

Boosting poor Pacific-Island economies through temporary-worker schemes



The work of Sussex researcher L Alan Winters, on the benefits of temporary worker migration schemes to the economies of small, isolated island communities and developing countries, has contributed directly to New Zealand establishing the Recognised Seasonal Employers Scheme (RSE). The RSE has created income for thousands of poor rural workers from nine Pacific Islands, has been described by the World Bank as among the most effective development projects ever evaluated, and has helped to inspire the governments of Australia and the United States to adopt similar policies and practices.

Overview

Small isolated economies, such as the Pacific islands Vanuatu and Tonga, face massive disadvantages when it comes to international trade. Their great distance from major economic centres and the relatively small consignment sizes they require for imports mean that imported goods – which represent most goods in such isolated communities – are extremely expensive, as are locally produced goods that require imports as part of their production process. Similarly, locally produced goods generally cannot be exported due to excessive production and transportation costs that, by necessity, make the price in destination markets uncompetitive. Between 2000 and 2003, the Commonwealth Secretariat (ComSec) approached L Alan Winters (Professor of Economics at the University of

Sussex) to help analyse two pressing policy issues: how to promote growth in small, remote economies; and whether developing countries would benefit from a liberalisation of policies on the international movement of temporary labour forces.

Professor Winters, in collaboration with Pedro Martins (formerly a Research Assistant at Sussex, subsequently at the Overseas Development Institute), carefully measured the excess production costs suffered by small economies and demonstrated that the net impact is that real wages in these areas are extremely low and will become lower still as the rest of the world becomes more efficient and island states lose their tariff preferences in major markets. In many areas of manufacturing, even if wages were zero, these economies would not be able to compete because their isolation forces them to pay so much for imports and for transporting their exports. The research of Winters and Martins concluded that if real wages were not to fall to subsistence levels, migration to work would have to play a major role in income growth in these communities. Such views have now become widely accepted; for example the first chapter of the World Bank's 2006 *Home and Away* report argues the case for a migration solution in the Pacific Islands.

In collaboration with Terrie Walmsley (Purdue), Zhen Kun Wang (Sussex) and Roman Grynberg (ComSec), Professor Winters also analysed the economic benefits of liberalising the flow of workers between economies. The migration of workers from



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economies with low productivity to those with high productivity results in a large gain in global output. Their research provided the first credible numerical estimates of the economic benefits of mobility, which hugely exceed those associated with removing barriers to trade in goods, for example.

Achieving impact

A key impact of this research has been in its uptake by major international organisations that advise developing countries, such as ComSec, the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization, World Bank, and the Organisation for Economic Co-operation and Development (OECD), as well as by specific countries in negotiation with their partners.

Partly in response to this research, New Zealand established the RSE, which since 2008 has allowed recognised agricultural employers to recruit workers from specified Pacific Islands for a season, subject to the workers satisfying certain mild immigration criteria and the employers providing reasonable working and living conditions. Workers with good records can return for subsequent seasons. The scheme has led to massive economic benefits to the two islands for which formal evaluations have been done – Tonga and Vanuatu – with the per capita incomes for participating households rising by an average of 35-40 per cent. Workers remit money to their families while away and carry income and goods back to their communities when they return. Between 2008 and 2013, it was estimated that Vanuatu's economy benefited to the tune of approximately US\$40 million and the scheme created about 11,000 worker placements. A key innovation of the RSE is that, as well as suiting New Zealand farmers, it has done much to alleviate fears about migration and shows explicitly how the scheme fosters economic development in the Pacific region.

Winters worked closely with the World Bank senior economist (Manjula Luthria) involved in setting up this scheme, particularly on the design and presentation of the case for such an innovative and potentially contentious policy. He was instrumental in the scheme including a proper

evaluation process – a first for a national migration policy – enabling the objective demonstration of its effectiveness. As a result, the idea was exported to Australia, which adopted a similar pilot scheme in 2008 and a full scheme in 2013. The Australian pilot, which naturally only had modest coverage, suggested that Tongan participants increased per capita household income by 35 per cent. In addition, the US government was inspired by New Zealand's experience, to introduce an imaginative response to the 2010 Haitian earthquake, creating 1,000 temporary unskilled worker visas specifically for Haitians.

Winters' research findings on small economies and temporary migration have potentially far reaching effects and have been widely disseminated in both academic outputs and at conferences, seminars and policy meetings (for example, those of OECD, UNCTAD, World Bank, ComSec) and as policy briefs and by ComSec staff (notably Roman Grynberg) in their operational work.

Future impact

In 2013 Professor Winters became CEO of the Migrating Out of Poverty Research Consortium (migratingoutofpoverty.dfid.gov.uk). This international consortium, which is funded by the UK's Department for International Development, is led from Sussex and conducts research into how migration within and between developing countries can play a role in reducing extreme poverty. It affords further opportunities to apply the lessons of New Zealand's experience.

Funding

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‘There can be no doubt that your [Professor Winters’] work had a direct impact on the developments on the ground in the Pacific. Both the New Zealand and Australian programs were developed as a direct result of the research you did on temporary movement. The course in terms of the impact on Australia is certainly more direct. Your papers on the subject shifted thinking inside the World Bank on this subject.’

Roman Grynberg,
Former Head of Trade
Policy at ComSec

Working with us

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For more on the Sussex Centre for Migration Research visit:
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