How can developing country Governments facilitate international migration for poverty reduction?

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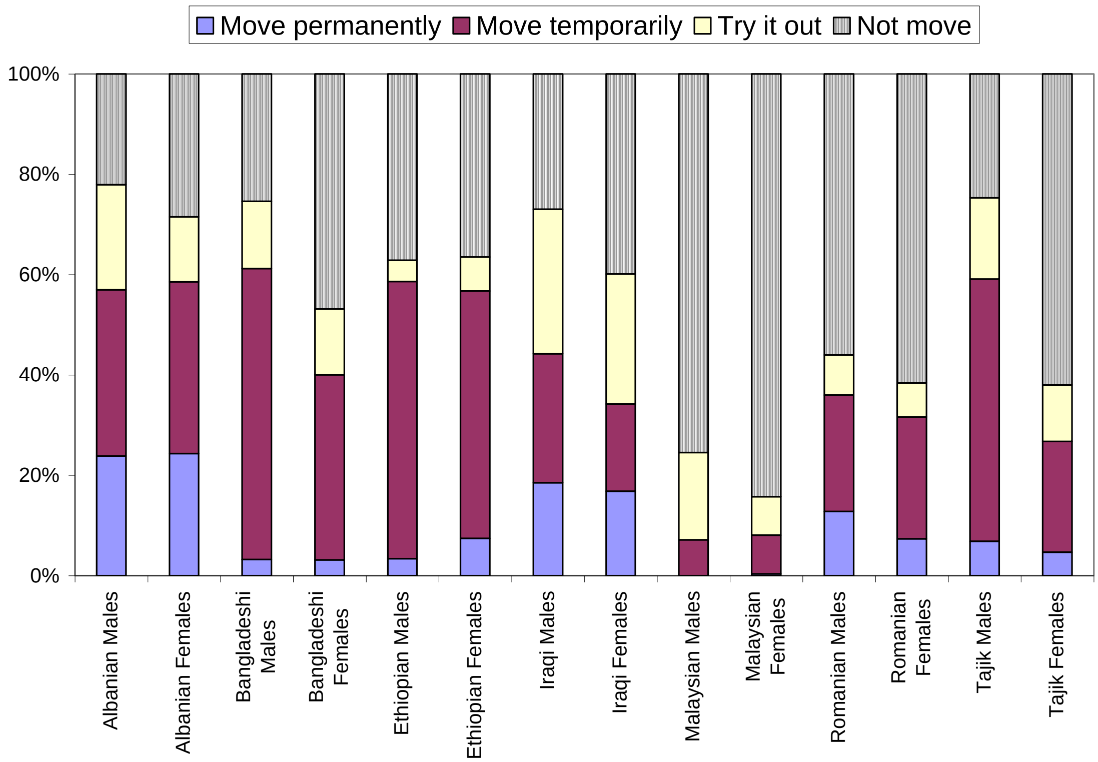
Introduction

The massive differences in income across countries allow individuals and households to escape from poverty through international migration. For example, McKenzie, Gibson and Stillman (2008) find Tongans who migrate to New Zealand under a visa lottery type program experience a 263 percent increase in income within the first year of migrating. Under more heroic assumptions, Clemens and Pritchett (2008) illustrate that migration is a route out of poverty for individuals from a wide range of countries – for example, they estimate that four out of every five Haitians who have reached an income of $10 per day did so by moving to the U.S. However, as of 2005, only three percent of the World's population lived outside of their country of birth.[1] The puzzle then is why more people do not escape poverty by migrating to another country, while the challenge for policy makers in the developing world is whether there are policies they can pursue to make it easier for their citizens to escape poverty through migration.

One possible explanation for why more of the poor don't migrate is that they don't want to. In seven nationally representative surveys taken in 2005 and 2006, respondents aged 15 and over were asked whether they would like to work abroad if they could do so legally. Figure 1 reports the results for individuals coming from the poorest 25 percent of households in each country. In the wealthier countries of Malaysia and Romania, it is indeed the case that the majority of those who are poor do not wish to migrate. However, in poorer countries we do see many poor individuals expressing a desire to migrate, with most preferring temporary to permanent migration. While one should always be cautious in interpreting these hypothetical questions, the large difference in magnitude between the number of poor expressing a desire to work abroad and the number actually doing so does strongly suggest that there are a large number of poor people in the world who would like to try and escape poverty through international migration that are currently not able to do so.

[1] Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, Trends in Total Migrant Stock: The 2005 Revision http://esa.un.org/migration, April 7, 2006.

Figure 1: Many of the Poor do want to Migrate, but only Temporarily



Source: own analysis from Intermedia/World Bank nationally representative surveys 2005/06. Figures shown are responses for approximately the bottom quartile in each country.[2]

The main reasons that more of the poor don't escape poverty through migration are high costs and few opportunities.[3] This chapter draws on work we have done in Mexico, the Pacific, and worldwide to provide some concrete examples of policies developing countries can pursue to increase the poverty-reducing impact of international migration by lowering costs and expanding opportunites.[4] The main policies discussed are:

- Removing barriers that developing countries put in the way of their own citizens emigrating. These include high prices and cumbersome procedures for passports, and legal restrictions on the emigration of women.
- Increasing the poverty-reducing benefits of remittances from existing migrants by lowering remittance costs.
- Actively engaging in bilateral migration agreements to expand the opportunities for the poor to migrate. A new seasonal worker program that takes workers from the Pacific Islands into New Zealand is used to illustrate this.

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[2] See World Bank (2006b) for more description of this data.

[3] See for example Grogger and Hanson (2008) who estimate very high fixed costs of migration for some countries, and that these fixed costs explain a large share of the selectivity of migration for poorer countries.

[4] This is not to downplay the important role that developed countries immigration policies have in determining the number and characteristics of migrants from developing countries. See Pritchett (2006) for discussion of policies that rich countries can pursue to enhance migration of the poor while also being politically acceptable.

There are of course other examples of active policies which developing Governments can take to reduce the costs and broaden the range of opportunities for international migration available to the poor which the chapter does not focus on. The most famous example is that of the Philippines, which has a very pro-active approach to emigration. This includes licensing recruitment agencies, marketing its workers worldwide, signing 56 bilateral treaties with receiving countries, using providing pre-departure orientation seminars to potential migrants. While the basic features of this system are relatively well-known (see IOM, 2005 and Wehrfritz and Vitug, 2005) and have been copied in part by several other countries, there does not appear to be any serious economic analysis of the impact of such a system on poverty levels in the Philippines. In part this is because the system has been in place for so long, making before-after comparisons difficult with available data. The new seasonal worker program we study contains some similar features to the Philippines model, and in time will allow estimation of the poverty-reducing impact of such policies.

The remainder of the chapter is structured as follows. Section 2 uses the example of Mexico to show how lowering the costs of migration makes migration increasingly pro-poor. Sections 3 then shows how some of these costs are imposed by developing countries and that removing them can lower migration. Section 4 discusses how lowering remittance costs can increase remittance income received by remaining household members, and Section 5 shows how a temporary migration program can expand opportunities for the poor to migrate. Section 6 concludes.

2. Lowering Costs Increases the Ability of the Poor to Migrate

Sjaastad's (1962) classic economic model of migration views migration as an investment, requiring individuals to incur the costs of moving to generate the return from higher incomes. Migration is often a decision of the family, not just of an individual, particularly in developing countries, where imperfect credit and insurance markets create a rationale for migrating to diversify risk and finance costly household investment activities (Stark and Levhari, 1982, Stark and Bloom, 1985). However, it is precisely these imperfect credit markets which limit the ability of poor households to finance the costs of international migration.

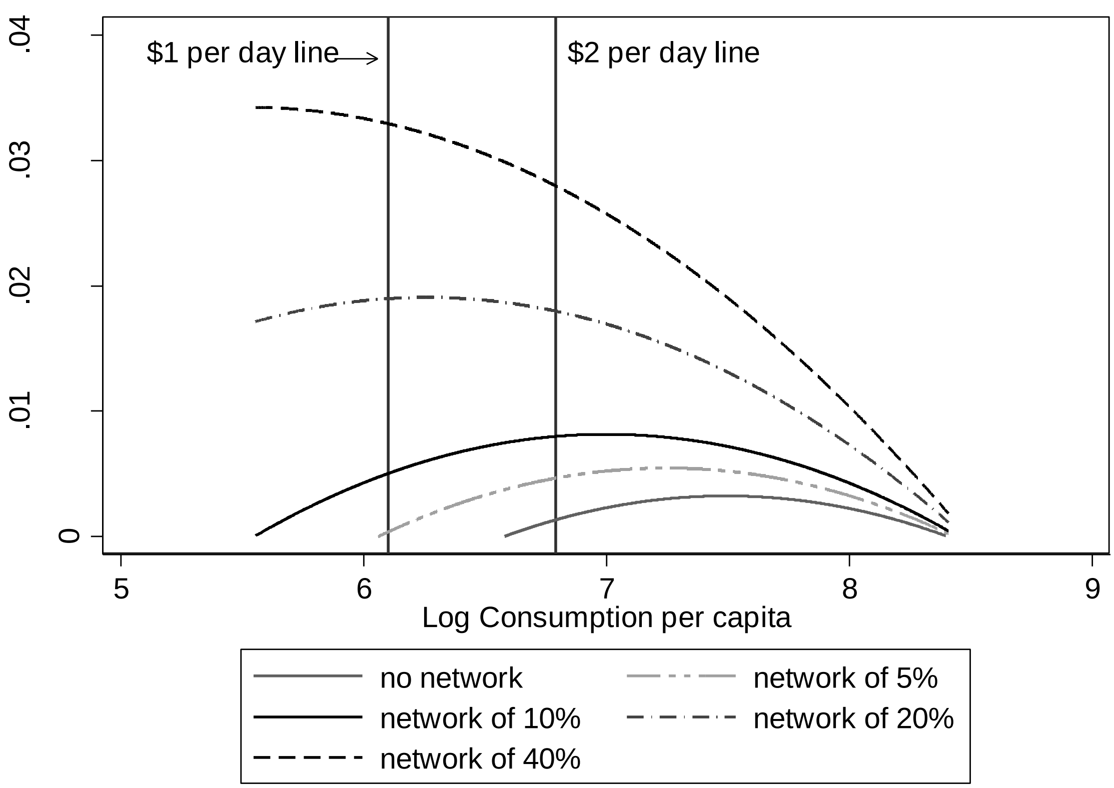
One way poor households are able to overcome the high costs of migration is through the use of migration networks. Networks of migrants from the same community can use the income gained abroad to provide loans to new migrants allowing them to overcome liquidity constraints which prevent migration. The network can also act to lower the psychic and financial costs[5] of migrating for other community members, such as by providing assistance and housing in the first few days of arrival, and in cases such as Mexican migration, lowering the costs of *coyotes* (smugglers) and assisting in crossing borders illegally (Espinosa and Massey, 1997; Dolfin and Genicot 2006). In McKenzie and Rapoport (2007), we show that as the network size grows, the migration pattern from

[5] Migrant networks can also increase the benefits of migration, such as by providing access to jobs (see Munshi, 2003). We focus here on costs, since the argument is that the income and job opportunities abroad are such that poor migrants want to migrate, they just can't overcome the financial constraints which prevent them doing so. Any effect of migrant networks on the benefits of migration without easing financial constraints of moving will still limit the ability of the poor to migrate.

communities in Mexico switches from being one in which only the relatively well-off migrate to the United States to one in which the poor are more likely to migrate than the rich.

Figure 2 below extends the analysis of McKenzie and Rapoport (2007) to show how the likelihood of a male household head migrating to the U.S. varies with the size of the migration network in his community, a proxy for migration costs.[6] When the network is small, with less than 5 percent of the adults in the community ever having migrated, almost no males living in households below the $1 per person per day poverty line[7] migrate, and migrants tend to be drawn from the upper-middle of the expenditure distribution in a community. As the network grows, the likelihood of migration grows for all wealth groups, but increases more for the poor. As a result, in communities where 20 percent or more of the community members have ever migrated, migration is heavily concentrated among those living on less than $2 per person per day, and the likelihood of migration is greatest for the very poor. This demonstrates that reducing costs allows the poor to increasingly become involved in international migration.

Figure 2: Migration becomes more pro-poor as the cost of migrating falls



Source: data from 1997 Mexican ENADID survey. Lines are fitted coefficients from modifying the instrumental variables regression in column 2, Table 3 of McKenzie and Rapoport (2007) to use log

[6] The paper uses historic migration networks as an instrument for the current migration network in a community. See the paper for details and justification of this identification strategy.
[7] We convert 1997 pesos into PPP U.S. dollars using the Penn World Tables PPP exchange rate for Mexico for 1997.

consumption per capita instead of log consumption as the regressor of interest. Network size measures the percentage of adults aged 15 and over in the community who have ever migrated.

3. Some of these costs are barriers developing countries put in the way of their own citizens

Lowering the costs of migration therefore allows the poor greater opportunity to participate in international migration and use migration as a means of leaving poverty. The previous section showed one way that costs can fall, through the development of community networks. What can policymakers do to lower the costs individuals face in migration? The first thing they can do is to not put large expenses in the way of their own citizens who wish to emigrate.

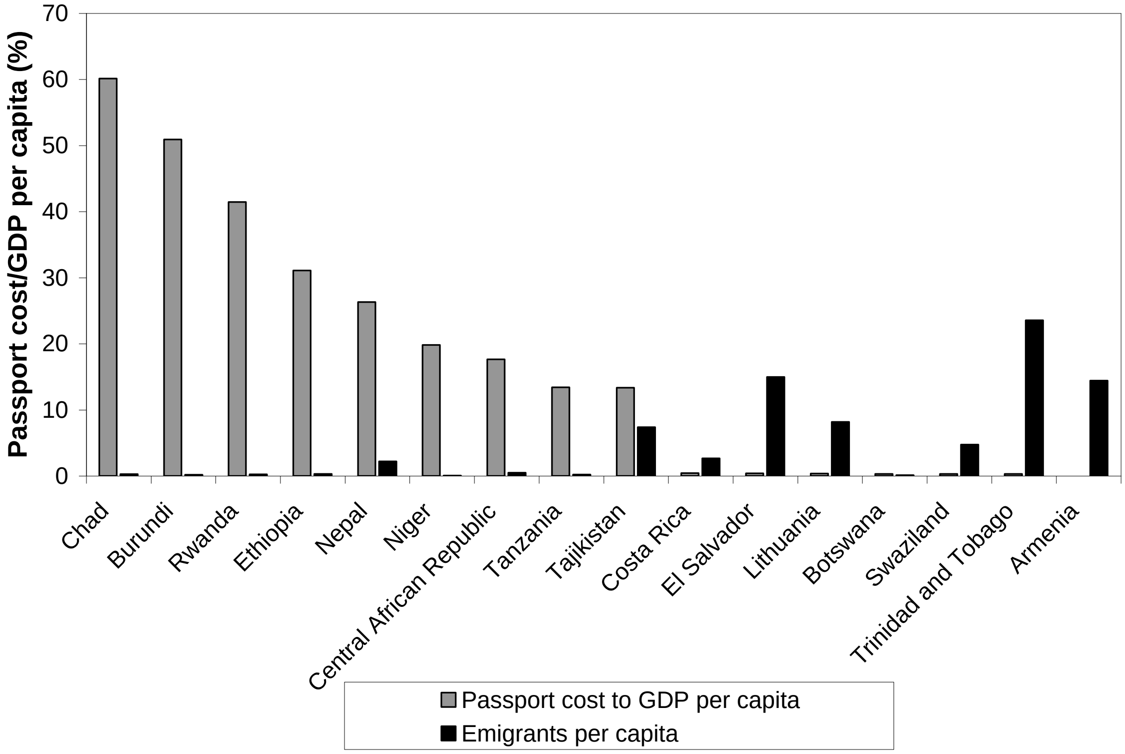
One form of these expenses is the monetary and time costs associated with obtaining a passport, the most basic document needed for legal travel abroad. Data on the cost of a passport was collected for 127 countries in October 2005.[8] There is remarkable variation in the cost of a passport across different countries, with the cost of a five-year passport having a median price of US$39, but varying from free in Armenia to US$333 in Turkey. High passport prices are particularly a barrier to migration for the poor, so we standardize passport costs by per capita GDP for comparison purposes. There are 14 countries where a passport costs more than 10 percent of per capita income, topped by the Democratic Republic of Congo, where a passport is 125 percent of per capita income. 11 of these countries are in Africa. However, other African countries such as Swaziland, Kenya and Ghana and Botswana charge less than US$6 for a passport.

After controlling for the income level of a country, high passport costs relative to GDP are found in countries with poor regulatory quality, low government effectiveness, and higher levels of corruption (McKenzie, 2007). In contrast, there is no significant association between the rate of high skilled emigration rate from a country and passport costs, suggesting that passport prices are not being set by countries to extract rents from the rich, and that richer, more-skilled migration is not affected by the cost of a passport.

Higher passport costs per capita are associated with lower migration rates. Figure 3 illustrates this by showing the passport cost per capita and emigration rate per capita for the developing countries with the highest and lowest passport costs per capita. This negative association continues to hold in a regression context, controlling for income per capita, population, and governance. In particular, regression results show that lowering passport costs by one percentage point is associated with a 0.75 percentage point increase in emigrants per capita (McKenzie, 2007).

[8] A fuller description of this data is found in McKenzie (2007).

Figure 3: High Passport Costs Are Associated with Lower Migration Rates



Source: Data from McKenzie (2007).

In addition to the financial costs involved in obtaining a passport, there are also noticeable differences in the administrative barriers countries put in the way of citizens seeking to obtain a passport. These include whether or not passports can be obtained by mail, or only in person, and how decentralized passport offices are. In some countries, such as Nepal until recently, anyone who wanted a passport had to travel to the capital city to obtain it. The time taken to get the passport also ranges a lot across countries, from 45 minutes in El Salvador to 5 weeks in India and 6 weeks in South Africa. Long waits act as an additional barrier to quickly obtaining documentation and leaving when a job opportunity presents itself, and may give rise to corruption with officials accepting bribes in exchange for faster processing. For example, witnesses in a Parliamentary hearing in Namibia testified that many of the passport issuing officials would frequently shut their offices for personal business, leading to months long waits for passports and bribes of four times the cost of a passport for faster service (Philander, 2005).

High passport costs and burdensome procedures are an implicit barrier that many developing countries place in the way of their citizens who wish to emigrate. However, a handful of countries also have in place more explicit barriers which affect the migration possibilities of certain groups, especially women. Table 1 details the countries which place restrictions on the rights of certain groups of citizens to travel abroad. Panel A shows countries which have legal restrictions on the ability of women to travel or obtain a passport. These restrictions usually take the form of preventing unmarried women traveling without the permission of their father or adult relative, and of married women traveling without the permission of their husband. These restrictions are significantly associated with less migration from a country: countries which restrict the rights of women to migrate have 5 to 6 percent less migrants per capita than countries with similar income, population, and governance levels which do not have these restrictions (McKenzie, 2007). The other types of legal barriers common are restrictions on travel of citizens of national service age (Panel B), and restrictions on the rights of all citizens to travel (Panel C). These restrictions require citizens to obtain government permission or an exit visa in order to be able to travel. While permission may be granted in most cases in some of these countries, the process of requiring this permission introduces additional costs and uncertainty into the migration decision. Poor data quality from many of these countries prevents econometric analysis of the strength of association between these barriers and emigration rates from these countries. Nevertheless, it is hard to believe that the general restrictions on travel practiced in the countries in Panel C do not negatively affect the ability of citizens from these countries to take advantage of migration opportunities abroad.

Table 1: Legal Restrictions that Countries place on travel of their own citizens

A. Countries which place restrictions on the travel of women		
		Kuwait
Afghanistan		Qatar (if under 30)
Burma		Saudi Arabia
Democratic Republic of Congo		Sudan
Egypt (if unmarried and under 21)		Syria
Gabon		Uganda
Iran		United Arab Emirates
B: Countries which place travel restrictions on Citizens of National Service Age		
Algeria	Israel	
Armenia	Kazakhstan	
Azerbaijan	Lebanon	
Egypt	Singapore	
C: Countries where Government permission or an exit visa is needed for travel		
Armenia	Iran	Tajikistan
Belarus	Iraq	Ukraine
Burma	North Korea	Uzbekistan
Cuba	Saudi Arabia	Yemen
Eritrea	Sudan	

source: Country reports of U.S. Department of State (2007)

The existence of these barriers shows that there is policy latitude on the part of many developing countries to enhance the ability of their citizens to emigrate. Reduction of the cost of a passport, faster processing times, and the removal of any legal restrictions on emigration offer the potential for reaping additional gains from migration. It seems likely that such restrictions are more likely to bind for poor emigrants than for richer emigrants, so that removing them will enhance the opportunities for poorer individuals to migrate.

4. Lower remittance costs to increase remittances from existing migrants

A second area where Government policy can increase the poverty-reducing benefits of migration is through lowering the costs of sending remittances. Remittances are one of the most direct ways that the migration of an individual can lower poverty for household members and other relatives remaining in the sending country. Lowering the cost of sending these remittances has become one of the most discussed areas for policy intervention in recent years (see World Bank, 2006a), in part because doing so is viewed as politically uncontroversial compared to efforts to increase the opportunities for migration. A variety of policies have been proposed for lowering these costs, including increasing competition in the remittance market, improving the transparency of fees, removing burdensome regulations on money transfer, and expanding migrants' access to banking services.

The typical cost of sending a remittance consists of two components: a fixed fee and an exchange-rate commission.[9] The lump-sum fixed fee means that the effective cost of sending a remittance is falling in the amount sent. For example, Western Union charges a fixed fee of NZ$20 along with a six percent exchange rate commission in sending money from New Zealand to Tonga.[10] The effective cost of sending NZ$50 is thus 32.9%, which drops to 21.8% for NZ$100, 14.6% for NZ$200 and 7.9% for NZ$1000. To the extent that poorer households are the potential recipients of smaller remittance transactions, high costs of sending money will be of much greater importance to them than to richer households.[11]

However, the extent to which policies to reduce remittance costs will lower poverty depend crucially on who benefits from lower cost remittance systems. There are two aspects of this. The first is whether any additional savings from lower transactions costs are passed on to the remittance receiver, or whether they remain with the migrant (who is likely to now be relatively better off as a result of migrating). The second aspect is whether the poor are able to take advantage of lower-cost remittance sending methods, or whether additional policies are needed to help the poor in using lower-cost remittance options. We discuss both these questions with reference to data collected on Tongan

[9] There is also sometimes a third form of cost, the "float", which is the interest earned by the bank during the time between receiving the funds from the sender and delivering them to the beneficiary (see World Bank, 2006a). These costs appear minimal in the New Zealand case discussed here.
[10] Western Union online data as of August 11, 2008. Exchange rate commission obtained by comparing Western Union rate of $NZ1 = TOP1.2084 to Interbank rate of $1NZ = TOP1.287 on www.xe.com/ucc [accessed August 11, 2008]. $1NZ = $US0.70.
[11] There is debate into the literature as to whether more skilled migrants remit more or less (e.g. see Faini, 2007). If migrants from poorer families send larger shares of their income back than migrants from richer households, it need not be the case that the smallest remittance transactions go to the poorer households.

migrants to New Zealand and Tongan remittance-receiving families in Tonga. This provides a useful example given the importance of migration and remittances for small countries: the average island country with a population under 1.5 million has 17 percent of all citizens overseas (World Bank, 2006b).

The first key question is whether lowering remittance costs will actually lead to an increase in remittances received in the migrant-sending country, and if so, whether the increase in remittances is less than, the same, or more than the change in costs. The cost-elasticity of remittances will depend on the motivation for sending remittances. If migrants intend for the receiving household to receive a constant amount of remittances in local currency each month, perhaps as repayment of a loan or payment for school fees, then when the cost of sending money falls, the migrant becomes better off as less is required to meet his or her obligations at home, but there is no change in remittances received in the migrant-sending country. A second scenario might be that migrants take a constant amount in foreign currency to their money transfer operator, and so any reduction in remittance fees passes one-for-one to the remittance recipient. The final possibility is that the cost-elasticity of remittances is negative, so that a reduction in remittance costs leads to more remittances being sent. The rationale for this is that the cost of remitting effectively acts as a "tax" on altruism, or on investment in the home village, raising the price of services "purchased" with the remittances and thereby leading migrants to underinvest. Lowering the cost of remittances therefore may cause migrants to more than proportionally increase the amount they remit.

To date there is not a rigorous empirical study which shows which of the above three scenarios happens in practice. Nevertheless, some suggestive evidence is found in Gibson, McKenzie and Rohorua (2006), who ask Tongan migrants in New Zealand hypothetical questions about how their remittances would change in response to changes in remittance costs. They find that 30 percent of remitters say they would send more money if remittance costs fall, while 70 percent would keep the amount sent the same. Based on this estimate, the authors calculate that lowering the fixed cost of sending money through banks and money transfer operators from New Zealand to Tonga to levels close to that found in the most competitive world markets would result in a 28 percent increase in remittances.

However, the second step required for the increase in remittances to lower poverty in the migrant-sending country is that some of this increase in remittances be received by poor households. This will depend, first and foremost, on whether migrants are drawn from the upper or lower part of the income distribution in the sending country, as discussed in the first chapter in this book. However, in situations where at least some of the migrants are poor, it will also depend on whether the policies which lower the average costs of sending remittances also reduce the costs of sending to poor households. Lack of knowledge and lack of financial access are two barriers which poor households face in being able to take advantage of lower-priced remittance methods.

In Gibson, Boe-Gibson, Rohorua and McKenzie (2008) we describe how these barriers prevent Tongan households taking advantage of cheaper remittance-sending technologies. The costs of remitting from New Zealand to Tonga are high by world standards, but there do exist at least two methods which are considerably cheaper than the most commonly used methods such as Western Union and Bank transfers. These two cheaper methods are internet-based transfer to pre-paid debit cards through *iKobo.com*, and the use of a second ATM card linked to the migrant's account. Not a single person in our survey had heard of the first method, and only two percent used the dual ATM card method, despite it having costs of only one-third of the more commonly used methods. Lack of knowledge is a first barrier to their use, with few migrants knowing about these methods. Financial education of the poor therefore appears necessary to enable migrants to take advantage of cheaper remittance-sending methods. However, this needs to be coupled with additional financial access in the migrant-sending country. Our analysis found ATM machines to be less geographically accessible than Western Union outlets in Tonga. Poor rural households are particularly likely to be further away from banking and ATM facilities. Expanding financial access therefore appears to be a necessary step in ensuring the poor get to better from many of the policies intended to lower remittance fees. Policies which can expand financial access are summarized in World Bank (2008a).

5. Temporary migration programs can expand opportunities for the poor to migrate

While developing countries can increase the poverty-reducing impacts of migration by lowering costs - removing self-imposed barriers and lowering the costs of getting remittances from existing migrants - ultimately to truly realize the poverty-reducing potential of migration they need to expand the opportunities for their citizens to take advantage of the large gaps in wages across countries. In particular, in a world of increasingly skill-selective immigration policies, there is a need for expanding the opportunities for poor, less skilled, individuals to participate in international migration.

Temporary worker programs are increasingly viewed as one of the few palatable ways of increasing unskilled migration.[12] Such programs are viewed as being able to relieve labor shortages in developed countries and aid development in developing countries, without developed countries having to face many of the perceived costs of integrating low-skilled foreign nationals into their societies and welfare systems, and without developing countries suffering permanent losses in skills. However, to date there has been little empirical evidence as to the ability of such programs to involve the poor in practice. New data collected as part of a project to assess the development impact of a new seasonal worker program in the Pacific provide us with one glimpse into how and when seasonal worker programs will incorporate the poor in practice.

The program in question is New Zealand's Recognised Seasonal Employer (RSE) program, launched on 30 April 2007.[13] The intention of the policy is to match seasonal labor shortages in the New Zealand horticulture and viticulture industries with the excess supply of unskilled workers in some Pacific nations. One of the explicit objectives of the RSE is to "encourage economic development, regional integration and good governance within the Pacific, by allowing preferential access to workers who are citizens of eligible

[12] See for example Winters (2003), GCIM (2005), Pritchett (2006).

[13] See Gibson, McKenzie and Rohorua (2008) and McKenzie, Garcia-Martinez and Winters (2008) for detailed discussion of the baseline data from Tonga and Vanuatu respectively.

Pacific countries" (New Zealand Department of Labour, 2007). Interested employers must first apply to become recognized seasonal employers, and then can recruit workers for a maximum of seven months per eleven month period. In subsequent years, subject to satisfactory performance and a continuing need for labor, employers' RSE status will be extended and previous seasonal workers may return to New Zealand.

Our baseline data allow us to compare the pattern of selection of migrants in the two Pacific Island nations that supplied the most seasonal workers during the first year of the program – Vanuatu and Tonga. Prior to the program, the two countries had very different experiences with migration to New Zealand. Tonga (population 102,000) has a long history of migration to New Zealand, with approximately 22,000 Tongan-born individuals now living in New Zealand (Statistics New Zealand, 2007). However, in recent years most migration to New Zealand has taken the form of either family reunification, or permanent migration through a special quota. In contrast, Vanuatu (population 215,000) has had few outlets for emigration to any country, with an estimated total migrant stock abroad of only 3,092 (World Bank, 2008b). The 1,698 Ni-Vanuatu[14] workers who had been approved to come to New Zealand under the RSE as of May 22, 2008 thus represent a huge increase in migration opportunities in Vanuatu. As of the same date, 816 Tongan RSE workers had been approved, which is still a sizeable increase in opportunities to work abroad, given that over 2000-2006, 1,365 Tongans per year on average had received approval to enter New Zealand as permanent residents.

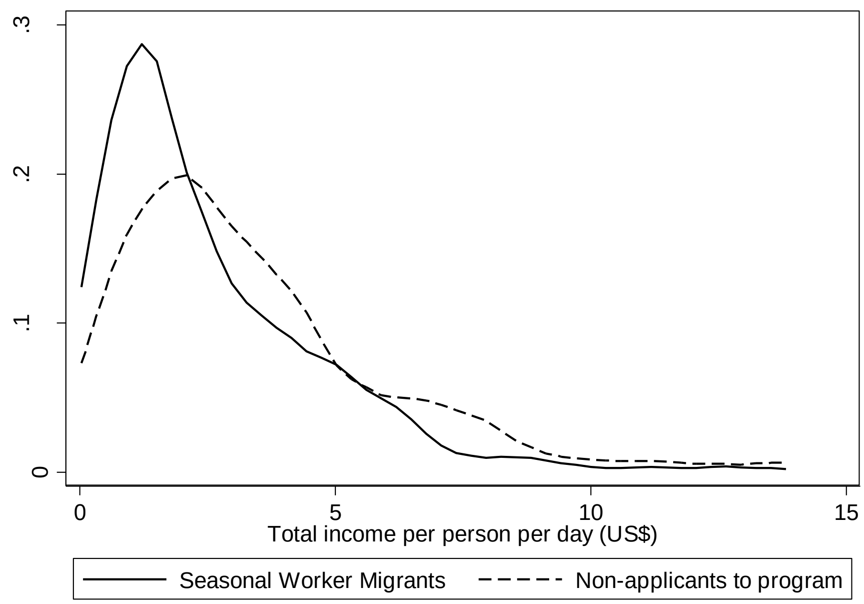
In Tonga, employers recruited workers from a "work-ready" pool of Tongan nationals pre-screened and selected by the Tongan Labour Ministry.[15] This work-ready pool was formed by pre-selection and screening at the district level by district and town officers, together with church and community leaders. Communities sought good, reliable people with a reason to return to Tonga, and who needed the money. There were high expectations from the sending community to represent their village well and not to jeopardize further employment opportunities for others in the community. Figure 4 compares the distribution of household expenditure per person for Tongans selected for the RSE with the distribution of household expenditure per person for individuals who didn't apply. We see the majority of RSE migrants come from households with less than US$2 per day in expenditure, and that the RSE migrant households are poorer on average than households where people don't apply for the RSE. Gibson, McKenzie and Rohorua (2008) show further that the RSE migrant workers are poorer than applicants for the program who weren't selected, and that the workers are more rural and less educated than permanent migrants going to New Zealand through the existing Pacific Access category quota system. Given opportunities for existing migration in Tonga, the seasonal worker program has thus succeeded in opening migration to poorer individuals with few existing opportunities.

In Vanuatu, two methods were used to select workers for the RSE. The first was direct selection by employers, facilitated in part by the Vanuatu Department of Labour, while

[14] Ni-Vanuatu is the term used to refer to the Melanesian people that make up the population of Vanuatu.
[15] See Gibson, McKenzie and Rohorua (2008) for greater detail on the process of recruitment and selection in the Tongan case.

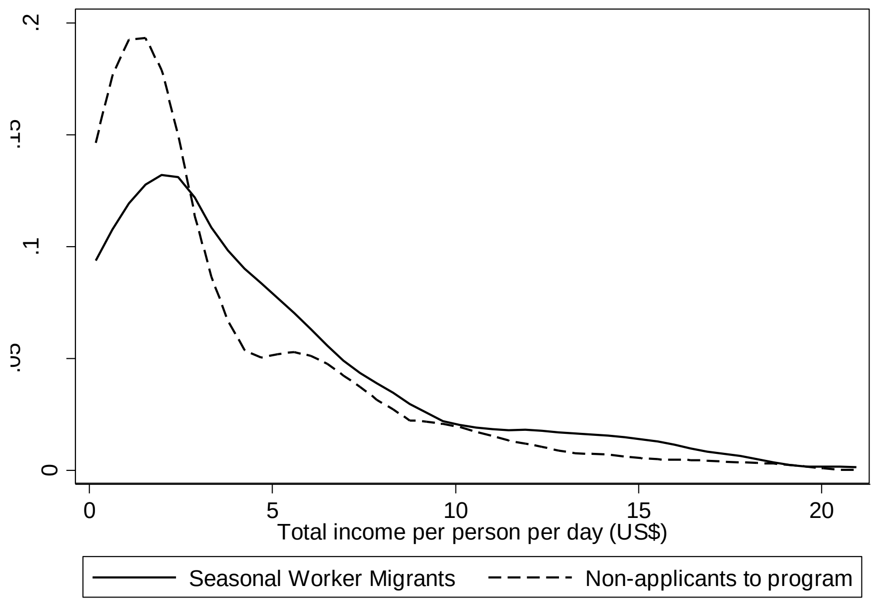
the second was the use of an agent. McKenzie, Garcia-Martinez, and Winters (2008) show that, the ni-Vanuatu workers coming to New Zealand are mostly male subsistence farmers with less than 10 years of schooling. These are certainly workers whose skill-levels would not qualify them for emigration to New Zealand or Australia under their points systems for permanent migration, and the RSE is thus expanding opportunites for migration. Nevertheless, as Figure 5 shows, the ni-Vanuatu selected for the RSE are still from wealthier households on average than non-applicants. However, it is still the case that a large share of those participating are poor: 20 percent of RSE migrants come from households with per capita income (including own production) of less than US$1 per day, and 34 percent are from households with per capita income below US$2 per day.

Figure 4: Seasonal Migrants are Poorer than Non-applicants in Tonga…
Kernel Density of Distribution of Household Income per person



Source: RSE baseline survey in Tonga

Figure 5: But Seasonal Migrants are Richer than Non-applicants in Vanuatu
Kernel Density of Distribution of Household Income per person



Source: RSE baseline survey in Vanuatu

Thus we see that in both cases the introduction of a seasonal worker program has succeeded in opening up new opportunities for some of the poor to participate in international migration, with participation being more pro-poor in Tonga than Vanuatu. It is still too early to ascertain the impact of the program on poverty in these two countries, but the fact that the program has already managed to incorporate many poor workers in its first year augurs well.

What then are the barriers to more of the poor participating? The first barrier is information: in both countries only 27 percent of the non-applicants had even heard of the program. The program is in its first year, and it is to be expected that as communities gain more experience with the program, knowledge will grow. The second barrier is cost. The cost of participating includes a visa, passport, medical check, police clearance, winter clothing, internal transportation, and half of the airfare to New Zealand (the other half paid by the employer). This cost averaged US$420 in Tonga and US$580-690 in Vanuatu – considerable costs given income levels in the islands. The cost of a passport is US$50 in Vanuatu and US$46 in Tonga, with some in Vanuatu paying US$70 for express service. In both countries these costs are slightly above world average levels. Many workers were able to get loans for some of these costs, through employers, their church in the case of Tongans, and from a bank in the case of Vanuatu. However, it is unclear how widespread information about these loan possibilities was in advance. Other countries considering participating in seasonal worker programs could benefit from working with the private and non-government sectors in advance to develop such products and make potential temporary workers aware of the possibilities for financing. Policies need to both expand opportunities and lower costs to maximize the poverty-reducing potential of migration.

6. Conclusions

Many of the poor around the world express a desire to escape poverty through working abroad for some period of time. However, at present few of the poor actually do migrate, and developing countries do not necessarily maximize the poverty-reducing impact of the few who do. This chapter has shown that there are policies which developing countries can pursue to lower the costs and increase the opportunities for migration, and that doing so is likely to increase the participation of the poor in migration. Policies to lower the costs include lowering passport costs, removing legal barriers such as exit visas and requiring women to have their husband or father's permission before traveling, and financial education and expansion of financial access to enable poor families with migrants to receive remittances at lower cost. Given the desire of many of the poor to work abroad for a temporary period, and the fact that temporary worker programs face less political resistence in developed countries than permanent migration, there is also scope for more bilateral temporary worker programs. Early experience from the Recognised Seasonal Employer program between New Zealand and the Pacific shows that such a program does expand the opportunities for the poor to migrate, although transport costs and low networks limit this to some extent in Vanuatu. Policymakers can potentially make such programs even more pro-poor through better information dissemination and through working with the private and non-governmental sectors to ensure access to loans so that the poor can afford the up-front costs of participation.

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