This In Brief highlights research on the use of remittances from the Australian Seasonal Worker Programme (SWP) and the New Zealand Recognised Seasonal Employer scheme (RSE) for business investments in Pacific sending countries. These programs, which specifically recruit from Pacific Island Forum states and Timor-Leste, have an objective of encouraging economic development in the sending countries. It is believed the development gains are twofold: both through remittances that seasonal workers transfer to their households, and the skills that workers acquire during the course of their placement. Our research argues that remittances, as private household transfers, can have an especially positive impact on the local economy if these private monies are used to finance productive activities, such as business investments. Here we discuss evidence of business investments arising from remittances from ni-Vanuatu workers under the RSE and Tongan workers under the SWP.1

It is well documented that Pacific seasonal workers remit and return home with large sums of money. However, the popular view has been that this money is exclusively used for consumption. A World Bank (1993) study on Tonga indicated that large remittance inflows to the country have substantially increased consumption and resulted in ‘negative gross domestic savings’ (World Bank, cited in Connell and Brown 2005:30). Similarly, Prasad stated that ‘the strategy (or non-strategy) of depending on remittances provides crucial revenue and contributes to the balance of payments in small countries, but creates a consumption society, where productive economic activities hardly exist’ (Prasad 2003:63). Nevertheless, our research suggests that the use of remittances for business investments in Pacific sending countries may be greater than initially thought and the potential to increase these investments is also high.

Gibson and McKenzie’s (2014:241) study on RSE workers did not observe new businesses in a two-year period. We agree with this and argue that it is only after three seasons that workers look to invest in businesses. Bailey’s long-term research in Vanuatu revealed that 67% of research participants in the RSE established small businesses within three years of participation and recently her 10-year study showed this rose to 71%. It was also found that these businesses are not only established through monetary remittances but also material remittances (see Bailey 2015). Many of these businesses are being managed by kin and often still supplemented by RSE incomes. This continued funding was identified as a dominant theme in recent conversations with workers. Several ni-Vanuatu workers stated that they needed to continue in RSE in order to pay for the loans for their business vehicles. Similarly, in Tonga, Kautoke-Holani’s survey of 280 households involved in the SWP identified that 9.3% of the sample had used a percentage of their remittances for small business investments. The majority were in commercial agriculture (33%) and handicraft ventures (28%), while others purchased vehicles for taxi businesses. Another 11% operated small retail shops and the remaining households operated small-scale commercial fishing, tourism and real estate businesses. In terms of real estate, households used remittances from the RSE and SWP to build houses that were rented out for additional household income.

Kautoke-Holani’s (2017) research of Tongan SWP households found that the common factor amongst most of these entrepreneurial SWP households are the women involved. Most are wives of SWP workers: responsible for their households, and importantly, the management of the remittances from their husbands working in Australia. Interviews of a group of these women revealed that although they did not have high levels of education or business experience, they were adamant to find ways to improve the standard of living of their families and to provide a better future for their children. The SWP provided the opportunity for them to apply innovative efforts into other income-generating activities in order to improve their household livelihoods. The survey in Tonga identified that women used remittances from the SWP to start up small businesses such as tailor shops, credit facilities, home bakeries, flea-market stalls and real estate.
Some of these businesses have operated for more than 7–8 years and the continued remittances from the SWP have been used by the women to expand their business ventures. In the case of Vanuatu, Bailey’s (2015) study also found 32% of the wives and mothers of migrants interviewed started a business independently of their husband’s/son’s businesses. This suggests that women have a crucial role in investing remittances from labour mobility in small businesses.

This level of investment, however, masks the higher number of potential investors who are willing to invest their remittances but are limited by a number of barriers in the sending country. Kautoke-Holani’s (2017) research found that in addition to the 9.3% who had invested in small business ventures, another 45% were interested in investing but were unable due to a number of constraints. These included the lack of targeted financial products, small business development support services and skills development programs. Despite 59% of potential investors being interested in collective entrepreneurship such as community cooperatives, there are few targeted policies to encourage this type of entrepreneurship in Tonga.

These constraints highlight the need for targeted small business development support in sending countries. Bailey found a small number of groups operating in the Pacific, such as Vakameasina in New Zealand, which assist workers with entrepreneurial skills, including the provision of training for workers prior to participating and upon return. However, many have limited capacity in this space and most are run on a voluntary basis. Our research found that this support should not be limited only to seasonal workers but should also integrate their households and communities.

Another potential avenue for increasing business investments from labour mobility is through the Pacific diaspora in Australia and New Zealand. Kautoke-Holani’s (2017) research revealed that diaspora communities can facilitate investment and export, and can contribute to the growth of SWP households’ business activities. They can act as information providers between suppliers and the market; they can facilitate communication, particularly where there may be language barriers; and their personal networks could also help connect suppliers, for example in Tonga with markets in Australia. The sizeable Tongan diaspora in Australia suggests a substantial opportunity for diaspora networks to facilitate trade and household income diversification for SWP households, yet such programs are still lacking.

In conclusion, if the objectives of the RSE and SWP are to encourage economic development in Pacific sending countries, then the use of remittances for business investments warrants further investigation. Remittances from seasonal workers have been used for small business start-ups and expansions and are often managed by the households, particularly the women, while the workers are absent. Often workers are returning to the schemes to keep their businesses afloat financially. These investments may not happen automatically and many potential investors face a number of substantial barriers. Enhancing the effective use of remittances for business investment is dependent on a favourable investment environment as well as the availability of conducive policies and investment opportunities in sending countries. The outstanding challenge for the Pacific in this respect is to build strong institutions, develop relevant government policies to promote human capital development and facilitate investment and development.

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Endnote

1. These countries were selected mainly because they are the two main source countries for the RSE and SWP.

References


