

Our latest impact note profiles a case where Government regulatory action, Government actions to facilitate a labor market, World Bank advice, and the actions of private employers have combined to result in one of the most effective development policies evaluated to date.

Spurring Development through a Seasonal Migration Program

John Gibson and David McKenzie

Lack of mobility of labor is likely the biggest distortion in global factor markets, resulting in large differences in the productivity and income a given worker can have in different places. As a result of this fact, facilitating emigration has the potential to be one of the most effective development interventions available.

Seasonal worker programs are seen as one way to overcome many of the concerns associated with migration, thereby offering a “triple-win” in which migrants, the sending country, and the receiving country can all benefit.

A 2006 report by the World Bank’s East Asia and Pacific region presented the economic case for seasonal migration programs in the Pacific, which was followed by collaboration with the New Zealand Government in piloting such a program.

New Zealand then launched the Recognised Seasonal Employer (RSE) program in 2007, which set up a new migration category to allow workers to be recruited for seasonal work in New Zealand’s horticulture and viticulture industries. Migrants work for an accredited employer, for up to seven months per 11 month period, and may return if recruited again. The employers first have to show that no New Zealanders are available for the work, and then gives preference to workers from Pacific Island Forum countries.

Design of the RSE program paid careful attention to lessons from previous temporary worker programs, and includes features designed to minimize overstay

levels, ensure worker protection, limit displacement of native workers, and thereby ensure sustainability of the program.

A notable explicit goal of the RSE was to aid economic development in the Pacific Islands, in addition to easing labor shortages for New Zealand industry.

Facilitating a Labor Market

There were many employers in New Zealand interested in getting reliable workers, along with many potential workers in the Pacific Islands interested in working abroad. However, despite this large willing supply and potential demand, the cost to an individual farmer or wine-grower of trying to identify and hire workers from abroad would be very high in the absence of market facilitation.

Governments on both sides played important roles in developing the new labor market for seasonal workers. On the New Zealand side, the Government registered and regulated employers, set in place mechanisms for rapid processing of visas, and through its aid agency, provided kick-start support to Pacific Governments. The Pacific Governments for their part organized how labor could be recruited from their countries –directly screening and enrolling workers in a “work-ready pool” that employers could then access, as well as in some countries licensing agents. They also ensured extremely fast processing of passports, medical checks, and police clearances. Workers could be interviewed by an employer, and 2-3 weeks later arriving in New Zealand to work.

Do you have a project you want evaluated? DECRG-FP researchers are always looking for opportunities to work with colleagues in the Bank and IFC. If you would like to ask our experts for advice or to collaborate on an evaluation, contact us care of the Impact editor, David McKenzie (dmckenzie@worldbank.org)

The Evaluation

Despite the enormous policy interest in seasonal worker programs, to date there was no evidence as to their impact. We therefore designed an evaluation to measure how the RSE was affecting development.

Between 2007 and 2010 we conducted four waves of surveys in the two countries providing 70 percent of the Pacific Island workers in the RSE - Tonga and Vanuatu. In each country we surveyed 450 households drawn from about 50 communities, including households supplying workers, households with RSE applicants who were not recruited and non-applicant households. Our baseline survey was before workers left to work in New Zealand in the first season, and then re-interviews were 6, 12 and 24 months later. Using these rich baseline data and institutional knowledge of how recruitment for the program occurred, we use propensity-score matching to identify an appropriate set of households to act as a comparison group for the households participating in the RSE, and then use panel difference-in-differences and fixed effects estimation to assess the impacts of the RSE on household incomes, consumption, durable assets and subjective well-being.

Results

Our evaluation shows that the RSE has had large positive effects on development in the two countries:

- Per-capita household income increases by over 30 percent in each country; per-capita expenditure increases by just over 10 percent, indicating much of this extra income is saved.

- Household subjective well-being improves.
- Households increase ownership of durable assets, and do more home improvements.
- In Tonga, school attendance rates increased 20 percent for 16-18 year olds.
- Community-level effects were generally modest, but positive.

Policy Implications

Our research provides the first rigorous evaluation of the impact of a seasonal migration policy on households in the sending country, and finds gains in household well-being which greatly exceed those measured for other popular development interventions like microfinance and conditional cash transfers. Coupled with analysis which shows very low rates of overstaying and modest impacts on the native labor force (New Zealand Department of Labour, 2010), these results suggest more countries should give seasonal worker programs a chance.

In doing so, the New Zealand experience shows the need for market facilitation in setting up job matching in a new labor market. It also highlights a case where Governments did process efficiently passports, visa applications, and other steps needed to ensure the migration market can function effectively. In many other countries bureaucratic delays in these areas may serve as a further impediment to the ability of individuals to migrate and therefore benefit from the global disparities in wages.

For further reading see:

J. Gibson and D. McKenzie (2010) "The Development Impact of a Best Practice Seasonal Worker Policy", *World Bank Policy Research Working Paper no. 5488*.

New Zealand Department of Labour (2010) Final Evaluation Report of the Recognised Seasonal Employer Policy (2007-2009). Department of Labour, Wellington. <http://dol.govt.nz/publications/research/rse-evaluation-final-report/rse-final-evaluation.pdf>

World Bank (2006) *At Home & Away: Expanding Job Opportunities for Pacific Islanders through Labour Mobility*. **Recent impact notes are available on our website:** <http://econ.worldbank.org/programs/finance/impact>