



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
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# The Remittance Pilot Project

**The economic benefits of the Recognised Seasonal Employer work policy  
and its role in assisting development in Samoa and Tonga**

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## Executive Summary

It is widely accepted that remittances have been playing an increasingly important role in reducing the scale and severity of poverty in the developing world. Besides pure monetary gains, remittances are associated with greater human development outcomes across a number of areas such as health, education and gender equity. In the Pacific region, the World Bank estimates that remittances contribute around \$400 million per annum to the economies of Pacific island states and in 2013 made up approximately 20 percent of GDP in Samoa and Tonga respectively.<sup>1</sup>

Introduced in 2007, the Recognised Seasonal Employer (RSE) policy helps to address seasonal labour and skill shortages in the horticulture and viticulture industries that cannot be readily filled from the available New Zealand labour pool. Income tax data from Inland Revenue shows in the tax years between 2010 and 2014, RSE workers earned more than \$460 million in gross income, and paid approximately \$65 million in income tax.

The RSE Remittance Pilot Project was launched in July 2014 with an initial focus on Samoa and Tonga. The primary objective was to collect information on individual earnings and remittance transfers from 640 Hawke's Bay-based Samoan and Tongan RSE workers during the 2014/15 horticulture season. Accurate information about individual remittances is not readily available from other sources, and the results from the pilot study will assist policy makers, researchers and evaluators to better appreciate the economic impact of the RSE, and its role in assisting development in the Pacific.

## Key Findings

- a) During 2014/15 season, the 640 pilot study participants earned a combined gross income of \$11.96 million, paid \$1.4 million in income tax and remitted a combined total of \$3.21 million.
- b) Samoan pilot study participants earned an average gross income of \$18,028 compared to \$19,482 for Tongan participants, and remitted on average \$4,614 and \$5,525 per person respectively during this period.
- c) Overall, workers remitted about 42 percent of their total take-home income (after tax and fixed deductions) as cash transactions, but this does not include other forms of remittances e.g. machinery and building materials purchased in New Zealand and sent home separately.
- d) Participants remitted on average almost three times per month and could expect to pay between \$330 and \$440 in total remittance transaction fees and charges over the season.
- e) Of particular concern is the way large groups of RSE workers (up to 70 van loads at a time) congregate on payday at the premises of their local MTO agent. Given that each worker is

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<sup>1</sup> <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>

holding several hundred dollars in cash, this practice poses a significant risk to workers and MTO agents. To mitigate this risk, a secure lower-cost platform should be made available to RSE workers and supported by a training and awareness programme.

The pilot study also undertook an assessment of RSE workers' perceptions of the development impact from participation in RSE. Notable observations from that assessment shows that income derived from RSE supports on average nine other people, and more than ten in Samoa. Participants expect to use almost half of their remitted earnings on housing and education, with the remainder allocated to living expenses (including health related expenses), investment, business opportunities and the purchase of goods and services. Budgeting and computer skills were considered the most important new skills acquired, or skills respondents' would like to acquire while in New Zealand. Horticulture (farming and gardening skills), leadership, English, driving (tractors and forklifts) were also considered important skills to learn. Respondents believed these new skills would help them reduce their own costs of living, or be the basis for establishing a small business back home.

Finally, this pilot study would not have been possible without the collaboration of participating employers, group leaders and individual RSE workers. Employers and RSE workers that participated in the pilot study have requested that collection of remittance data and earnings information be continued into the 2015/16 season and expanded to include RSE workers from other countries.

## **Recommendations**

It is recommended that:

1. MBIE, in collaboration with other government agencies, employers and RSE group leaders, engage with banks and MTOs to explore low-cost, secure digital options for RSE workers transferring remittances as alternatives to current practices.
2. MBIE discuss options with Inland Revenue for sharing annual Non-resident Seasonal Worker tax records to enhance current reporting of overall RSE annual earnings, and by country.
3. MBIE to provide the pilot study report to Vakameasina trainers and:
  - a) discuss options for increasing awareness among RSE workers about remittance transactions costs, digital and online remittance platforms; and
  - b) discuss expanding practical skill development into future course development in areas such as small engine mechanics and simple carpentry.
4. MBIE to consider extending the pilot for 2015/16 and expanding it to include the remaining Pacific island countries, and non-Pacific participating RSE countries.

# Section 1: Economic Impact of RSE

## 1.1 Introduction

Introduced in April 2007, the Recognised Seasonal Employer (RSE) work policy provides an opportunity for citizens of countries in the Pacific Islands Forum to earn an income and learn new skills through employment in seasonal work in New Zealand's horticulture and viticulture industries. Often referred to as a triple-win, the RSE policy is held in high regard by participating Pacific states, migrant workers, and New Zealand industry. A recent research study concludes that RSE policy should rank among the most effective development policies evaluated, and should be viewed as a best practice model for other countries to follow.<sup>2</sup>

While most would agree that participating in RSE has largely positive outcomes, there is an opportunity to learn more about how RSE workers are using their money, what drives their spending choices, how and when they send money home, and how participating in the RSE scheme has impacted Pacific development more broadly.

To help answer some of these questions, the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Foreign Affairs & Trade (MFAT) are jointly funding the Remittance Pilot Project. The pilot study is initially focused on Samoa and Tonga and aims to provide baseline evidence on the economic benefits of the RSE policy and its role in assisting development.

The main outcome from the pilot project is to develop a set of data on earnings and remittances collected from 640 Samoan and Tongan seasonal workers employed in Hawke's Bay during the 2014/15 harvest season. Findings from the pilot study will assist policy makers, researchers and evaluators gain a deeper understanding of the role of remittances in the economic development of Pacific states. Recommendations are intended to help shape New Zealand's future interventions and ensure that Pacific RSE workers are able to make the most of their time in New Zealand and maximise the development impact of their earnings when they return home.

## 1.2 Background

The RSE policy helps to address seasonal labour and skill shortages in the horticulture and viticulture industries that cannot be readily filled from the available New Zealand labour pool. The policy is particularly, but not exclusively, focused on the Pacific by providing financial and skill development opportunities for workers from Pacific Island Forum countries.

There is an annual cap of 9,000 workers (increased from 8,000 in July, 2014) and since April 2007 approximately 80 percent of all RSE arrivals have come from Pacific island countries. To date, more

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<sup>2</sup> Gibson, J et al., 2010. *The Development Impact of New Zealand's RSE Seasonal Worker Policy*, Waikato University, Pg. 1

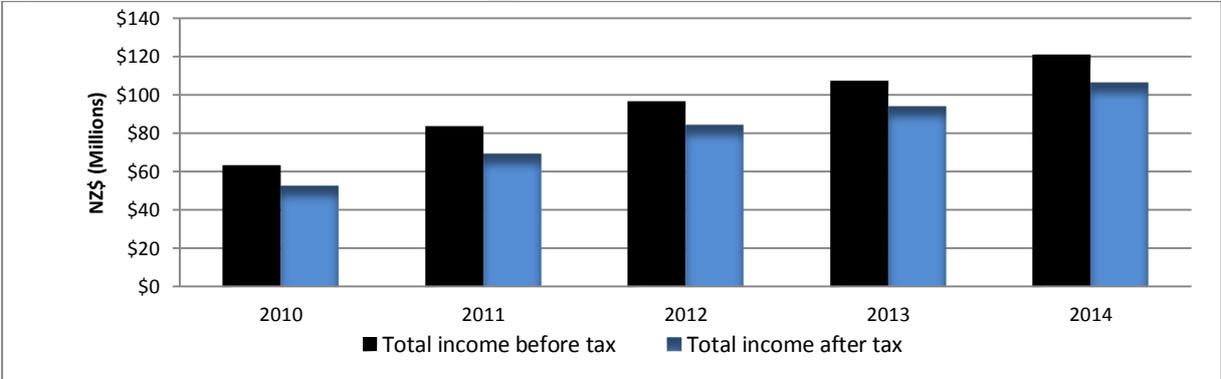
than 44,400 RSE visas have been issued to Pacific RSE workers from Vanuatu, Samoa, Tonga, Solomon Islands, Kiribati, Fiji, Nauru, Tuvalu and Papua New Guinea.<sup>3</sup> The remaining workers come from Asian countries, predominantly Indonesia, Thailand and Malaysia, but also smaller numbers from Philippines, Taiwan and India.

### 1.3 RSE Earnings Data

The RSE has amongst its objectives the goal of furthering Pacific economic development, regional integration, and stability. Previous estimates put the total value of Pacific RSE remittances between \$30-35 million annually.<sup>4</sup> It has been estimated that the development impact of RSE over its first two years was equivalent to 50 percent of annual export earnings for Tonga, and 25 percent of annual export earnings for Vanuatu (Gibson et al, 2014).<sup>5</sup>

RSE workers can only be employed in New Zealand by RSE accredited employers. Workers pay income tax on their earnings through the Pay As You Earn (PAYE) system under the Non-resident Seasonal Worker (NSW) tax code. Country level Inland Revenue data, recently released to MBIE, shows over the five tax years from April 2010 to March 2014, workers with a NSW tax record earned more than \$460 million in gross income, and paid approximately \$65 million in income tax for that period (Figure 1).<sup>6</sup>

**Figure 1: Total Gross and net income of all RSE workers between 2010 and 2014**



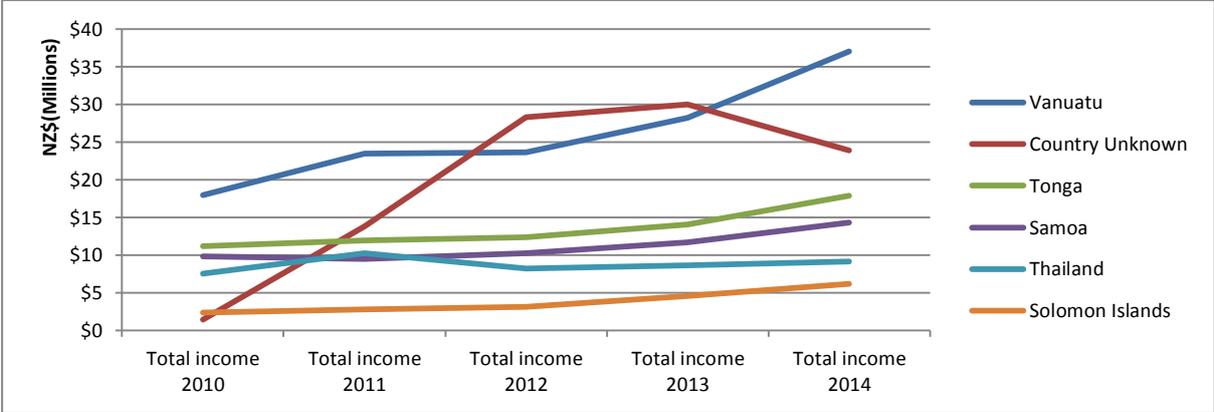
Source: Inland Revenue

During this period, workers from Vanuatu earned a combine gross income of approximately \$130 million and paid almost \$18 million in income tax (Figure 2). In comparison, workers from Thailand earned a total of \$43.7 million in gross income and paid \$6.2 million in income tax. The average annual gross income for all ‘clients’ with a NSW record was \$13,183 for the 2014 tax year. However, while Inland Revenue’s data are informative, there are limitations to its use. In particular, Inland Revenue notes that approximately 21 percent of clients’ country of origin cannot be identified

<sup>3</sup> From a combined total of 55,417 RSE visas issued between April 2007 and June 2015.  
<sup>4</sup> A New Zealand Department of Labour evaluation (2010) into the outcomes of the first two RSE seasons found that workers were returning home with \$5,500 on average after tax and deductions (e.g. airfares, food, accommodation, transport, and health insurance).  
<sup>5</sup> [http://siteresources.worldbank.org/DEC/Resources/RSE\\_Impact\\_RESTAT\\_Final\\_Revision\\_Jan\\_2013.pdf](http://siteresources.worldbank.org/DEC/Resources/RSE_Impact_RESTAT_Final_Revision_Jan_2013.pdf)  
<sup>6</sup> For the financial years between April 01 2009 and 31 March 2014 (5 tax years).

without a more detailed examination of the data. While it would be possible to improve the accuracy of this information, doing so would require a significant investment in time by Inland Revenue staff. Until this is made possible, these clients are recorded as “Country Unknown”.<sup>7</sup>

**Figure 2: Gross income returns for top five countries, 2010 to 2014<sup>8</sup>**

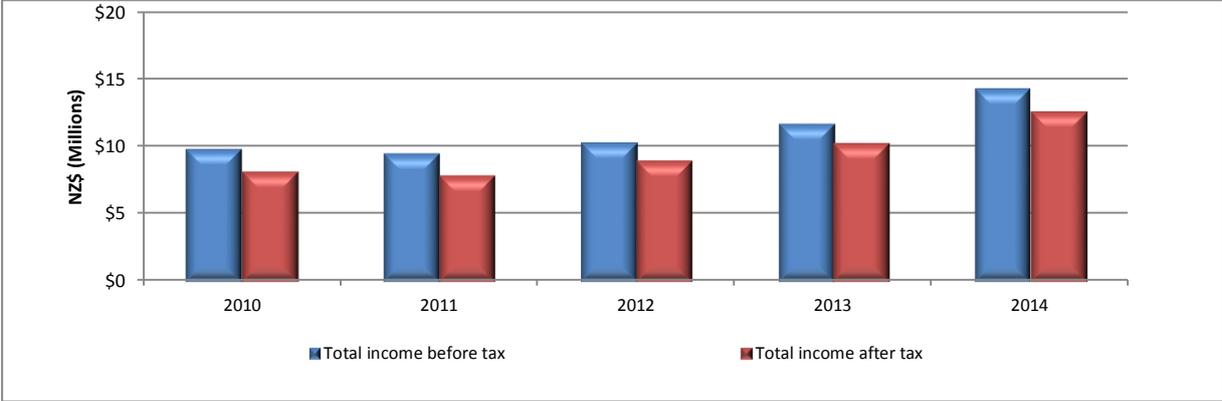


Source: Inland Revenue

**1.3.1 Economic Impact from RSE in Samoa and Tonga**

A breakdown of NSW data by tax year shows that between 2010 and 2014 Samoan RSE workers earned a combined gross income of approximately \$55.53 million and paid \$7.76 million in income tax. Total net earnings for Samoan RSE workers in this period were approximately \$47.77 million (Figure 3).

**Figure 3: Total gross and net income for Samoan RSE workers, 2010-2014**



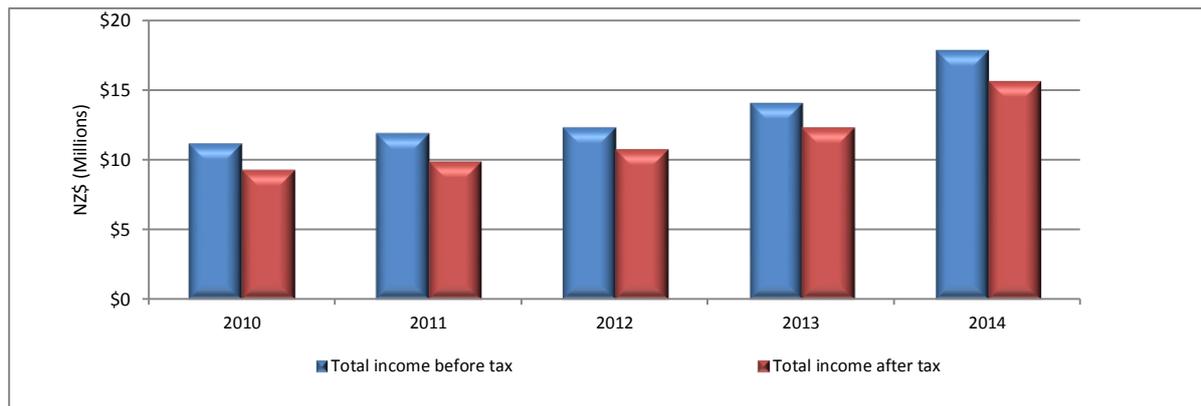
Source: Inland Revenue

For the same period, Tongan RSE workers earned a total of approximately \$61.42 million in gross income and paid approximately \$9.38 million in income tax. Total net earnings for Tongan RSE workers in this period were approximately \$52.04 million (Figure 4).

<sup>7</sup> Inland Revenue note 94% of clients in this category have an ‘RS’ (Recognised Seasonal Worker (sic)) indicator and a non-resident indicator which is highly suggestive clients in this category are RSE workers.

<sup>8</sup> Inland Revenue reports NSW tax code earnings data separately for “Western Samoa” and “Samoa”, but for the purposes of this report they have been combined and recorded as “Samoa”. There have been no RSE visas issued to people holding travel documents from American Samoa.

**Figure 4: Total gross and net income of Tongan RSE workers, 2010-2014**



Source: Inland Revenue

### 1.3.2 Collection and reporting of RSE earnings data

MBIE collects RSE earnings data from Inland Revenue through Statistics New Zealand’s Integrated Data Infrastructure (IDI), but has not previously had direct access to aggregated NSW information. For the 2012/13 RSE season MBIE reported the average gross earnings for all RSE workers to be \$11,260 per person compared to Inland Revenue records, which show the average gross income for all RSE workers in the 2012 tax year was \$10,493 and \$12,107 for the following year.<sup>9</sup>

Although similar, the differences between MBIE reporting and Inland Revenue data can be partially explained by the different methodology used. MBIE’s RSE earnings estimates require linking all RSE workers to earnings data using names, dates of birth and passport details, which can be time consuming and complicated. Furthermore, Inland Revenue earnings data relates to the tax year, whereas MBIE’s analysis uses the period RSE workers are actually in the country.

For the 2012/13 RSE season, MBIE found that over an average period of five months the gross average income for Samoan RSE workers was \$13,450 (\$2,690 per month), and \$10,870 (\$2,174 per month) for Tongan RSE workers. Earnings records collected directly from employers as part of this pilot study show that the average gross earnings for Samoan and Tongan workers in the 2014/15 RSE season were \$18,028 (\$2,671 per month) and \$19,482 (\$2,886 per month) respectively (also see Tables 1 & 2). Although workers in this pilot study spent longer in New Zealand and therefore earned a higher gross income, Tongan pilot study workers earned on average \$700 more per month, which equates to approximately 33 percent increase on 2012/13 in average gross month earnings. In comparison, Samoan pilot study workers earned about the same per month on average as those in the 2012/13 season.

<sup>9</sup> The RSE season corresponds more closely to the financial year, starting in the month of arrival in New Zealand (usually around October/November) and ending in the month of departure (usually by the end of May unless workers are involved in pruning).

## 1.4 Summary

Income tax records released to MBIE, along with MBIE's own reporting, shows that income generated by RSE workers in New Zealand is a significant source of foreign exchange earnings for participating Pacific states. However, due to different methodologies and other factors, there remain some differences between MBIE and Inland Revenue findings. Given the relatively large sample size of the pilot study, these differences, particularly in the case of Tonga, should be reviewed in more detail.

MBIE's reporting could be enhanced if a formal agreement with Inland Revenue is implemented to share NSW tax data. This would allow greater accuracy in determining overall RSE annual earnings by country and annual share of income tax.

## Section 2: The Remittance Pilot Project

### 2.1 Introduction

To provide new insights into the impact of RSE remittances in Samoa and Tonga, the pilot study assessed RSE earnings, remittances (including the transaction cost of remittances), and worker perceptions of the role of RSE in Pacific economic development. The Remittance Pilot Project had two main components:

- i. Develop and implement a mechanism to capture baseline earnings and remittance data from Samoan and Tongan RSE workers in the Hawke's Bay region; and
- ii. Undertake qualitative surveying of a wider group of Pacific RSE workers in that region to assess their perceptions of the development impact of RSE remittances.

This section focuses on the first component, earnings and remittances, by analysing data collected from 350 (male) Samoan and 290 (male) Tongan RSE workers employed on selected orchards in the Hawke's Bay.<sup>10</sup> Section Three discusses the findings from the second component – development impact. The workers selected for interview were employed across six Hawke's Bay RSE accredited employers<sup>11</sup> between November 2014 and June 2015 for an average period of 27 weeks.<sup>12</sup> In total, the 640 Samoan and Tongan participants accounted for approximately 28.3 percent and 18.5 percent respectively of all Samoan and Tongan RSE arrivals in New Zealand for the 2014/15 season.<sup>13</sup>

### 2.2 Methodology

The Remittance Pilot Project is the first to attempt to accurately calculate the amount of money several hundred individual RSE workers sent home during the 2014/15 season. To do this, each worker was assigned a unique number by their employer. Remittance data for each individual was collected weekly by their group leader and recorded against that person's unique number. The information was collected and transmitted by the orchard site manager in Hawke's Bay directly to MBIE in Wellington for collation. Other information, such as marital status, age group and previous participation in the RSE was also collected for each person and recorded against their unique number.<sup>14</sup>

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<sup>10</sup> Although some Samoan and Tongan women are recruited for RSE-related work each year, there were no women available from these two countries to take part in the pilot study in Hawke's Bay during this period.

<sup>11</sup> Apollo Apples Ltd, Jonny Appleseed Ltd, Landstaff Ltd, Mr Apple New Zealand Ltd, Taylor Corp Ltd and Thornhill Ltd.

<sup>12</sup> Approximately 340 Samoan and Tongan workers extended their season by up to four weeks. The last workers in the group departed New Zealand on or before 14 June 2015.

<sup>13</sup> Between November 2014 and June 2015, there were 1238 Samoan and 1532 Tongan arrivals to New Zealand holding RSE visas.

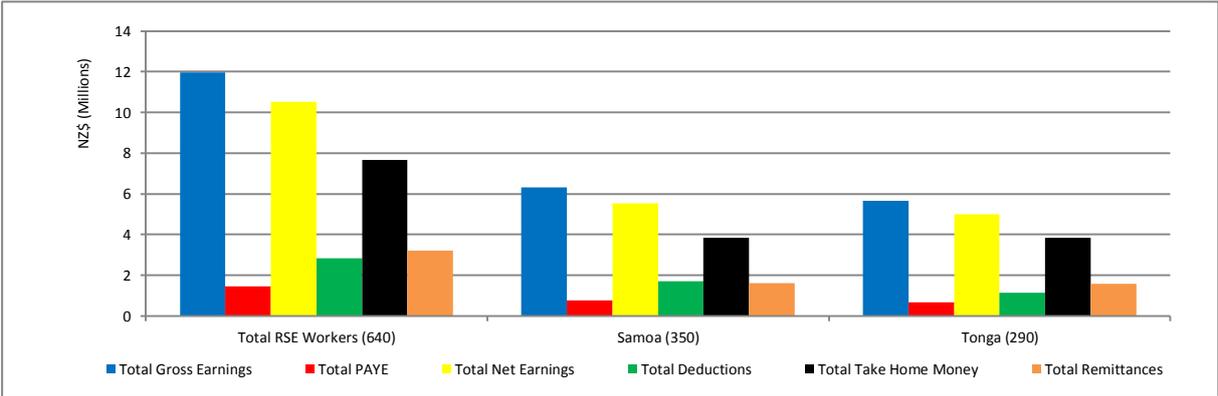
<sup>14</sup> Data points collected for each participant: number of times in NZ; marital status; age range (18-29 30-39 40-49); total gross earnings; total income tax; total net income; total deductions; total take-home income; total remittances sent during stay in NZ (collected weekly).

Remittance data collected relates only to cash transactions and does not include in-kind or other forms of remittance. Earnings, expenditure and deduction information was provided by employers at the end of the season in July 2015.

### 2.3 Samoan and Tongan Earnings and Remittances 2014-15

Between November 2014 and June 2015, the 640 workers earned a combined total of \$11.96 million in gross earnings and paid \$1.44 million in income tax (Figure 5). In addition to tax, workers are required to meet their own fixed expenses while in New Zealand. These expenses include: accommodation, food, telecommunication, health insurance, transportation, and 50 percent of a round trip airfare home. The amount remaining after tax and deductions for these expenses is a worker’s take-home or disposable income, which they may spend or remit how and where they choose. After deductions, the total take-home income for all workers was \$7.67 million or 73 percent of their total net earnings. This is the total amount of income available to workers for discretionary allocation to remittances, expenditure in New Zealand, and savings.

**Figure 5: Comparison of workers’ earnings and remittances, 2014-2015**



#### 2.3.1 Disaggregation of data for Samoan workers

Samoa RSE workers’ take-home earnings amounted to \$3.83 million or 69 percent of total net income earned by 350 men during the 2014/15 season (Table 1). On average, Samoan workers remitted approximately 42 percent of their total take-home income.

**Table 1: Samoan worker earnings and remittances**

Financial Categories	Total (millions)	Worker (average)
Gross Earnings	\$6.31	\$18,028
PAYE	\$0.78	\$2,242
Net Earnings	\$5.53	\$15,800
Deductions	\$1.71	\$4,885
Take Home Income	\$3.83	\$10,943
Total Remittances	\$1.61	\$4,614 (mean or average)
Remittances, Median		\$4,210
Average remittances as a proportion of take-home income		42.16%

Over the average working period of 27 weeks, Samoan workers in the 18-29 age group earned an average net income of \$12,019 per person. Workers in the 30-39 age group earned on average \$12,421 per person, and workers in the 40-49 age group earned an average income of \$10,571 per person. These findings suggest that overall, Samoan workers in the 30-39 age group had the highest level of average net earnings compared to other age groups.

Married Samoan workers across all age groups earned an average of \$11,908 per person compared to \$11,121 for single workers, which is a difference of approximately 7 percent. Workers that have been to New Zealand more than five times had a higher average net income of \$15,277, compared to those that had been to New Zealand between two and four seasons (\$15,049), and those on their first season (\$15,000).

Samoan workers in the 18-29 age group remitted on average \$4,038 per person compared to \$4,631 for those in the 30-39 age group, and \$3,714 for workers aged from 40-49. Married Samoan workers remitted on average \$4,427 per person. Remittances were highest for workers that had been to New Zealand between five and eight times amounting to \$4,722 per person compared to \$4,257 for those that had been to New Zealand between two and four seasons, and \$3,888 per person for those in their first season.

**2.3.2 Disaggregation of data for Tongan workers**

Take-home earnings for the 290 Tongan workers amounted to \$3.84 million or 77 percent of total net income (Table 2). On average, Tongan workers remitted almost 42 percent of their total take-home income.

**Table 2: Tongan worker earnings and remittances**

Financial Categories	Total	Worker (average)
Gross Earnings	\$5.56	\$19,482
PAYE	\$0.66	\$2,275
Net Earnings	\$4.99	\$17,206
Deductions	\$1.15	\$3,965
Take Home Income	\$3.84	\$13,241
Total Remittances	\$1.60	\$5,525 (mean or average)
Remittances, Median		\$5,185
Average remittances as a proportion of take-home income		41.73%

Tongan RSE workers who have been to New Zealand between five and eight seasons had a total take home income of \$13,692 per worker. Workers that have been to New Zealand between two and four seasons averaged \$12,072 per worker, and workers in New Zealand for the first time earned an average take home income of \$11,428 per worker.

Disaggregation by marital status from five orchards shows married Tongan workers remitted a total of \$0.87 million or approximately 55 percent of total remittances. Single Tongan RSE workers remitted a total of \$0.71 million and remitted an average of \$9,594 per person.

Tongan RSE workers who have been to New Zealand between five and eight seasons sent the highest amount of remittances at an average of \$6,616 per person. This compared to workers that have returned between two and four seasons remitting an average of \$5,045 per person; and workers in New Zealand for their first time remitting an average of \$4,761 per person.

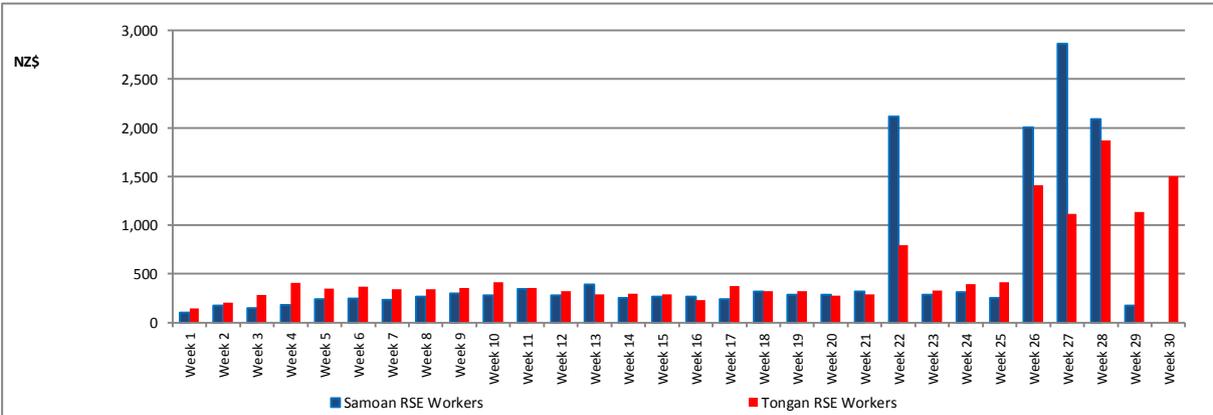
### 2.4 Remittance Channels and Transaction Costs

On average Samoan workers remitted 19 times compared to their Tongan counterparts who remitted 20 times during an average work period of 27 weeks (approximately 2.5 times per month).

In the first five weeks the level of remittances sent by each worker was approximately \$250 per week, increasing to \$350 in week 20. From week 21 the level of remittances sent to both countries increased to approximately \$1,000 and further increased from week 26 to \$2,000 as workers from both countries began returning home. There is a spike at week 22 for both Samoan and Tongan remittances, but more pronounced for Tonga. This is likely to correspond with the first group departures back home and remittance of their final pay (including their holiday pay).

Tongan workers generally sent a higher level of remittances per week averaging approximately \$350 until week 20 (Figure 8). Samoan RSE workers remitted about \$250 per week for this same period. Average monthly remittances sent by both Samoan and Tongan RSE workers were over \$450 in the first month, and rising to over \$600 in the following two months. The largest single amounts are remitted in the last month of a worker’s stay, approximately \$1200 per person, coinciding with payment of holiday pay, withdrawal of any savings in accounts in New Zealand, and workers’ preparations for returning home.

Figure 6: Average weekly remittances



### **2.4.1 Remittance Channels**

Pilot study participants were asked which money transfer operators (MTO) they used to send their money home. The most popular MTOs for Samoan workers are: Digicel/KlickEx, IMEX, Ink Patch, Pacific Ezy Money Transfer, Samoa Money Transfer and Western Union. For Tongan workers, the key MTOs are: Digicel/KlicEx, Melie Mei Langi Money Transfer, Palu Aviation Services and Western Union Online. All of these MTO's have agent representatives in Hawke's Bay, either as individual representatives operating from home or from the local convenience shop. Typically, RSE workers will travel in van loads on payday to visit their preferred local MTO agent either at their home or at their business premises if the agent is also the local convenience shop.

Perhaps of greatest concern is how RSE workers, not just those in this pilot study, congregate in a single place for the purpose of remitting their money home. Some Hawke's Bay employers report seeing as many as 50 or even 70 van loads of workers congregating at local convenience stores on payday. The large number of workers, each carrying significant amounts of cash, congregating in one place creates a risk for theft, fraud and other potentially criminal activities.

### **2.4.2 Transaction Costs of Remittance**

The cost of transmitting money depends on fees, exchange rate variations and the efficiency of the money transfer market. Data shows average remittance prices from New Zealand to the Pacific have largely fallen since November 2014. According to SendMoneyPacific (a remittance price comparison and tracking website), between November 2014 and June 2015 the New Zealand MTO average cost to send NZ\$200 to Samoa was 7.96% and 8.55% to send the same amount to Tonga.<sup>15</sup>

Pilot study findings show the average amount remitted by Samoan workers during the 2014/15 season was \$4,210 per person. Using the pricing information provided by SendMoneyPacific to estimate the transaction cost, if each Samoan worker had made 19 separate transactions during their season, they would have paid approximately \$330 in total transaction fees and charges. In comparison, a Tongan worker making 20 separate transactions to remit an average total of \$5,185 per person would have paid approximately \$440 in total transaction fees and charges.

## **2.5 Summary**

Compared to the New Zealand median gross weekly income in 2014, over the average 27 week period, findings from this study show Samoan workers earned approximately 11 percent more, while

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<sup>15</sup> NZ MTO averages calculated using the following rates for Samoa: Q4 2014 (8.84%); Q1 2015 (7.94%); Q2 2015 (7.11%). For Tonga: Q4 2014 (10.12%); Q1 2015 (NA); Q2 2015 (6.99%). Source: SendMoneyPacific.

Tongan workers earned 17 percent more, in gross weekly income compared to the median New Zealand weekly income (from all sources).<sup>16</sup>

Pilot study participants remitted approximately 40 percent of their take-home income at regular intervals during the season. In total, the average amount remitted per person compared favourably with earlier Department of Labour research (2010), particularly given that remitted amounts reported during the pilot study were cash only transactions and did not take into consideration in-kind remittances such as durable goods, machinery and building materials purchased in New Zealand and sent home in containers at the end of the season.

While workers have a choice between Hawke's Bay MTOs, they are likely to still be paying more in total fees and transaction charges than the global average. Over the season, the relative cost for Samoan workers to remit their earnings home would be the equivalent to as much as 1.5 times the minimum monthly wage in Samoa of US\$178.65.<sup>17</sup> There is no minimum wage in Tonga, but anecdotally the relative cost over the RSE season for Tongan workers to remit their earnings home is estimated to be approximately two or more times what an unskilled labourer might earn per month in the Tongan capital. Given the relatively large amounts of money RSE workers are transmitting each week, it is desirable that lower-cost secure digital platforms, such as mobile applications, are introduced as alternatives to the current prevalent, but potentially dangerous, practices for remitting money home.

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<sup>16</sup> [http://www.stats.govt.nz/browse\\_for\\_stats/income-andwork/Income/NZIncomeSurvey\\_HOTPJun14qtr.aspx](http://www.stats.govt.nz/browse_for_stats/income-andwork/Income/NZIncomeSurvey_HOTPJun14qtr.aspx)

<sup>17</sup> In June 2014, the World Bank Group reports the minimum monthly wage in Samoa to be US\$178.65 <http://www.doingbusiness.org/data/exploreeconomies/samoa/labor-market-regulation>

# Section 3: Development Impact from RSE Remittances

## 3.1 Introduction

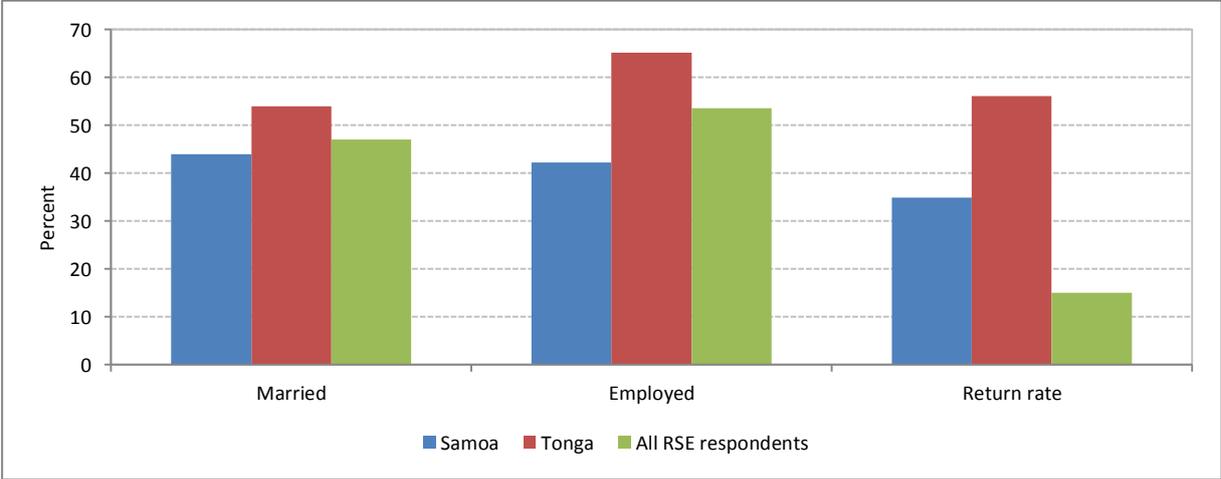
This section analyses the findings from a qualitative survey carried out as part of the second component of the pilot study. Between March and April 2015 a total of 540 Hawke’s Bay-based Pacific RSE workers from Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu were interviewed to collect information on their perceptions of the development impact from RSE remittances. Overall this purposive sample of workers with six employers accounts for 8.2 percent of all Pacific RSE workers in New Zealand for the 2014/15 horticulture season. Included in this number were 232 Samoan and 155 Tongan RSE workers.

### 3.1.1 Socio-Economic Profile

The overall average age of the survey respondents was 32.8 years (31.8 years for Samoan respondents and 32.5 years for the Tongans). Almost three-quarters of those interviewed were men and approximately 47 percent were married (Figure 7). Overall, the average size of respondents’ households back home was nine persons (10.3 in Samoa and 7.3 in Tonga).

The average number of years of schooling for all respondents was 10.6 years of education and slightly higher for Samoans (11.6) and Tongans (11.1 years). Just over half (53.5 percent) of the respondents had been employed during the two years before becoming RSE workers while the remaining 46.5 percent (251 workers) had been unemployed. In Tonga, 65 percent of RSE workers were employed or had started a business prior to joining RSE, while 35 percent had been unemployed (54 workers). In Samoa a higher number of RSE workers were unemployed during the same period (58 percent) while 42 percent were employed or had started a business back home prior to joining RSE.

Figure 7: Demographic profile of pilot study participants



### **3.1.2 Participation and Return Rates**

The return rate for survey respondents was high at more than 81 percent. Amongst survey respondents, Tonga had the highest return rate of 87 percent compared to Samoa's return rate of 81 percent (Figure 7). In comparison, MBIE reports that the return rate for all Pacific RSE workers in 2012/13 was 68.8 percent. Over 58 percent of Tongan workers had been in the RSE scheme for between four and eight seasons reflecting a high level of return workers in these seasons. Approximately 48 percent of Samoa's RSE workers had worked between four and eight seasons.

### **3.1.3 Expected Seasonal Earnings**

Tongan respondents indicated that their expected average take-home earnings for the 2014/15 season would exceed \$7,600, while the expected earnings for Samoan respondents were over \$7,300. These were higher than the overall average expected earnings of just over \$6,900 for all respondents. Workers expected to remit over 50 percent of earnings home over the duration of the 2014/15 season, which is comparable with earnings and remittances findings reported earlier in the report (Section 2.3). On average, respondents planned to spend approximately half of their earnings in 2015 on education and housing, with the remainder allocated to living expenses (including health related expenses), investment, business opportunities and the purchase of goods and services.

### **3.1.4 Banking Structures**

Just over half (53 percent) of workers surveyed had a bank account in their home country including 33 percent of Samoan and 60 percent of the Tongan respondents.<sup>18</sup> The majority of Samoan RSE workers had their bank accounts with the ANZ Bank, compared to the majority of Tongan respondents who bank with Westpac and ANZ. As Westpac operations in Tonga have now been taken over by Bank South Pacific, respondents may have been unaware of the change, or thought the question related to their banking service provider in New Zealand (Table 3).

Approximately 30 percent of all respondents plan to leave money in their New Zealand bank account when they return home. This money would be used to support their return to New Zealand in the following or subsequent season. More Tongan workers (57 percent) than Samoan workers (28 percent) plan to leave some money in their bank account in New Zealand.

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<sup>18</sup> RSE workers from Kiribati, Papua New Guinea and Vanuatu have bank accounts with the ANZ Bank, Bank of the South Pacific and National Bank of Vanuatu.

**Table 3: Banking structures and remittances**

Financial Structure	All RSE Workers (540)	Samoan RSE Workers (232)	Tongan RSE Workers (155)
Bank account in home country (%)	53.3	32.8	60.0
Leave money in NZ Bank (%)	33.0	28.0	57.0
Frequency of sending remittances per month	2.5	2.8	3.0
Frequency of remittances - 27 weeks RSE season	16.3	18.8	19.9
Own a smart phone (%)	45.3	40.4	49.1

While approximately 45 percent of respondents had a smart phone in New Zealand, asked whether they would consider using their smart phone to transfer money home, only a small number said they would. In the case of Samoan and Tongan respondents, it was less than 5 percent. A possible reason for the lack of interest may be trust and not being familiar with digital technology as a means to send remittances. A large number of respondents said that trust was a key factor in deciding which MTO to use. Also, some respondents noted that their group leader and experiences of their workmates influenced their decision.

### 3.1.5 Remittance Channels and Transaction Costs

Overall, respondents said Western Union was the most popular MTO for remitting money, possibly because it is the only, or most trusted MTO in countries like Kiribati, Solomon Islands and Vanuatu. However, SendMoneyPacific shows Western Union is also one of the most expensive MTOs. It can cost between 19.5 percent of the total transaction to send NZ\$200 to Papua New Guinea and 13.1 percent to send the same amount to Kiribati using the services of Western Union.<sup>19</sup>

### 3.1.6 Communication

Survey respondents made contact with family on an almost daily basis. Mobile phones, texts and Facebook are the most popular means, but just over a quarter of respondents still used a landline. Use of mobile phones and Facebook by Samoan and Tongan workers are similar or higher than the overall survey average.

**Table 4: RSE workers modes of contact**

Mode of Contacts	All RSE Workers (540) (%)	Samoan RSE Workers (232) (%)	Tongan RSE Workers (155) (%)
Email contact	13.4	15.8	20.3
Mobile contact	93.5	89.5	95.4
Land line contact	25.4	12.8	15.4
Text contact	59.2	75.3	74.6
Skype contact	11.0	11.8	16.7
Facebook contact	52.0	55.8	62.5

<sup>19</sup> <http://www.sendmoneypacific.org/> October 2015.

### 3.1.7 New Skills and Training

Respondents were asked about any new skills they had acquired while in New Zealand and what, if any, future training they would like to receive (Table 7). Budgeting and computer skills were considered the most important new skills acquired, or skills respondents' would like to acquire while in New Zealand. Horticulture (farming and gardening skills), leadership, English, driving (tractors and forklifts) were also considered important skills to learn.

The number of respondents wanting to learn new skills suggests they understand the impact these skills can have on their future livelihoods and living standards. The importance of these skills was emphasised by respondents during the interviews. Some specific examples included learning about small engines, appliances or food preparation and catering. Respondents believed these new skills would help them reduce their own costs, or be the basis for establishing a small business. Many respondents noted that they do not have the opportunities to learn these skills in the home countries.

**Table 5: Skills learnt during RSE season**

Skills Learnt (480 workers)	Percent (%)	Skills wish to Learn
Budgeting	27.7	Computer skills
Banking	4.6	English
Computer	14.8	Leadership
Carpentry	0.4	Horticulture/Farming/Gardening
Cooking	1.9	English skills
Driving Tractor/Forklift	5.4	Budgeting and Banking skills
English	6.9	Mechanics/fixing equipment
Horticulture/Farming/Gardening	10.2	Operate Smartphone
Healthy Living	1.1	Baking/Cooking/Catering
Leadership	7.3	Small business
Operate Smartphone	1.3	Time management
Small business/make money	0.8	Driving Tractor/engineering
Supermarket shopping	1.8	Plumbing/welding
Time management	4.6	Carpentry
Work ethics	2.7	First aid
Youth Community/sharing	0.4	Health living

## 3.2 Summary

Given that more than 50 percent of those surveyed had a job or started a business in the two years prior to joining RSE, it is questionable whether the policy goes far enough to provide unemployed people in the Pacific with employment opportunities in New Zealand. Presumably jobs left vacant by those joining RSE were filled by others that remained, although it is not possible to say for sure.

Income derived from the RSE supports on average nine other people and more than ten in Samoa. Expected take-home earnings were as much as 40 percent lower than actual reported take-home earnings for Samoan and Tongan workers in Section 2 (Tables 1 & 2), but the ratio between take-home earnings and remittances (50 percent) was similar to findings in Section 2, particularly if non-cash and in-kind remittances are taken into account. Respondents were choosing to devote the greater portion of their earnings to education and housing, with most of the remainder allocated to living expenses including expenses related to health.

Whilst, more than half of those surveyed said they had a bank account in their home country, the number of Samoan respondents with a bank account was notably lower. Western Union remains the most popular MTO choice across all RSE workers, but is also one of the most expensive for total transaction costs. Although at least 40 percent of respondents had a smart phone in New Zealand, few would currently use it to send money home if they could. This suggests an entrenched reliance on traditional channels for remittances such as Western Union probably because of its convenience and an established level of trust in the brand.