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## **How Does an Ex-Ante Job Offer Requirement on Labor Mobility Work? The New Zealand-Tongan Experience**

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# HOW DOES AN EX-ANTE JOB OFFER REQUIREMENT ON LABOR MOBILITY WORK? THE NEW ZEALAND-TONGAN EXPERIENCE

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## 1. Introduction

There is rising interest in immigration policy around the world, sparked by diverging demographics between developed and developing countries, increasing globalization, and political debates such as those concerning the large number of illegal immigrant workers in the United States and the unemployment and lack of integration of immigrants in France. The underlying issue in many of these policy debates is jobs, with typical policy questions being how to provide more opportunities for individuals to migrate legally for work and how to ensure that migrants are able to find jobs once they arrive in their new country. The focus on jobs also reflects a desire for migrants to have good settlement outcomes that do not require on-going taxpayer support from host country governments.

The two main types of employment immigration policies used around the world offer differing responses to these questions. One method is to explicitly select on skills, work experience, and qualifications, and then let migrants seek jobs once they have migrated. The most common examples are the “points systems” used by Australia’s General Skilled Migration Program and Canada’s Skilled Worker Visa. The alternative method is to explicitly require individuals to have a job offer before being allowed to migrate. This includes programs which require employers to sponsor workers (such as the H1-B program in the United States and the Employer Nomination Scheme in Australia), and

policies which require a job offer, but not employer-sponsorship. Examples of the latter include the Pacific Access Category in New Zealand, and some versions of a temporary worker program being currently proposed in the United States.<sup>1</sup> Job offers are also a feature of hybrid systems, which select on skills but which also give “points” for having a job offer. For example, under New Zealand’s Skilled Migrant Category and the recently announced points scheme in the United Kingdom<sup>2</sup>, individuals with certain skills can obtain enough points to migrate without having a job offer, whilst those with less skills generally require a job offer in order to qualify.

Despite the importance of employment in the immigration policy debate, there has been little existing research which examines in detail the effect of these different policy regimes. In this paper we look in detail at the operation of one of the policies which explicitly requires a job offer before migrating – the Pacific Access Category (PAC) in New Zealand. We use a unique survey conducted of Tongan applicants and non-applicants to this migration category to study what types of individuals the job offer policy selects. We also asked both applicants and non-applicants to the PAC what their likelihood of migrating would be if there was no restrictions on migration (henceforth referred to as open migration), and use this question to see whether the policy itself has any effect on the types of individuals who migrate. We then investigate the process by which potential migrants try to obtain a job offer and look to see how many of the migrants actually end up working in the job where they have the offer.

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<sup>1</sup> See “President Bush Proposes New Temporary Worker Program”, *White House Press Release* January 7, 2004.

<sup>2</sup> See “Migration: How points would work”, *BBC News*, Tuesday March 7, 2006.  
[http://news.bbc.co.uk/1/hi/uk\\_politics/4244707.stm](http://news.bbc.co.uk/1/hi/uk_politics/4244707.stm).

Our main finding is that the job offer requirement of the PAC over the 2002-2004 period mainly acted to select individuals who applied to migrate on the basis of the size of their family network in New Zealand. Existing research such as Munshi (2003) has already shown the importance of family networks for obtaining jobs once individuals migrate. Such networks become even more vital when jobs must be obtained prior to migration. The vast majority of job offers were obtained through existing family members already in New Zealand. Individuals without such a family network were less likely to apply for the PAC, whereas family network has no significant effect on the stated desire to migrate if there were open migration.

Recent changes in the operation of the PAC since October 2004 have led to speedier verification of the job offer, the ability to apply for the PAC while legally in New Zealand on another visa, and an active role of the Immigration New Zealand in organizing for direct recruitment by New Zealand employers in the Pacific Islands. Early evidence suggests that this change in policy is making it easier for individuals to obtain job offers and more likely to work in the offered job. The lesson for policymakers elsewhere is that requiring a direct job offer before migration is likely to act as a *de facto* family migration policy unless they provide such opportunities for migrants to look for jobs. This appears to be particularly the case for low and medium skilled workers, which happens to be the group that job offer requirements are most typically imposed on.

We begin by discussing the historical context of Tongan migration to New Zealand, and then describe the requirements of the PAC. Section 3 then describes the survey data used in this study. Section 4 analyzes the characteristics of the individuals who migrate through the PAC and compares these to the characteristics of individuals who would choose to move under open migration. Sections 5 and 6 then look in detail at the process by which potential migrants search for and find job offers. Section 7 describes the recent changes in the PAC and Section 8 concludes.

## **2. Tongan Migration to New Zealand and the Pacific Access Category**

The Kingdom of Tonga is an archipelago of islands in the South Pacific, about two-thirds of the way from New Zealand to Hawaii.<sup>3</sup> The population is just over 100,000, with more than 30,000 additional Tongans abroad – almost all of whom are located in New Zealand (39%), the United States (39%), and Australia (17%).<sup>4</sup> In recent years the majority of the migration has been to New Zealand: in 2004/05 New Zealand admitted 1482 Tongans, the United States 324 and Australia 284.<sup>5</sup>

The first notable migrations from Tonga to New Zealand began in the 1960s and 1970s as Tongans came on temporary work permits. After the permits expired, some stayed on in New Zealand illegally. An amnesty in 1976 granted many of them permanent residence. Migration for work continued in the 1980s, and by 1986 the New Zealand Census

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<sup>3</sup> This section is based on information from the CIA World Factbook (<http://www.cia.gov/cia/publications/factbook/geos/tn.html>), the Te Ara Encyclopedia of New Zealand ([www.teara.govt.nz/NewZealanders/NewZealandPeoples/Tongans/1/en](http://www.teara.govt.nz/NewZealanders/NewZealandPeoples/Tongans/1/en)) and the New Zealand Census (<http://www.stats.govt.nz/analytical-reports/pacific-profiles/tongan/default>).

<sup>4</sup> GTAP database of Parsons et al. (2005).

<sup>5</sup> McKenzie, Gibson and Stillman (2006).

counted 7060 Tongans<sup>6</sup>. This grew rapidly to 12,972 by the 1991 Census. In 1991 New Zealand introduced a points-based selection system for immigration, in which potential migrants are awarded points for education, skills, and business capital, with additional points for a job offer in specific occupations. Few Tongans qualified to migrate under this points system, and so most Tongan migration during the 1990s was under family-sponsored categories – as the spouse, parent, or child of an existing migrant. For example, in 1997/98 only 29 Tongans were admitted as principal applicants under the general skills points system, compared to 436 under family categories. On average over the five years from 1997/98 to 2001/02 New Zealand admitted just under 900 Tongans a year, with 75 percent coming through family categories.<sup>7</sup> With this migration through family channels, the Tongan-born population in New Zealand had grown to 17,682 by the 2001 Census.

### **The Pacific Access Category**

In early 2002 another channel was opened up for immigration to New Zealand, through the creation of the *Pacific Access Category* (PAC), which allows for a quota of 250 Tongans to emigrate to New Zealand each year.<sup>8</sup> Applicants to this category must be aged 18 to 45, meet a minimum level of English language ability, meet health and character requirements, and have an offer of employment in New Zealand. The job offer must be for “ongoing and sustainable employment” and should be a full-time job which

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<sup>6</sup> Unless noted otherwise, the numbers given here refer to individuals born in Tonga, and does not include New Zealand-born individuals of Tongan-ethnicity.

<sup>7</sup> Source R1 database of Approved residence applications, New Zealand Department of Labour.

<sup>8</sup> Similar immigration channels were created for Kiribati, Tuvalu and later Fiji. In addition to labor market considerations, these programs reflect broader development relationships between New Zealand and the Pacific Island countries. The regional context for the link between labor mobility and development in the Pacific is provided by World Bank (2006).

pays salary or wages (not commission or self-employment) and which complies with employment law in New Zealand.<sup>9</sup>

Applicants to the Pacific Access Category first register for the quota by filling out a form within a one month window each year. Many more registrations are received than the quota provides for, and so the New Zealand Department of Labour conducts a computer ballot to randomly select amongst the registrations. Individuals who are selected in this ballot are then notified and invited to apply for residence within six months. It is at this stage of the residence application that applicants must provide evidence of the job offer in New Zealand. Once applications are approved, migrants can then move to New Zealand with permanent residence, and bring their spouse and dependent children with them.

### **3. The PINZMS data**

In this paper we use a special survey designed by the authors in order to examine how this policy functions in practice. The first wave of the Tongan component of the Pacific Island-New Zealand Migration Survey (PINZMS) was collected in 2005.<sup>10</sup> The survey sampled Tongans who registered for the 2002/03 and 2003/04 PAC ballots, and a group of non-applicants living in the same villages in Tonga as the applicants. The applicant group consists of three subsamples: (a) individuals who had their names drawn in the ballot, whose residence applications were approved, and who had migrated to New Zealand; (b) individuals who had their names drawn in the ballot, but who had not migrated to New Zealand at the time of the survey (either because their residence

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<sup>9</sup> Applicants with dependents must also meet a minimum income requirement.

<sup>10</sup> An extension to this sample is currently being collected to look at the experience of applicants in the 2004/05 PAC ballot due to the substantial changes in policy and operation of the PAC since late 2004.

application was still being processed or because it had not been approved for reasons such as lack of a suitable job offer); and (c) individuals who applied for the PAC, but whose names were not drawn in the ballot.<sup>11</sup>

### **Why do the applicants want to migrate?**

New Zealand's real GDP per capita in 2004 was almost 15 times that of Tonga's, suggesting large potential income gains from migration. However, this difference in per capita income reflects differences in the level of human capital between countries, as well as differences in the prices paid for different skills. In McKenzie, Gibson and Stillman (2006) we use the random ballot feature of the PAC to obtain an experimental estimate of the actual gain in income experienced by the PAC applicants, comparing migrants to individuals in group (c), whose names were not chosen in the ballot.<sup>12</sup> We estimate that migrating increases income by 263% in the short-term – much less than the gain suggested by GDP per capita differences, but still very sizeable. The possibility of this large gain in income is clearly one very important motive for applying to migrate.

Nevertheless, the possibility of earning higher wages in New Zealand is only one of the reasons for migrating. We asked individuals who had registered for the PAC to rate the importance of different factors in their decision to apply to migrate. Table 1 shows that access to better public services in New Zealand and joining family members already in New Zealand are rated by more individuals as being very important factors than the

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<sup>11</sup> See McKenzie, Gibson and Stillman (2006) for more detailed description of the survey design.

<sup>12</sup> This estimation also takes account of those in group (b), who are “non-compliers” to the “treatment” of migration. The ballot outcome is used as an instrument for migration, obtaining an estimate of the effect of migration for those who would migrate if selected in the ballot.

chance to earn higher wages. Applicants with children also were very keen to migrate so that their children can attend school in New Zealand. Migration theory suggests that another motive to migrate is to earn money to overcome constraints on access to credit in the home country. However, we see very few applicants wanting to migrate in order to earn money to pay for housing improvements or businesses in Tonga.

**Table 1: Motives for Wanting to Migrate Among Tongan PAC Ballot Entrants**

	% saying reason is:		
	Very Important	Somewhat Important	Some unimportant or Very unimportant
Better public services in NZ	76	21	4
To be with family members in NZ	63	27	10
To earn higher wages in NZ	58	39	5
So children can attend NZ school <sup>#</sup>	53 (81)	9 (11)	38 (27)
Better social life	38	53	9
To pay for social responsibilities in home village	13	49	37
To pay for Tongan school fees <sup>#</sup>	7 (8)	49 (40)	44 (52)
Less cultural restrictions	5	49	46
To earn money to build a house in Tonga	5	25	70
As a way of getting into Australia	2	14	83
To earn money to start a business in Tonga	2	7	91

Based on responses of 198 Tongan ballot entrants in the Pacific Access Category  
<sup>#</sup> parentheses show results conditional on having a child (119/168 cases)

Sociologists have long emphasized the importance of family ties and networks in the migration decision. Family networks and previous experience in New Zealand seem particularly important for the Tongan PAC applicants. Table 2 shows that *all* 198 applicants interviewed had at least one family member in New Zealand, with siblings and aunts or uncles being the most common. 42% of the surveyed applicants had been to New Zealand for a visit before the introduction of the PAC in 2002, compared to 13% of the non-applicant sample. Given this context it is worth investigating the relative importance

of human capital and labor market ability versus family social capital as the prime determinant of the decision to apply to migrate. We investigate this next.

**Table 2: Percent with the following living in NZ at time of Application**

Father/father-in-law	38
Mother/mother-in-law	36
Brother/brother-in-law	73
Sister/sister-in-law	61
Daughter/son/daughter-in-law/son-in-law	9
Grandparent	10
Aunt/uncle	65
Cousin	61
Nephew/niece	36
None of the above	0
# observations	198

Based on responses of 198 Tongan ballot entrants in the Pacific Access Category

#### **4. What sort of migrants does this policy select?**

There are two stages at which the PAC policy can potentially affect who migrates to New Zealand. The first stage of selection occurs through the decision of Tongans of whether or not to apply for the PAC ballot. The second stage occurs through the Department of Labour determining whether or not individuals whose names are selected in the ballot have their residence applications approved and these individuals deciding on whether or not to migrate. We first consider what characteristics are associated with being selected at each step, and will then return to the more difficult question of trying to determine how much of this is a result of the PAC policy requirements.

We begin by estimating the following two probit equations to determine which characteristics each step selects on:

Apply for PAC ballot = probit(demographics, human capital, social capital) (1)

Migrate|Successful ballot = probit(demographics, human capital, social capital) (2)

Estimation of equation (1) pools the sample of all 18-45 year olds living in households without a PAC applicant with the sample of individuals registering for the PAC ballot. Equation (2) is estimated using only the sample of individuals whose names were drawn in the PAC ballot.

The demographic characteristics we consider are age, sex, martial status, and place of birth. Four measures of human capital are considered: English language fluency (noting that the PAC requires applicants to have a minimum level of English language ability), height, years of education, and the income earned in Tonga prior to applying. Since we are controlling for demographic characteristics and education, this income variable is capturing whether or not individuals are paid more than their observed skills predict, and hence is a measure of unobserved labor market skills. The two measures of social capital are the number of types of family members already in New Zealand, and whether or not the individual had been to New Zealand before the PAC was introduced. Since the reason for traveling to New Zealand may have been to visit family members, we also carry out the estimation without this variable in order to allow the family network variable to pick up the full effect of family.

Table 3 presents the results of this estimation. In order to compare magnitudes, we report the marginal effect of a change from 0 to 1 for dummy variables, and the marginal effect multiplied by the standard deviation for continuous variables. So, for example, column 1 shows that being married is associated with a 0.19 lower probability of applying for the PAC, while a one standard deviation increase in age increases the probability of applying by 0.12.<sup>13</sup>

**Table 3: Who does the policy select to migrate?**  
**Marginal effects from probit estimation of application and migration outcomes**

	Application decision		Migration outcome	
	(1)	(2)	(3)	(4)
Male dummy	-0.001 (0.02)	-0.023 (0.34)	0.234 (2.17)*	0.155 (1.49)
Married dummy	-0.188 (2.56)*	-0.158 (2.24)*	0.085 (0.80)	0.173 (1.87)
Age	0.122 (3.13)**	0.150 (3.95)**	-0.097 (1.89)	-0.072 (1.49)
Born on Tongatapu dummy	0.166 (2.57)*	0.189 (3.03)**	-0.159 (1.61)	-0.005 (0.05)
Income in Tonga prior to application	0.113 (3.35)**	0.100 (3.12)**	0.041 (0.98)	0.010 (0.25)
Years of Education	0.091 (2.98)**	0.102 (3.03)**	0.152 (1.78)	0.183 (2.35)*
Literate in English dummy	0.478 (3.04)**	0.440 (2.80)**	0.117 (0.46)	-0.033 (0.10)
Height	0.025 (0.68)	0.034 (0.93)	-0.018 (0.27)	0.013 (0.22)
Migrant Network in New Zealand	0.075 (2.46)*	0.083 (2.80)**	-0.036 (0.94)	-0.019 (0.46)
In New Zealand before 2002 dummy	0.306 (4.39)**		0.523 (5.40)**	
Pseudo R <sup>2</sup>	0.230	0.184	0.288	0.083
Observations	350	350	117	117

Robust z statistics in parentheses

\* significant at 5%; \*\* significant at 1%

Coefficients shown are marginal effects multiplied by the standard deviation in the regressor for continuous variables, and marginal effects of a change from 0 to 1 for dummy variables

<sup>13</sup> We also tried using a quadratic in age. The coefficients suggested the probability of applying first increases and then decreases with age, but the quadratic term was not significant.

Table 3 shows that both human capital and family networks help predict whether or not an individual will apply to migrate. Individuals with more education, higher income in Tonga, and who are literate in English are all significantly more likely to apply to the PAC.<sup>14</sup> So are individuals with larger networks in New Zealand and who have previously been to New Zealand. Individuals who are born on the main island of Tongatapu rather than on any of the outer islands are also more likely to apply to migrate, perhaps reflecting easier access to migration information.

Human capital and family network in New Zealand are largely independent of one another, meaning that these two factors are separate determinants in the migration decision: the correlation of the family network with years of education is 0.13 and with the Tongan wage premium is 0.00. Literacy in English has the largest effect on determining application: raising the probability of applying by 0.48. The policy is therefore succeeding in attracting applicants who fulfil the English criteria – although of course since English ability is expected to allow individuals to earn more and adapt more easily to life in New Zealand, we would expect individuals with higher English ability to be more likely to apply, even if the policy didn't explicitly require this condition.

A one standard deviation increase in the number of types of family members in New Zealand raises the probability of applying by 0.08, almost as much as the 0.10 increase from a one standard deviation increase in years of education or in Tongan income. Given

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<sup>14</sup> This may also reflect the fact that there is a fee of 50 Pa'anga to lodge an application for the PAC (25 Pa'anga for subsequent applications).

the low correlation between the family network and these human capital measures, this suggests that social capital can substitute almost one-for-one for human capital in determining whether individuals apply to migrate.

Columns 3 and 4 of Table 3 show that few characteristics are significant for predicting whether an individual whose name is selected in the ballot will have migrated by the time of the survey. Individuals are more likely to migrate if male, if they have more education, and if they have previously spent time in New Zealand. English language, income earned in Tonga, and family network, which were all powerful determinants of whether individuals applied, have no significant effect on predicting whether successful ballots will actually migrate.

### **Does the policy select migrants differently than open migration would?**

The above analysis shows that a number of characteristics are associated with whether or not an individual applies for the PAC. However, since most of these characteristics are also expected to affect labor market outcomes in New Zealand and the ease of adapting to life in New Zealand, we might expect many of these same effects to determine the migration decision even if the PAC did not require a job offer. That is, it is quite possible that the costs and benefits of migration, rather than the requirements of the PAC policy, are the main determinants of who applies to migrate through the PAC. It is therefore of direct policy interest to ask whether the job offer and English requirements of the PAC have additional effects on determining who migrates. This is a difficult question to answer, since we only observe migration under one policy regime. Nevertheless, we can

provide some suggestive evidence based on responses to the following hypothetical question asked in our survey in Tonga:

*“If New Zealand were to change its laws and it were now possible for anyone from Tonga who wanted to move to New Zealand to do so, what do you think would be the percent chance that you would move to New Zealand within one year of the law taking effect?”*

We also asked the percent chance that they would still be living in Tonga in 5 years time. This method of eliciting expectations allows quantifiable measures of probabilities to be obtained, and enables comparisons across individuals (Manski, 2004). This would be more difficult with Likert scales (e.g. a one to five score of very likely, likely, etc.). We asked this question of principal applicants for the PAC, who were still in Tonga (either because they had an unsuccessful ballot or because they had a successful ballot and had not yet migrated), and of the oldest person aged 25-35 in households without a PAC applicant.<sup>15</sup> Table 4 compares the responses for PAC applicants and these non-applicants.

**Table 4: Do PAC applicants differ from non-applicants in expected response to free movement?**

*Respondents were asked: "If New Zealand were to change its laws and make it possible for anyone from Tonga who wanted to move to New Zealand to do so, what is the..."*

	PAC applicants	PAC non-applicants	T-test p-value
Percent chance that would move to NZ within 1 year	68.3	68.7	0.90
Percent chance that would be living in Tonga in 5 years	32.0	30.2	0.60
Proportion saying over 75% chance of migrating in a year	0.481	0.483	0.98

<sup>15</sup> If the household did not have someone aged 25-35, this was asked of the oldest person aged 18 to 45.

The first point to note is that the PAC applicants and the non-applicants express very similar desires to migrate, with 48 percent of both groups saying that the probability that they would migrate within one year of such a law was over 75 percent. On average both groups thought there was only a 30 percent chance that they would still be in Tonga five years after such a law.

We then next use the answer to this question to compare the characteristics of who stated they would be highly likely to migrate under a policy of free movement to the characteristics of those applying for the Pacific Access Category. For most direct comparisons to the PAC application decision, we first estimate a probit of whether or not an individual would have above a 75 percent chance of moving (roughly the median). We also use regression to look at the effect of different characteristics directly on the reported percent chance of moving. Since we only ask one person per household these expectations questions, we have a smaller sample than used above to look at selection into the PAC. The sample of non-applicants is more homogeneous in terms of age than the full sample of 18-45 year old non-applicants. We therefore repeat our analysis of the PAC application decision for this smaller sample.

Table 5 reports the results of this analysis. Comparison of columns 1 and 2 allows us to see whether there are factors associated with the decision to migrate under the PAC that differ from those associated with a high chance of migrating under an open migration policy. First note that with the smaller and more homogeneous non-applicant sample, several of the characteristics which were significant predictors of PAC application among

the full sample of 18 to 45 year olds are not significant here. These include education, Tongan income and age. Secondly, note that English literacy is positively associated with the decision to migrate under both policy regimes. The effect is larger under the PAC, but not significantly so. English language ability is clearly something that would benefit a migrant in New Zealand, both in terms of ability to find work and in terms of making it easier to adjust to living in New Zealand. Even under an open migration system, we would therefore see migrants tending to have better English ability than non-migrants.

**Table 5: Does the PAC select differently from open migration?**

	(1) Would move under free migration PROBIT	(2) PAC Applicant PROBIT	(3) Percent chance would move under free migration OLS
Income in Tonga	-0.080 (1.21)	0.080 (1.30)	-0.402 (0.27)
Male dummy	-0.036 (0.46)	-0.226 (3.11)**	-1.933 (0.63)
Married dummy	-0.012 (0.14)	-0.079 (0.91)	-0.214 (0.06)
Age	0.034 (0.73)	0.027 (0.61)	1.899 (1.09)
Years of Education	-0.005 (0.15)	-0.029 (0.77)	0.438 (0.25)
English dummy	0.341 (1.63)	0.552 (2.46)*	14.479 (2.42)*
Born on Tongatapu dummy	-0.001 (0.02)	0.087 (1.15)	-2.083 (0.70)
Migrant Network in New Zealand	-0.007 (0.17)	0.089 (2.55)*	-1.115 (0.84)
Constant			49.178 (3.18)**
Observations	187	187	187

Robust z statistics in parentheses

\* significant at 5%; \*\* significant at 1%

Coefficients shown are marginal effects multiplied by the standard deviation in the regressor for continuous variables, and marginal effects of a change from 0 to 1 for dummy variables

The two variables which are statistically significant and which differ most between the PAC and a free migration regime are the migrant network in New Zealand and gender. A one standard deviation increase in the size of the network in New Zealand has no predictive power in determining who states they would be most likely to migrate under open migration, but increases the probability of applying for the PAC by 0.09. The significance of the male dummy variable in determining PAC application in this table but not in Table 3 is purely a mechanical result, arising from the fact that while PAC principal applicants were asked the question on expectations, only the oldest individual within an age range was asked this question in households where no one applied to the PAC. Since males tend to marry younger women, they are more likely to be the person asked this question. Thus males accounted for 81% of the individuals answering the expectations question in non-applicant households, and only 51% of the individuals answering this question amongst PAC applicants. As a result, when we condition the sample on answering the expectations question and then look at the PAC application decision, it looks like males are less likely to apply for the PAC. As Table 3 shows, this is not the case when we look at the full sample of 18 to 45 year olds.

Thus overall these results suggest that while Tongans with higher human capital and more connections to New Zealand were more likely to apply to migrate under the PAC, only some of this selection is likely to be the result of the PAC policy. Instead, under the PAC as it operated between 2002 and 2004 (with the requirement of a job offer in New Zealand but without job search support that was subsequently introduced), individuals

seemed more likely to apply to migrate on the basis of whether or not they had a large family network in New Zealand. In this sense the policy effectively worked to extend the range of family members from the narrow set who can migrate under family-sponsored categories, but was less successful at allowing Tongans with few family connections in New Zealand the chance to migrate. These results are suggestive only, since we are only looking at a subset of the eligible people under the PAC, and basing analysis in part on answers to a hypothetical question. To understand further how plausible this analysis is we need to consider how the requirement for a job offer worked in practice, to see the role of human capital and family connections .

#### **5. How do potential migrants look for (and find) a job offer?**

The Pacific Access Category requires successful ballots to have a job offer in order for their residence applications to be approved. Before discussing the mechanisms individuals use to try and obtain this job offer, it is useful to note the types of jobs typically obtained by the migrants in our sample, since the methods used to look for a job may differ depending on the type of job being sought.

The most common industries that the PAC migrants in our sample work in are construction and retail sales, which together account for 55% of all principal applicant jobs. This carries over into the most common occupations, which are found in these industries: sales assistants and packers in retail sales, and carpenters, technicians and welders in building and construction. These jobs are similar to many of the entry-level

positions taken by developing country migrants around the world, so job search patterns for these jobs may be indicative of how job offer criteria would be met elsewhere.<sup>16</sup>

In our questionnaire we asked individuals in Tonga how they tried to obtain the job offer required by the PAC. Table 6 shows that siblings and other relatives are the most common ways PAC ballot entrants from 2002 to 2004 tried to find a job offer. Other methods such as looking for job listings, using a recruitment agency, or directly traveling to New Zealand were used by only a very small minority.

**Table 6: What methods do applicants try to find a job offer?**

	% applicants trying this:
Asking a brother/sister in New Zealand	53.0
Asking another relative in New Zealand	49.2
Asking another village member in NZ	7.6
Searching job listings in a Tongan newspaper	0.0
Searching job listings in a NZ newspaper	2.3
looking for job listings on the internet	2.3
Sending my resume/C.V. to employers	0.0
Asking a travel agent for help finding a job	0.8
Using a recruitment agency to help find a job	0.8
Using an immigration consultant in Tonga	1.5
Using an immigration consultant in NZ	4.5
Traveling to New Zealand on a Visitor Visa	6.8
#observations	132

Table 7 then shows what method the migrants in New Zealand actually succeeded with in obtaining their job offer. As with Table 6, siblings and other relatives in New Zealand are the most common methods. However, 25% of job offers are obtained through non-family channels, through a mixture of direct applications to advertisements, travel, and the use of recruitment agencies.

<sup>16</sup> The change in job search patterns following the October 2004 policy changes are examined in Section 7 below.

**Table 7: What succeeds? How did the migrants get their job offer?**

	% Migrants
Brother or Sister in New Zealand	24.6
Other Relative in New Zealand	49.2
Other Member of Village in New Zealand	4.6
Applied to advertisement in Tongan newspaper	0.0
Applied to advertisement in New Zealand newspaper	1.5
Applied to internet advertisement	1.5
Travel agent	3.1
Recruitment agency	4.6
Travelled to New Zealand	4.6
Other	6.2
#observations	65

Almost all (94%) of these migrants obtained their job offer after their name was drawn in the ballot, rather than having the job offer at the time of applying for the PAC. Even though job offers were meant to be for one year or more or indefinite, our survey finds 41% of the job offers were for one year or less, with 16% less than six months.<sup>17</sup>

## **6. Does a job offer actually translate into a job?**

Despite having a job offer, our survey shows that only 39% of the Tongan migrants coming through the PAC prior to the policy changes in October 2004 actually worked in the job that they had the offer for upon arriving in New Zealand. Amongst those not taking up the job offer, 68% stated that the job was not available upon moving to New Zealand. The amount of time between obtaining the job offer and actually migrating to New Zealand was likely to be an important factor here. After a job offer was filed with their residence application it typically took three to nine months for applicants to receive a decision on their application, after which they are given up to one year to move.

<sup>17</sup> We are unable to compare the job offers reported in our survey with the offers approved by Immigration NZ as part of the residence application to examine why some offers did not seem to meet the requirements.

Although the median migrant moved within one month of receiving their residence approval, the time taken to process the residence application is likely to have led many employers to fill their vacancies with other workers.

The other main reasons given for not taking up the job offer were that the job offer was in a different part of the country (13%), that the job was taken by a family member instead (8%) and that they found a higher paying job (5%). Individuals who did not take up their job offer relied heavily on family and friends while looking for another job in New Zealand: 93% lived with family or friends while looking for a job, and 77% found their first job through a relative in New Zealand.

Many of these migrants who did not take up their job offer found their first job very quickly. Table 8 shows that 28% found their first job in less than 2 weeks, while 69% have found their first job within 2 months.<sup>18</sup> However, 16% of those who had been in New Zealand for at least two months at the time of the survey were still looking for their first job. In such cases personal savings and the help of family and friends are particularly important, in order to meet living expenses without work income.

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<sup>18</sup> At the time of the survey New Zealand had the lowest unemployment rate in the OECD which may have contributed to the speed at which jobs were found.

**Table 8: How long does it take to find a job after arriving**  
(for migrants who don't take up the job their job offer is for)

	% Migrants
Less than 2 weeks	22
Between 2 weeks and 1 month	25
Between 1 and 2 months	22
Between 2 and 6 months	12
More than 6 months	3
Still looking for their first job	16
#observations	32

For migrants who have been in New Zealand for two months or more

Overall this analysis of the process by which potential migrants found job offers supports the view that the job offer requirement of the PAC mainly acted to select migrants on whether or not they had family members already in New Zealand. Siblings and other relatives are by far the most frequent method that was used to obtain job offers. Even if the job offer did not result in a job, migrants were then able to rely on relatives to help them find another job, and as a source of accommodation during the search process. From a policy viewpoint, this has the attractive feature of providing a non-government informal insurance and support network, easing concerns that migrants may require government welfare assistance if they are unable to quickly find a job.

Nevertheless, the system has several possible drawbacks as well. Given the development benefits of remittances and the large income gains arising from migration, equity arguments would suggest that the PAC should provide more opportunities to Tongan families that do not currently have a large presence in New Zealand. From the viewpoint of New Zealand policymakers, the job offer requirement did not appear to be acting to select individuals with relatively high human capital, or who were in occupations particularly in demand in the New Zealand labor market. Furthermore, since in many

cases the job offer was not taken up, the system was not fulfilling the goal of making sure that all migrants could immediately start work without having to undertake search upon arrival. Finally, since not all successful ballots were able to find job offers, there are administrative inefficiencies involved in offering some of the set number of places to individuals who did not actually move.

## **7. Policy challenges and changes**

The result of these difficulties experienced by potential migrants in obtaining job offers was that many of those whose name was drawn in the 2002/03 and 2003/04 ballots did not migrate to New Zealand. Despite the large numbers of people registering for the PAC, the outcome was that the 250 quota was not filled in these years. New Zealand also offers quotas under the Pacific Access Category for Tuvalu, Kiribati and Fiji, and a similar scheme for Samoans. Problems obtaining job offers also resulted in the quotas not being filled for these other countries, leading to complaints from several of the Pacific Islands governments involved.<sup>19</sup> The New Zealand Government conducted a review of the PAC, and announced several major changes to its operation with effect from October 2004.

The main changes in terms of the job offer were an improvement in the speed of verifying job offers, to within a two week period, and developing partnerships with the private and public sector in New Zealand to try and help match successful ballots to job vacancies in New Zealand. For example, in the Samoan case, the Immigration New

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<sup>19</sup> See, e.g. “Tuvalu premier criticizes New Zealand immigration ‘red tape’”, *Radio New Zealand International*, Sunday May 9, 2004, 0800 GMT 10 May 2004.

Zealand worked with the Department of Corrections to recruit prisons officers for New Zealand, and with a roadworks and bus company. A second important change was that the income requirement facing migrants with dependents was lowered, and the income of the spouse as well as that of the principal applicant can now be used in meeting this requirement. This change has resulted in a higher proportion of individuals with successful ballots obtaining residency.<sup>20</sup>

An extension to the sample of Tongan migrants in New Zealand is currently being conducted to see how outcomes compare for those who came through the Pacific Access Category after these changes. Our early results show that the new policy appears to be working in terms of helping migrants have alternatives to family networks for finding jobs, and in allowing migrants to obtain job offers which translate into actual jobs upon arrival. Table 9 shows that the only 36% of the newest group of migrants have obtained their initial job offer from relatives in New Zealand, compared with 74% previously.<sup>21</sup> The difference is made up by job offer obtained through a visiting employer arranged by the Immigration New Zealand, which accounts for 58% of offers for the migrants coming after the October 2004 policy changes.

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<sup>20</sup> See “NZ immigration changes result in higher uptake of ballot residency”, *Matangi Tonga online*, 25 July 2005, <http://www.matangitonga.to/article/spnews/nz/ballot2307-5.shtml>.

<sup>21</sup> These results apply only to the Principal Applicants. Although one of the policy changes was to allow qualifying job offers from either the Principal Applicant or their spouse, only one sixth of the new sample of migrants had taken advantage of this. So for comparability with the earlier sample the analysis is restricted to Principal Applicants.

**Table 9: Comparisons of job offers and initial jobs before and after policy changes**  
(percent of migrants from two phases of PINZMS in New Zealand)

	Prior to Oct 2004	Post Oct 2004
Initial job offer from a relative in New Zealand?	73.9	36.1
Initial job offer from visiting employer arranged by Immigration Service?	0.0	58.3
Initial job offer for longer than one year?	59.4	100.0
Did you work in the initially offered job?	38.5	88.9
Still in first job at time of the survey?	50.8	72.2
#observations	65.0	36.0

All comparisons between the two columns are statistically significant at  $p < 0.05$ .

The migrants who have entered New Zealand since the policy changes also appear to be receiving offers for longer term jobs, which they are more likely to accept and still be working in at the time of the survey. Even when adjusting for the shorter time in New Zealand at the time of the survey, the migrants who have entered through the post-October 2004 rules are significantly more likely to be in their first job, which was almost always the offered job used in their residence application.<sup>22</sup>

## 8. Conclusions

Several categories of employment migration require individuals to have a job offer before being able to migrate. The requirement of a job offer is more common for less skilled individuals, while many receiving countries let workers with high levels of skills migrate and then look for jobs. However, while skilled workers in scarce or specialized occupations may be able to obtain job offers whilst abroad, it appears much harder for less skilled migrants to do so. Our analysis of job offers obtained through the Pacific Access Category in New Zealand shows that prior to a more active job brokering role from immigration authorities, potential migrants relied almost exclusively on relatives abroad to find them a job offer. This effectively led to a *de facto* family migration

<sup>22</sup> Specifically, in a probit regression for whether the Principal Applicant is still in their first job at the time of the survey, the significant difference in probabilities between the two samples of Tongan migrants is not changed if number of months in New Zealand is included as a covariate.

scheme, limiting the possibilities for migration for individuals who don't already have strong connections to a country.

The likely reason for requiring a job offer is to try to ensure that new migrants are able to quickly begin work in their new country, and to prevent the problems associated with prolonged unemployment. However, in practice delays processing applications can cause many migrants not to take up the jobs they have the offer for. Nevertheless, the types of occupations that less skilled migrants typically work in, such as construction and retail sales, typically have rapid turnover and frequent new hiring. As such, it seems reasonable to expect migrants to be able to quickly find jobs in these occupations without requiring them to have job offers ex ante.

If ex ante job offers are to be used, our results show a need for active efforts to help potential migrants find job offers. The change in policy in New Zealand which has meant an active role on the receiving country side appears to have worked well for the small number of migrants coming from the Pacific Islands. However, this may be harder to scale up for larger numbers of migrants coming in to other countries, especially when those migration flows do not form part of a receiving Government's broader development relationship with the source country. In such cases receiving country Governments may wish to consider granting travel visas for job search in country, while sending country Governments may want to take a more active approach in fostering and regulating recruitment, such as is done in the Philippines.

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