacific, so empirical evidence of the type reported here can help with the clarity of those debates.

References


Notes

1 There is very little that can or should be done to curb this; indeed, some experiences show that the motivation to migrate increases the incentive to invest in skills, and, to the extent that only a subset will eventually be able to migrate, it can lead to an increase in the stock of skills at home.

2 These results are at odds with global evidence in which even the movement of skilled labour increases welfare, although emigration of unskilled labour increases welfare by much more for the sending country. The difference could be emerging from the fact that in the global exercises, much of the labour movement is emerging from large developing countries that either have an over-supply of skilled workers to start with or can quickly make up the loss and hence attenuate the rise in wages of skilled labour.

3 The problem is that host countries find it difficult to ensure temporariness unilaterally, because repatriation cannot be accomplished without the help of source countries (Amin and Mattoo 2005).