RSE EARNINGS AND REMITTANCE SURVEYS

Samoans, Tongans and Ni-Vanuatu Employed in Hawke's Bay, the Bay of Plenty and Marlborough for 18-22 weeks, 2014/15 and 2016

Executive Summary

Report prepared by Bedford Consulting for the Ministry of Business, Innovation and Employment.

February 2017

PREFACE

Between October 2014 and September 2016 data were collected on the earnings, deductions and remittances of 487 Samoan and Tongan men (2014/15) and 142 Ni-Vanuatu men (2016), who were employed continuously for 18 or more weeks as seasonal workers under the Recognised Seasonal Employer (RSE) scheme. The data were required for the *RSE Remittance Pilot Project* that was jointly funded by the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Foreign Affairs and Trade (MFAT). Details of the surveys conducted as part of this project in the Hawke's Bay (Samoans and Tongans), the Bay of Plenty (Ni-Vanuatu) and Marlborough (Ni-Vanuatu) can be found in Bedford and Bedford (2017, 2016); Gounder (2015) and MBIE (2015).

This report contains a summary of the key findings from a comprehensive statistical analysis of the data relating to earnings, deductions and remittances in the *RSE Remittance Pilot Project*. The detailed statistical information on which the summary is based can be found in Bedford and Bedford (2017, 2016) as well as in a series of "Orchard Reports" prepared for the four major employers of the Samoans and Tongans surveyed in 2014/15 and the three employers of the Ni-Vanuatu workers surveyed in 2016.

The Orchard Reports and the two substantive Statistical Analysis Reports are listed at the end of the Executive Summary. They can be obtained from Diana Loughnan in MBIE's Pacifica Labour and Skills Team. They cover the earnings and remittances of Samoans and Tongans employed by Apollo Apples (Turners and Growers), Johnny Appleseed, Mr Apple, and Taylor Corporation in the Hawke's Bay as well as Ni-Vanuatu employed by Baygold and Eastpack in the Bay of Plenty, and Seasonal Solutions in Marlborough.

In the preparation of this Executive Summary we acknowledge the assistance received from George Rarere and Diana Loughnan in the Pacifica Labour and Skills Team, Immigration New Zealand. The diagrams were prepared by Max Oulton, cartographer in the School of Social Sciences at the University of Waikato. The conclusions and suggestions for further research on the costs to Pacific workers of participation in the RSE scheme are those of the authors.

Richard and Charlotte Bedford
February 2017

1. INTRODUCTION

The Executive Summary is presented in five sections:

- High-level summary and conclusions
- Key findings relating to incomes
- Key findings relating to remittances
- Key findings relating to the impact of work experience on incomes and remittances
- Key findings relating to the impact of age and marital status on incomes and remittances

The first section contains a summary of the key findings relating to incomes and remittances that have emerged from the statistical analysis. It can be read as a stand-alone text.

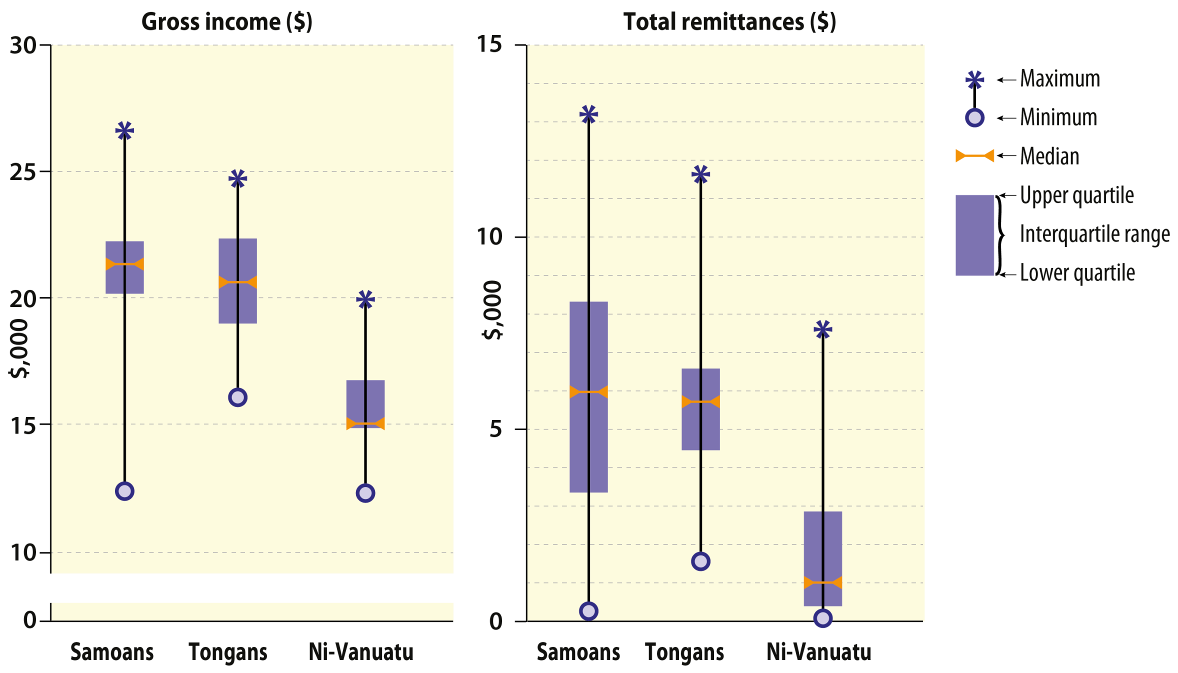
Summaries relating to incomes and remittances

Sections 2-5 contain short, bullet-point summaries of key findings from each of the substantive sections in the Statistical Analysis Reports, illustrated by a series of diagrams that provide a visual representation of seven statistics measuring characteristics of incomes and remittances. The seven statistics are:

1) The maximum value (shown by a “star” symbol): the maximum amount earned or remitted by a worker
2) The minimum value (shown by a “circle” symbol); the minimum amount earned or remitted by a worker)
3) The range of values (shown by the “line” joining the star and circle): the difference between the maximum and the minimum values.
4) The median value (shown by the “orange bar”): the amount which divides the distribution of worker incomes in half (50% of the workers earned or remitted above this amount and 50% earned or remitted below this amount).
5) The interquartile range (the “shaded box”): the incomes or remittances for the 50% of workers whose amounts were between the lines at the top (upper quartile) and bottom (lower quartile) of the box.
6) The upper quartile (the upper border of the box): the amount that divides the top 25% of incomes or remittances from the remaining 75% of incomes or remittances which were smaller.
7) The lower quartile (the lower border of the box): the amount that divides the bottom 25% of incomes or remittances from the remaining 75% of incomes or remittances which were larger.

Two examples of these diagrams, relating to the gross or total amounts earned, and total amounts remitted by the Samoans, Tongans and Ni-Vanuatu included in the *RSE Remittance Pilot Project,* are given in Figure 1 below. The columns containing the statistics on gross incomes and total remittances are for workers employed for 21-22 weeks in each of the groups.[1] They provide graphic evidence of the similarities and differences between the groups, as well as evidence of the *variability* in incomes and remittances within the three groups.

Figure 1: Measures of incomes and remittances for Samoan, Tongan and Ni-Vanuatu RSE workers employed for 21/22 weeks in 2014/15 and 2016



<u>An important caveat</u>

The findings from the *RSE Remittance Pilot Project* cannot be considered representative of the total Samoan, Tongan and Ni-Vanuatu seasonal workforces employed in New Zealand 2014/15 and 2016. The workers who provided the information are not a random sample of all workers from the three countries. The findings relate to the specific groups of workers interviewed and should not be generalized across all Samoans, Tongans and Ni-Vanuatu RSE workers.

[1] The analysis of actual amounts earned and remitted by Samoan, Tongan and Ni-Vanuatu seasonal workers included in the *RSE Remittance Pilot Project* is restricted to those who worked for the same period, namely 21-22 weeks. The numbers of workers who met this criterion were: 100 Samoans, 66 Tongans and 77 Ni-Vanuatu. Where the analysis does not refer to total incomes or remittances, but rather weekly averages or percentages, the larger populations of workers who were employed for between 18 and 30 weeks are used: 264 Samoans, 223 Tongans and 142 Ni-Vanuatu. See Bedford and Bedford (2017, 2016) for more detailed explanations of the different populations used in the analysis.

2. HIGH-LEVEL SUMMARY AND CONCLUSIONS

This section summarises some of the high-level conclusions that can be drawn from the survey findings, especially conclusions that have relevance for how the economic benefits of participation in seasonal employment by Pacific Island workers and their families are described and can be better understood.

- The RSE scheme is frequently described in terms of triple wins: a win for employers, a win for the workers and a win for the communities the workers come from.
- The *RSE Remittance Pilot Project* was designed to provide a better evidence base relating to the "win" for workers – the incomes they earned while working in New Zealand and the remittances these incomes enabled them to transfer back to the islands via money-transfer agents.

<u>Gross incomes</u>

The data collected in the *RSE Remittance Pilot Project* confirm the comparatively high gross incomes RSE workers can earn during five to seven months of seasonal work in New Zealand. This is especially the case if they are working on contract or piece rates and the season is a productive one where commencement of work is not delayed by weather or other factors beyond the control of the seasonal worker.

- An example of the impact of a delayed start on gross incomes was found in the groups of Ni-Vanuatu employed by Baygold and Eastpack who had to wait at least a fortnight after arrival for the sugar content of the kiwifruit they had been recruited to pick to reach the required level. Their gross incomes were lower than those for the Ni-Vanuatu employed for a comparable period working on vineyards in the South Island.
- The gross incomes earned over a 21-22 week period by Samoans and Tongans thinning and picking apples in the Hawke's Bay in 2014/15 were considerably larger than those for the Ni-Vanuatu working for similar periods during 2016 in kiwifruit orchards in the Bay of Plenty and vineyards in Marlborough. The median incomes for the three groups were: $21,350 (Samoans), $20,611 (Tongans) and $15,058 (Ni-Vanuatu).

The various statistics for incomes for the apple-picking Samoans and Tongans in the Hawke's Bay in 2014/15 had a lot of similarities (see next section). Statistics for the incomes earned by Ni-Vanuatu picking kiwifruit in the Bay of Plenty or pruning grape vines in Marlborough were very different.

- It is not possible to provide a clear, evidence-based explanation for the differences in gross incomes between the three groups of workers. There are likely to be differences linked with the kind of crop being picked but this cannot be tested objectively with the data collected. In 2016 many kiwifruit growers, including Baygold, were still rebuilding their production of a new variety of fruit after the devastating impact of *Pseudomonas syringae pv. actinidiae* (Psa), a bacterial disease of kiwifruit vines.

- Some of the difference between the incomes earned by the Samoans and Tongans in 2014/15, and the Ni-Vanuatu in 2016 may also be accounted for by the season – the 2014/15 season was a particularly good one for Hawke's Bay apple growers.
- It would be interesting to compare gross incomes for Samoans, Tongans and Ni-Vanuatu, employed for similar periods and being paid contract rates to do similar tasks on orchards growing the same crops, in the same season.

Remittances

While differences in gross incomes are of interest, of more relevance for the *RSE Remittance Pilot Project* are the differential impacts of remittance transfers on incomes.

- The primary objective of the *RSE Remittance Pilot Project* was to obtain data on actual remittance transfers – the amounts sent home by seasonal workers and the frequency of their remitting.
- One of the major findings is the much *lower* incidence of remitting by Ni-Vanuatu workers by comparison with Samoans and Tongans. The median amounts remitted by Samoans ($5,939) and Tongans ($5,737) over 21-22 weeks were five times the median amount remitted by Ni-Vanuatu ($1,050) employed for a similar period.
- The total numbers of remittance transfers made by the 99 Samoans (798, or 8 per worker on average) and 60 Tongans (776, 13 per worker on average) were over four times larger than the number of transfers made by the 67 Ni-Vanuatu (171, 2.5 per worker on average) during the 21-22 weeks.
- Whereas Samoans and Tongans sent home money on at least 50 percent of the weeks they were employed, Ni-Vanuatu workers, on average, were only remitting on 15 percent of the available weeks.
- Samoans and Tongans were remitting, on average, the equivalent of 30 percent or more of their gross incomes, while Ni-Vanuatu workers were remitting, on average, 13 percent.
- For the Samoan and Tongan RSE workers, the impact of making regular remittance transfers while working, both on their disposable incomes in New Zealand as well as on their bank accounts and families in the islands, was therefore very different from the impact of remittances on Ni-Vanuatu disposable incomes in New Zealand and on their accounts and families in the islands.

Transfer costs for remittances

Remitting small sums of money regularly to families in the Pacific is not cheap. There have been attempts to reduce these costs and the most effective way a worker can do this is to make periodic large transfers of money, rather than regular small transfers. Some information on different patterns of remitting is available from the *RSE Remittance Pilot Project* surveys.

- Information was collected on the fees charged for transferring each remittance made by the Ni-Vanuatu workers in 2016. Nearly all sent their remittances via Western Union, the major agency used by Pacific Islanders working in New Zealand to transfer funds to the islands. In 2016 Western Union was charging the same transfer fee for remittances up to $500 in value ($20 per transfer). Between $501 and $1,000 the fee was $25, while for remittances between $1,001 and $3000 the fee was $35.

- The great majority (84 percent) of individual remittance transfers by Ni-Vanuatu workers employed for 21-22 weeks were for $500 or less. There were, however, a number of transactions of over $500, and these transactions accounted for more than half of the total amount of money sent to Vanuatu. Almost a third of the total sent home was in transfers of more than $1,000 each.
- With regards to the Samoan and Tongan workers employed for 21-22 weeks in the 2014/15 survey, around 70 percent of the total amount of money sent home was in transfers of $500 or less. Under 10 percent of the money remitted by these Samoans and Tongans was in transfers of over $1,000.
- The average value of the transfers made by workers in the three groups was very similar: $324 (Samoans), $326 (Tongans) and $359 (Ni-Vanuatu). Given these statistics, a very high share of the total cost of transfers is spent on remittances of $500 or less – 85 percent (Samoans); 80 percent (Tongans) and 79 percent (Ni-Vanuatu).

<u>Residual incomes</u>

One way of illustrating the impact of different remittance behaviours and patterns was to deduct the totals sent home by each worker from their net incomes (after tax and standard deductions for transport, insurance and accommodation which workers had no choice about paying).

- The totals paid over 21-22 weeks in tax and standard deductions were similar for the three groups of workers. For example, the median standard deductions were: Samoans $6,145; Tongans $6,241; Ni-Vanuatu $5,934.
- After these deductions are removed from the gross incomes earned by the workers, and all the remittances they sent home during their period of employment are accounted for, a "residual income" is left.
- The "residual income" is the hypothetical total amount of money workers had at their disposal to spend on food and other discretionary items (including savings and goods to take home with them).
- The median total residual incomes for the three groups were very similar: $8,877 (Samoans); $8,507 (Tongans) and $8,524 (Ni-Vanuatu). The higher gross incomes that the Samoans and Tongans had earned had been reduced by their greater propensity to remit. Their residual incomes were similar to those for the Ni-Vanuatu.

When hypothetical weekly average residual incomes are obtained by dividing a worker's total residual income by the number of weeks he worked it becomes apparent that there is a wide range of "disposable incomes" to cover living costs in New Zealand. These are discussed further when summarising key findings relating to the impact of work experience on earnings and remittances. But the following general points can be noted here with regard to hypothetical weekly residual incomes:

- The median "average weekly disposable income" for the 163 Tongan workers ($232) who were employed for between 18 and 30 weeks was much lower than the median for Samoans ($331) or Ni-Vanuatu ($406). This indicates that half of the Tongans had, on average, less that $40 a day to cover all their discretionary expenditure, including savings and purchase of goods to take home with them.
- None of the Tongans had average weekly residual incomes of $490 or more ($70 or more a day) while 27 percent of the Ni-Vanuatu and 16 percent of the Samoans were in this residual income category. Almost 70 percent of Ni-Vanuatu had residual incomes equivalent to $50 a day or more (≥$350 a week) compared with 42 percent of the Samoans and 16 percent of the Tongans.
- At the other end of the scale, fewer than 6 percent of the Ni-Vanuatu workers had average weekly residual incomes of less than the equivalent of $30 a day (under $210 a week), compared with 13 percent of Samoans and 40 percent of Tongans.

The relevance of this indicator of average disposable incomes for the discussion of the "wins" for seasonal workers and their families and communities in the islands is that it highlights very clearly the impact of different remittance patterns on funding available to support workers in New Zealand and their kin in the islands.

- There is much more *variability* between workers as well as between groups in both their disposable incomes and the sums they remit to the islands than has been acknowledged in the literature before.
- Providing a reasonably robust data base to generate this better understanding of the impact of different remitting behaviours between groups of Pacific workers, as well as within groups by experience of seasonal work, age and marital status, is one of the major contributions of the *RSE Remittance Pilot Project*.

<u>Impact of seasonal work experience, age and marital status</u>
The data on incomes, deductions and remittances were accompanied by information on each worker's years of seasonal work experience, age group and marital status. The numbers of workers in the different categories of these "profile variables" are summarised in Appendix 1 in Bedford and Bedford (2017). The profile data allowed for a descriptive analysis of some relationships between incomes and remittances on the one hand and profile variable categories on the other. Four high-level conclusions emerge from the analysis

- Average weekly gross incomes for seasonal workers begin to plateau and sometimes decline after four or more seasons of work in New Zealand suggesting that from the point of view of productivity (as measured by incomes generated while on contract rates) there is not a great deal to be gained from bringing back the same workers in successive seasons beyond the fourth or fifth season.

- Older workers and workers who are married remit more frequently and send home larger aggregate sums than younger workers, and those who are single. This suggests that if remittances are considered to be a major "win" from participation in the RSE for families and communities in the islands then a focus on younger, single workers at the expense of older ones may not necessarily be the most desirable strategy for promoting development outcomes from the scheme.[2]
- While there is no consistent relationship between age group and marital status on the one hand, and average weekly gross incomes on the other, once remittances are taken into account, younger, single workers tend to have higher residual incomes than older, married ones and this may give them more flexibility when addressing the demands on their incomes while living in New Zealand.
- Because of a higher than expected incidence of average weekly residual incomes that equated to less than $30 a day being available to cover discretionary living costs in New Zealand, especially among the married and older Tongan workers, it is suggested that further research is carried out on the actual living costs for Pacific seasonal workers in New Zealand.

It is widely known that there is considerable interest among governments of many of the Pacific Forum countries in increasing their citizens' access to work in New Zealand and Australia. A long-debated Labour Mobility Arrangement, that sits outside the PACER Plus Agreement, is testimony to this interest. In light of this interest, and the expectations that Pacific workers have of their earnings and remittances when working in New Zealand and Australia, it is essential that good data on these are collected and analysed.

The *RSE Remittance Pilot Project* collected some excellent data on earnings and remittances and our Statistical Analysis and Orchard Reports have uncovered some dimensions of earnings and remittances of Pacific seasonal workers in New Zealand that have previously not been explored systematically. In the next four sections, some simple diagrams are used to illustrate key findings from our analyses of the incomes earned and remittance transfers made by Samoans, Tongans and Ni-Vanuatu who were included in the *RSE Remittance Pilot Project*.

[2] Nevertheless, if the social impacts on island-based families of participation in seasonal work are to be taken into account, then recruiting younger, single workers may be preferable to employing older, married workers with children.

3. KEY FINDINGS RELATING TO INCOMES

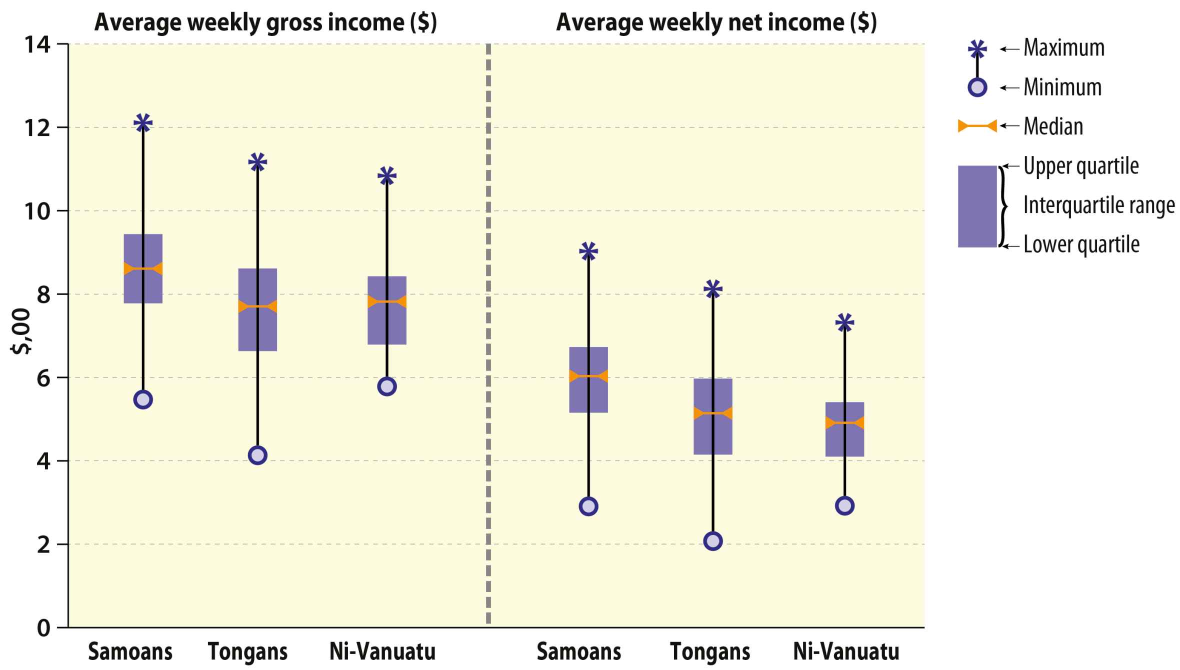
Three measures of the income earned by RSE workers can be obtained from the earnings and remittance pilot surveys:

- Gross income (total amount earned during the period of employment)
- Net income (gross income minus tax and deductions for transport, accommodation and medical insurance – costs that are standard charges for all RSE workers)
- Residual income (net income minus remittances during the period of employment).

In this section the data we use for each measure of income are weekly averages – the total/net/residual income divided by the number of weeks the worker was employed. By using weekly averages rather than aggregate incomes for the whole period of employment we can draw on the larger survey population which includes people who worked for longer than 22 weeks.

The statistics referred to in this section relate to 142 Ni-Vanuatu employed over periods of 18-22 weeks and 264 Samoans and 223 Tongans employed for between 18 and 30 weeks. The comparative statistics for average weekly gross and net incomes for Samoans, Tongans and Ni-Vanuatu are shown in Figure 2.

Figure 2: Average weekly gross and net incomes for Samoan, Tongan and Ni-Vanuatu RSE workers employed for between 18 and 30 weeks in 2014/15 and 2016



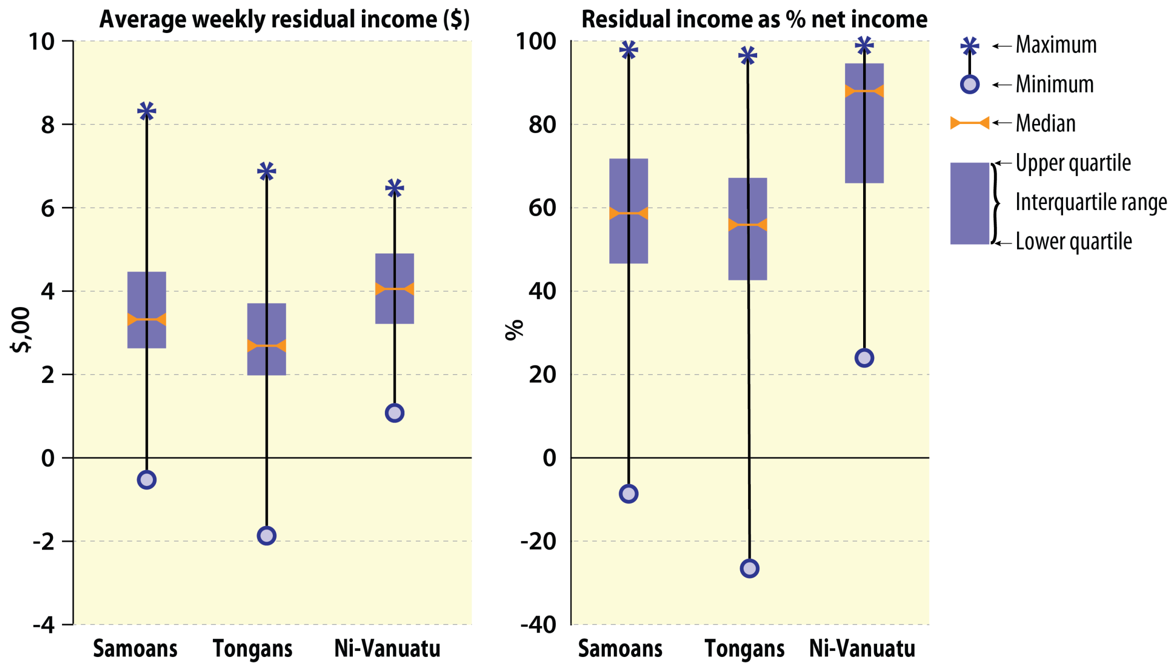
- The differences in average weekly gross incomes between the Ni-Vanuatu, on the one hand, and the Tongans and Samoans on the other are much smaller in Figure 2 than in the graphs used for total gross incomes in Figure 1. The reason for this is that the populations being compared in the two graphs are not the same. The comparison of total gross incomes in Figure 1 is restricted to those workers employed for 21/22 weeks whereas in Figure 2 the comparison of average weekly incomes is between larger groups employed for between 18 and 30 weeks.

- The 264 Samoans had the largest maximum, median, upper and lower quartile incomes of the three groups, with the 223 Tongans following in terms of maximum, and upper quartile incomes, while the 142 Ni-Vanuatu had the highest minimum income of all three groups, and higher median and lower quartile incomes than the Tongans.
- Once deductions are taken into account the various measures of average weekly net incomes (maximum, minimum etc.) were reduced by between $250 and $300 a week. The differences between the three groups in average weekly net incomes remained similar to those found between the average weekly gross incomes for the groups (Figure 2).

<u>Residual incomes</u>

When remittances are also taken into account, the pattern of what we have termed "residual incomes" changes. Rather than the Samoans and Tongans having the highest statistics for residual incomes, the Ni-Vanuatu have the highest median and upper and lower quartiles reflecting the larger total amounts remitted by Samoans and Tongans (Figure 3).

Figure 3: Average weekly residual incomes and residual income as a percentage of net income for Samoan, Tongan and Ni-Vanuatu workers employed for between 18 and 30 weeks, 2014/15 and 2016



- The Tongans had the smallest median, upper and lower quartile measures of residual income because their remittances had the largest impact on net incomes. While the median residual income for Ni-Vanuatu was just over $400 per week on average (or $58 per day for a seven-day week), the median residual income for Tongans averaged $270 per week (or just under $39 per day) for expenditure on food, telephone costs, entertainment and purchases of goods to carry home. For 25 percent of the Tongans the average daily residual income was $28 or less (Figure 3).
- Once deductions and remittances are taken into account, some workers from Samoa, Tonga and Vanuatu have little money available to cover their basic living expenses while in New Zealand. Indeed, as Figure 3 shows, for a small number of Samoans and Tongans their remittances and deductions exceeded their gross incomes. This must have implications for their diets, their health and their well-being.
- There is more variation within the seasonal worker populations in terms of their earnings and patterns of remitting than is generally understood. This needs to be more widely acknowledged and assessed with reference to the real costs of participating in New Zealand's "best practice" seasonal work scheme.

4. KEY FINDINGS RELATING TO REMITTANCES

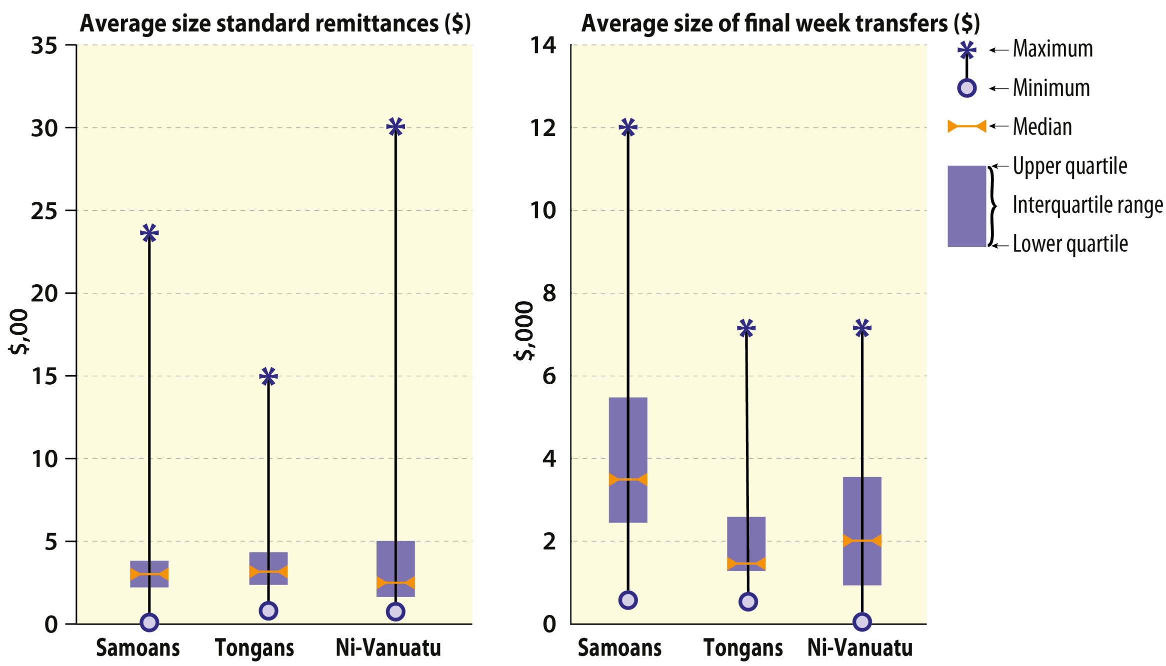
Some of the key findings relating to the remittances of the 99 Samoans, 60 Tongans and 67 Ni-Vanuatu who were employed for 21/22 weeks, and who remitted money back to the islands during these weeks, have been summarised in section 2 above.

In this section we examine some statistics relating to the remittance behaviour of the larger populations who were employed for between 18-30 weeks; the 262 Samoans, 221 Tongans and 112 Ni-Vanuatu who actually sent money home while working in New Zealand.

- It has already been noted that the groups of Samoan and Tongan workers employed on apple orchards in 2014/15 remitted more frequently than the Ni-Vanuatu groups employed picking kiwifruit in the Bay of Plenty or pruning grape vines in Marlborough in 2016;
- When data for the larger numbers of Samoan, Tongan and Ni-Vanuatu workers who remitted money home are compared, the Tongans had the highest percentage (56) of working weeks they remitted compared with 45 percent for Samoans and 11 percent for Ni-Vanuatu.
- There was considerable variability in the sizes of the standard individual remittance transfers during the time workers were employed (excluding transfers of savings and holiday pay in the last week). This was especially the case for the Ni-Vanuatu where the interquartile range ($340) was much greater than the median value for standard remittances ($250) (Figure 4). The greatest consistency was among the Samoans (median $306; interquartile range $154).

- Much larger remittances than average in the final week of employment were common, especially among the Samoans. Not all workers sent home remittances in the last week but the median amount for Samoans who did was $3,550 compared with $1,460 for Tongans and $2,000 for the Ni-Vanuatu (Figure 4).
- Of the total remitted by the 112 Ni-Vanuatu 44 percent was sent home in the final week compared with 43 percent of the total sent by the 262 Samoans and 23 percent for the 222 Tongans.

Figure 4: Average sizes of standard and final remittance transfers by Samoan, Tongan and Ni-Vanuatu workers employed for between 18 and 30 weeks, 2014/15 and 2016



In addition to remittances of money, many workers book space in containers to carry goods purchased in New Zealand back to the islands (remittances "in kind") and most carry some of their earnings home as cash.

- Information on investment in container space was obtained from 30 Ni-Vanuatu who paid $11,590 to reserve such space in containers arranged by Eastpack. This was the equivalent of almost a third of the total ($39,705) remitted by the 52 workers at Eastpack who participated in the survey.
- Information on "carry home" cash balances was obtained from 28 Ni-Vanuatu workers employed by Seasonal Solutions who, between them, withdrew $70,563 from their bank accounts in the last week they were in New Zealand, remitted 36 percent of this ($25,880) during that week, and departed for Vanuatu with the remaining 64 percent ($44,683) as cash in hand.

- The ability to remit money back to the islands while working in New Zealand is clearly a major reason for many workers from Tonga, Samoa and Vanuatu seeking seasonal employment overseas. Nevertheless, there is considerable variation between individual workers as well as between groups of Pacific seasonal workers in the extent to which they send money home on a regular basis while they are working. Variability, rather than consistency is a hallmark of remittance behaviour, especially for the Ni-Vanuatu workers.

5. THE IMPACT OF WORK EXPERIENCE ON INCOMES AND REMITTANCES

Two questions are addressed in this section: 1) does increasing experience of seasonal work over successive seasons result in increasing weekly average incomes for workers, and 2) does increasing experience of seasonal work have any impact on the frequency of remitting or the amounts of money remitted, on average, each week?

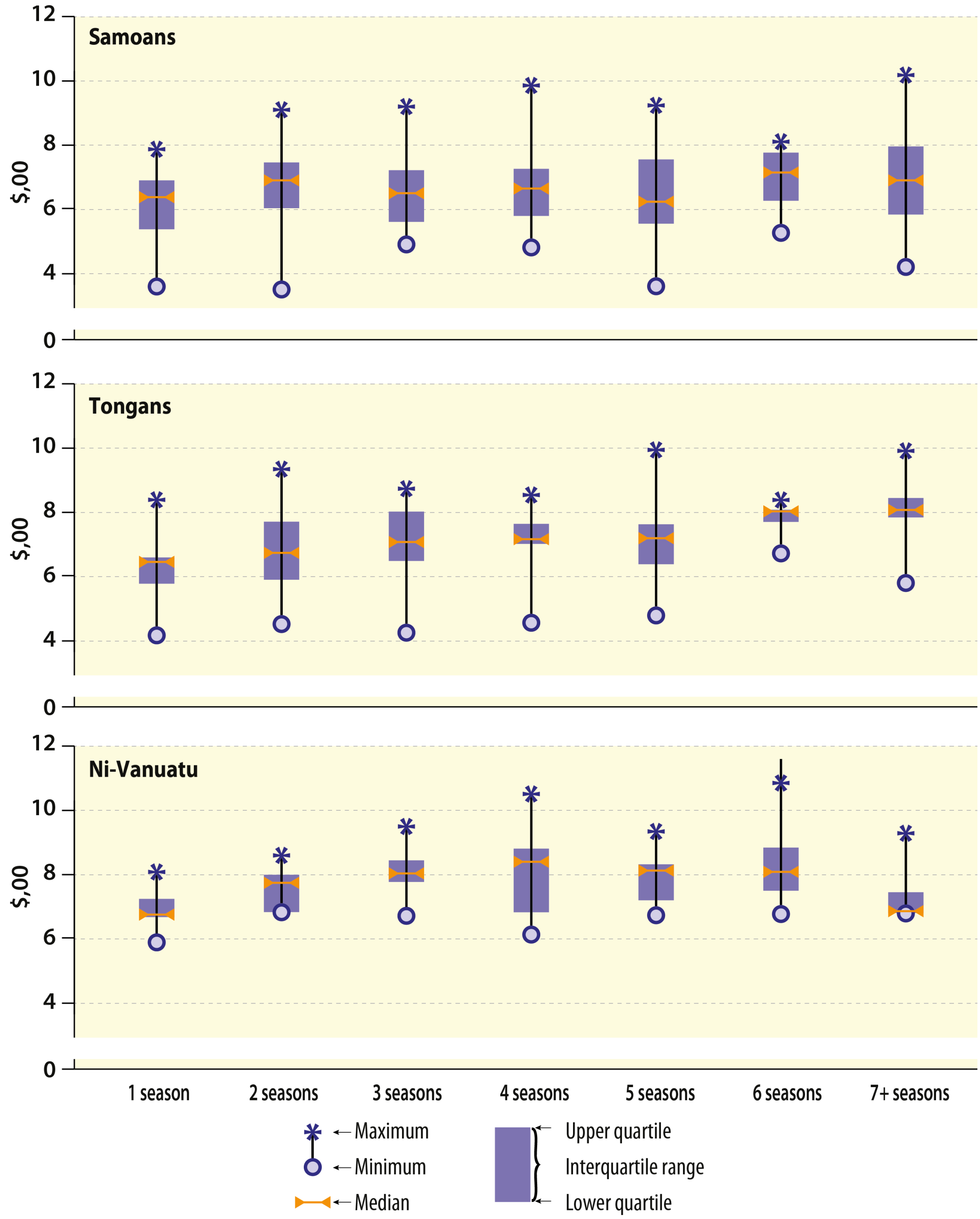
The data used in the analysis are weekly averages – the total incomes or remittances divided by the number of weeks the worker was employed or, for remittances, made transfers of funds to the islands. This allows us to draw on the larger survey populations and in this section we compare information obtained from 142 Ni-Vanuatu employed over periods of 18-22 weeks with information collected from 264 Samoans and 163 Tongans employed for between 22 and 30 weeks. The seasons of work experience for the different groups are detailed in Appendix 1a of Bedford and Bedford (2017).

It is important to appreciate that the weekly averages used are not real earnings or remittances; they are the total earnings and remittances distributed evenly over the periods of work. In this sense, they are more like comparative indices and should not be treated as measures of actual weekly incomes or remittances. This does not diminish their value for analytical purposes: the objective is to see how the different groups compare on comparable measures of income and remittances and these weekly averages are such measures.

<u>Incomes and work experience</u>
The key findings on the relationship between average weekly incomes and experience as seasonal workers are summarised in Figure 5.

- The median gross incomes (the orange line in Figure 5) for Samoan workers in their first, second and, for Tongans and Ni-Vanuatu, their third season of work increased progressively with experience.

Figure 5: Average weekly gross incomes by seasonal work experience for Samoan, Tongan and Ni-Vanuatu workers employed for between 18 and 30 weeks, 2014/15 and 2016



- Experience gained in previous seasons as pickers, pruners or packers is one of the key factors motivating employers to encourage many of their best Pacific workers to keep coming back to New Zealand to assist with key tasks during periods of peak labour demand. This enables employers to capitalise on the training their workers have had and to build up a skilled and reliable pool of labour to ensure crops can be harvested and packed efficiently and trees and vines pruned in a timely way for the next season.
- Returning workers capitalise on their previous experience to gain higher incomes, especially when employed on piece or contract rates. There is reasonably clear

evidence in the data on average gross weekly incomes of increases in earnings with experience, at least for the first three or four seasons.

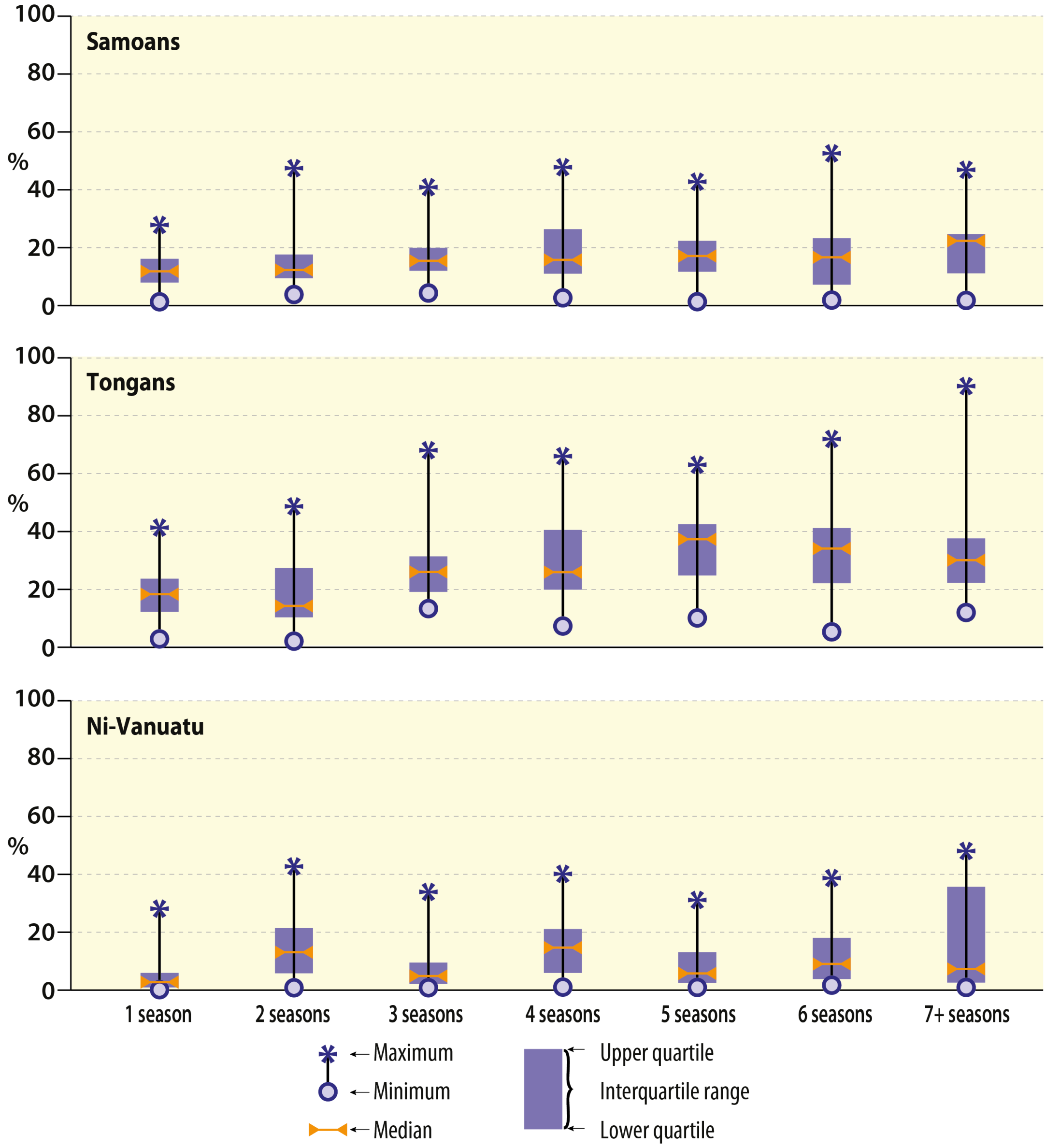
- The evidence is less clear about continuing increases in gross incomes for those returning for their fourth or fifth seasons in the data shown in Figure 5. There is a tendency for median incomes to plateau or even decline (see, for example the lower median incomes for fifth season Samoan and Ni-Vanuatu workers, compared with the median incomes for their fourth season counterparts) (Figure 5).
- Some of the most experienced Samoan and Tongan workers do have the highest median incomes and these sometimes reflect payment of extra allowances if they assume significant pastoral care or supervisory duties. However, higher gross incomes for workers in their seventh or more years are not always evident – the median income for this group of Ni-Vanuatu workers is one of the lowest shown in Figure 5.
- There were different mixes of experience among the Samoan, Tongan and Ni-Vanuatu groups covered by the 2014/15 and 2016 surveys (see Appendix 1a, Bedford and Bedford, 2017). In all cases, however, no more than 31 percent of the workers were in their fifth or more seasons of employment under the RSE scheme. The Ni-Vanuatu had the smallest share of first season workers (13 percent) compared with 20 percent each for the Samoans and Tongans, and in all groups between 38 and 40 percent of the workers were in their second or third seasons.
- Return workers dominate in the RSE workforce but only 8 (1.4 percent) of the 657 Samoans, Tongans and Ni-Vanuatu who provided information on their work experience in the *RSE Remittance Pilot Project* were back for their ninth consecutive season.

<u>Remittances and work experience</u>

The key findings relating to remittances by seasons of work experience are summarised in Figure 6. Here the total remittances (including any final transfers) sent home by workers are expressed as percentages of their respective gross incomes. The data refer only to those workers who remitted money during their time of employment in 2014/15 or 2016 – 262 Samoans, 162 Tongans and 122 Ni-Vanuatu.

- The biggest remitters in terms of shares of their gross incomes that were sent home while they were working were the more experienced workers. The highest median percentages of incomes sent home were recorded for Samoans in their seventh or more season of work (22 percent), the Tongans in their fifth season (37 percent) and the Ni-Vanuatu in their fourth season (15 percent) (Figure 6).

Figure 6: Percentage of gross income remitted by seasonal work experience for Samoan, Tongan and Ni-Vanuatu workers employed for between 18 and 30 weeks, 2014/15 and 2016



- The Tongans consistently sent home higher shares of their gross incomes at every year of work experience, than the Samoans or Ni-Vanuatu. This was the case for all of the key measures: maximum, upper quartile, median and lower quartile. The top 25 percent of Tongans (upper quartile) who had worked for four or more seasons were all sending home more than 40 percent of their gross incomes, while the lower quartile were sending up to 20 percent of their incomes home (Figure 6).
- As noted earlier, the Ni-Vanuatu were remitting significantly smaller shares of their gross incomes than Samoans and Tongans and none of the workers in the lower 25 percent of remitters by years of work experience sent home more than six percent of their gross income.
- Variations in remittances, both within groups of workers in the different experience categories, as well as between groups from the three countries, were much more

obvious than similarities. It is not appropriate to generalise much about either the amounts remitted, or the frequency of remitting by Pacific seasonal workers; there are significant differences within and between groups from the different island countries.

Different patterns of remitting obviously have major impacts on disposable incomes for seasonal workers and, while remittance patterns are very much personal choices, there is no question that regular transfers of earnings back to the islands can have quite profound implications for material living standards of remitters in New Zealand.

The data on residual incomes that were generated from the information collected in the *RSE Remittance Pilot Project* suggest that a more comprehensive assessment of the actual living costs for workers during their periods of employment would be useful, especially for those groups that are sending back significant shares of their weekly or fortnightly net incomes as remittances.

Most of the Ni-Vanuatu workers who provided information on their remittance transfers in 2016 were not able to send money home during the first few weeks they were in New Zealand, mainly because they were repaying their half share of the airfare as well as loans from employers for accommodation and living expenses while they got into their jobs. Delays in getting into productive work after arriving in New Zealand because of a late start to the season or inclement weather can be quite costly for workers. They have to borrow from employers to cover their living costs until productive work commences. Better information on actual living costs for seasonal workers would complement the much better data the *RSE Remittance Pilot Project* has produced on incomes and remittances.

6. THE IMPACT OF AGE AND MARITAL STATUS ON INCOMES AND REMITTANCES

Two other variables that were of interest in the context of earnings and remittances were age and marital status. The key questions addressed using the survey data on these variables are: 1) are younger adult workers more productive than the older workers, given the demands of the quite strenuous outdoor tasks associated with picking fruit and pruning trees and vines, and 2) are married men earning and remitting more than single men given the family commitments many of the former have?

These questions about productivity (as measured by gross incomes earned on contract or piece rates) and remittances have relevance for one of the development-oriented goals of the RSE scheme – to provide younger, rural-based Pacific Islanders with access to temporary work in New Zealand as a way of providing income to support their social and economic development back in their villages.

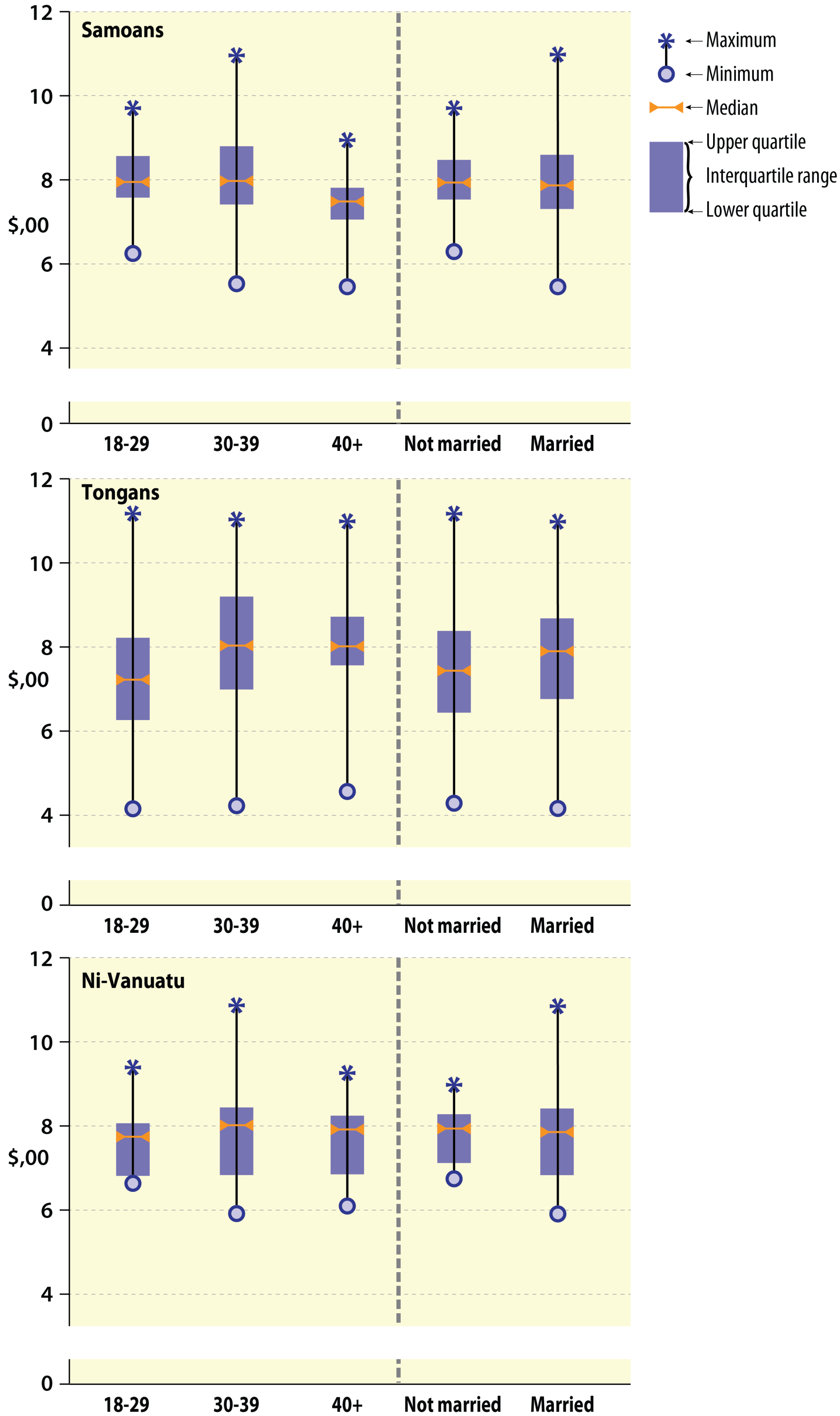
As with the analysis of the relationship between experience of seasonal work on the one hand and earnings and remittances on the other, measures of average weekly incomes and remittances are used in this section. The groups involved are summarised in Appendix 1b where it can be seen that there are 142 Ni-Vanuatu, 164 Samoans and 220 Tongans for whom we have information on their age group (18-29 years, 30-39 years or 40 years and over) and their marital status (single or married/partnership).

<u>Income and age and marital status</u>

There are no clear relationships between age and average weekly gross income on the one hand, or marital status and average weekly income on the other (Figure 7).

- The differences between the median average weekly gross incomes by age group for the Samoans, Tongans and Ni-Vanuatu were all small. In the case of the Samoans the older workers (40 years and over) had a median weekly gross income that was $45-$47 (5 percent) less than the medians for the other two age groups. In the case of the Tongans and Ni-Vanuatu the younger workers (18-29 years) were earning less than those in the other two age groups (Figure 7).
- The differences between median average weekly gross incomes for workers in particular age groups across the three source countries were also very small – none exceeded $55. This was one case where similarities rather than differences between groups were the order of the day, even for maximum and upper quartile average weekly gross incomes.
- The strongest relationships between income and age group are found for residual incomes – the balance of earnings after tax, orchard deductions and remittances are accounted for. These relationships reflect differences in patterns of remitting more than differences in earnings per se. Younger workers tend to have higher residual incomes than older workers because older workers tend to remit more frequently and send home greater shares of their gross earnings while working in New Zealand.
- A similar situation exists with regard to the relationship between average weekly gross income and marital status – there are no consistent patterns. Non-married Samoans and Ni-Vanuatu had slightly higher median average weekly gross incomes than married workers, but the reverse was true for Tongans.

Figure 7: Average weekly gross incomes by age group and marital status for Samoan, Tongan and Ni-Vanuatu workers employed for between 18 and 30 weeks, 2014/15 and 2016



- Differences between workers with the same marital status in the different source country groups were also small – again less than $50 in their median average weekly gross incomes (Figure 7).
- As with age, there are stronger relationships between marital status and income when residual incomes are considered. Single workers in all three groups had higher residual incomes than married workers, reflecting the higher frequency and value of remittances while working by the latter.
- These differences were most marked for Tongans, and only 36 percent of their married workers had average weekly residual incomes of $280 or more (an average of $40 per day), compared with 50 percent of Samoans and 81 percent of Ni-Vanuatu. Older, married Tongans were consistently the group that had the lowest residual incomes, the greatest frequency of remitting and the largest shares of their gross incomes heading back to the islands.

<u>Remittances and age and marital status</u>

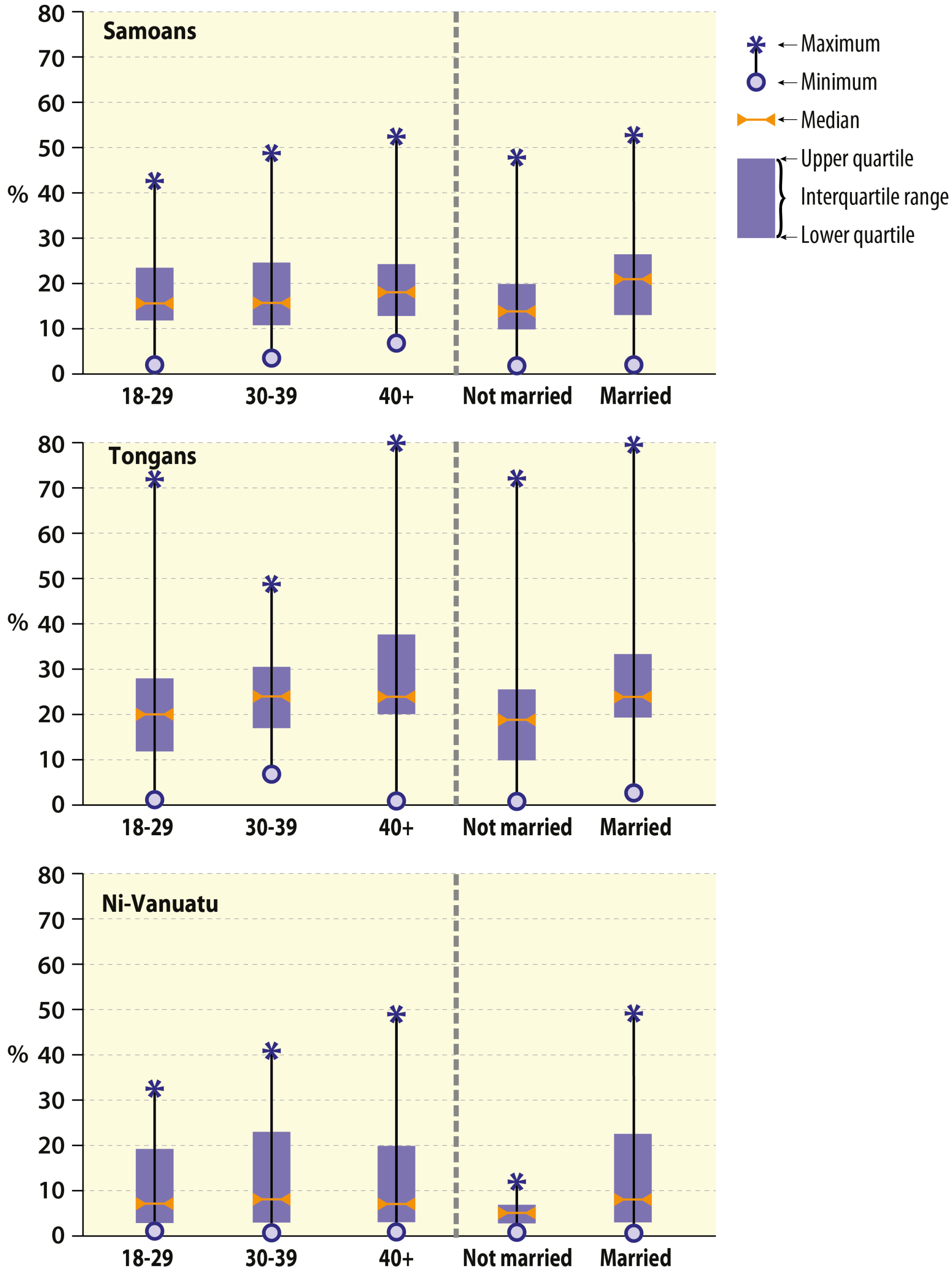
The clearer relationship between remittances and the two demographic profile variables are evident in Figure 8, especially for Tongans.

- The younger workers in all three groups had lower median percentages for the shares of their gross incomes that were remitted while they were in New Zealand than the next age group (30-39 years) or, in the case of Samoans, the older age group (40 years and over) (Figure 8).
- Single workers in all three groups had lower medians for these remittance shares than the married workers.
- Older Tongan workers, and married Tongan workers, both had median remittance shares of 24 percent – higher than the shares remitted by older and married Samoans and Ni-Vanuatu. The upper quartiles for the shares of gross income remitted by both the older and the married Tongans exceeded 33 percent; in the case of Samoans these were between 24 and 27 percent and for Ni-Vanuatu between 20 and 23 percent.

These findings on the relationships between age and marital status on the one hand, and measures of income and remittances on the other, have relevance for the objectives relating to development impacts of seasonal work schemes in the Pacific. From the outset, the scheme prioritised the recruitment of younger, fit males for picking and pruning – tasks that involve extensive continuous physical activity for 8 to 10 hours a day.

Initially preference was given to single men on the grounds that their absences would be unlikely to cause as much disruption to family life as the absence of a husband or father. However, there was also a perception that single men might be more susceptible to breaching their visa conditions either through incidents arising from excessive alcohol consumption or by failing to return home at the end of the employment period. Some growers preferred to recruit married men because they had greater incentives in their family commitments to save rather than spend their wages and also greater incentives to go home to re-join their families when their work visas expired.

Figure 8: Percentage of gross income remitted by age group and marital status for Samoan, Tongan and Ni-Vanuatu workers employed for between 18 and 30 weeks, 2014/15 and 2016



There is quite a bit of variability in both the age and marital status composition of the groups of Samoan, Tongan and Ni-Vanuatu workers included in the *RSE Remittance Pilot Project* (see Appendix 1b in Bedford and Bedford, 2017). The 142 Ni-Vanuatu workers had higher shares in the two older age groups (77 percent) than the 164 Samoans (49 percent) and 222 Tongans (38 percent) for whom an age group was specified in the surveys. The youngest of the three workforces in the survey was the Tongan one with 62 percent aged between 18 and 29 years, and 53 percent in the not married category. This compares with 23 percent of Ni-Vanuatu aged 18-29 and 11 percent not married. The older Ni-Vanuatu worker population includes a much higher share of married men than the younger Tongan worker population.

Given there are differences by age group in gross incomes and in remittances, even if the relationships between age and these latter variables are not always consistent, age and marital status are important variables to keep in mind when evaluating the potential impact of the RSE scheme on families and their communities in the islands.

7. CONCLUDING COMMENT

The analysis of earnings, deductions and remittances for groups of workers from three Pacific countries, working in different regions and with different crops, has allowed for a more realistic assessment of some of the standard costs of participation in the RSE scheme as well as the practice of remitting funds back to the islands while Pacific workers are employed in New Zealand.   On the basis of information generated by the *RSE Remittance Pilot Project* it is clear that there is more variation within the seasonal worker populations in terms of their earnings and patterns of remitting than is generally understood.

There has not been a comprehensive cost-benefit analysis of participation in the scheme by Pacific workers, and this study does not fill this gap. But the brief analysis of residual incomes, especially those at the lower end of the range, suggests that it would be useful to get more comprehensive information on the actual costs of living in New Zealand for Pacific Islanders while undertaking seasonal work.

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<u>Statistical Analysis Summary Reports relating to the 2014/15 and the 2016 surveys</u>

Bedford, R.D. and Bedford, C.E. (2016). *RSE Earnings and Remittance Survey 2014/15. Samoans and Tongans Employed in the Hawke's Bay for 22-30 Weeks: A Statistical Summary*. Report by Bedford Consulting for the Ministry of Business, Innovation and Employment, Wellington, 38 pp.

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