

*Economic and Political Restructuring  
and the Sustainability of Migrant  
Remittances: The Case of Western Samoa*

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When migration from island states to larger states in the South Pacific began, its significance was seen primarily in terms of its effects on island populations. Emigration of young migrants could reduce rising population growth rates and relieve pressure on limited resources. For planners it could reduce the numbers of people for whom services had to be provided. For those concerned with economic development, it raised the possibility of repatriation of capital and skills in the medium term. For politicians it could reduce, at least temporarily, pressure for politically unpopular reforms. Migration's significance as a source of remittance income was only fully appreciated as the numbers of migrants and the volume of remittances grew.

To politicians in general, and finance ministers in particular, remittances are an attractive form of revenue. They generate essential foreign currency reserves. In the hands of recipients they generate a demand for goods and services. Various forms of duty and excise can be levied on imported goods and services. In turn the production and distribution of goods and services generates commercial activity. Commercial activity generates wage employment and company profits, both of which can be taxed. The financial transactions themselves generate revenue for government trading operations such as post offices, and for operations such as commercial banks, in which governments have interests. Remittances that are saved provide capital which can be further loaned locally to finance development. In the short term these loans generate interest, and in the

longer term, they may produce viable enterprises whose profits can be taxed.

To persons involved in development, as well as politicians, remittance revenue is an attractive alternative to certain forms of tied economic aid. It is available without surrendering economic sovereignty to agencies such as the International Monetary Fund. It requires little in the way of administrative infrastructure. It does not require an expensive specialist bureaucracy to meet complex application, documentation, and accounting requirements. In effect, remittance revenue is distributed and administered by its "donors" and accounted for by its "recipients." This obviates the necessity to choose between competing claims that might later become the focus of political accusation.

Remittance revenue is attractive to governments. As long as populations have such supplementary sources of income, their expectations of government expenditure may be contained. Where remittance income can be channeled into community projects, it effectively subsidizes government expenditure on capital works. Where the income is used to offset poor commodity prices, it relieves pressure on governments to intervene in areas where the probability of successful intervention is low. When there is a deficit between what people receive in remittances and what they believe they need, donors rather than governments are held responsible.

For all of these reasons, remittances have grown in importance despite evidence that they may also have negative social and economic consequences for economic development (Shankman 1976). While different states depend to different degrees on remittance income, the trend has been toward a steady increase in the volume and value of remittances, and in their significance within island budgets.

Despite the evidence of some negative consequences, acceptance of the fact of remittances is probably a realistic approach on the part of Pacific Island politicians. Such factors as periodic natural disasters; generally poor price outlooks for many traditional crops; increasing freight costs and evidence of agricultural protectionism on the part of some trading partners; the vulnerability of tourism to fuel prices, threats of terrorism and wars (*IBP* Feb 1991, 36-38); a lack of awareness of the Pacific states' existence in major markets (*PIM*, April 1991, 36); vulnerability of local manufacturing to competition from imports and to protectionism in markets for manufactured output (*PIM*, April 1991, 32); and the probable

decline of aid flows as donors' economies contract and their interests shift (ESCAP 1991; *PIM*, April 1991, 22–23) all highlight the value of diversifying sources of revenue. Furthermore, attempts to control freely contracted flows would be politically untenable.

Pacific Island states are continually seeking new sources of revenue—by applying new technology to existing resources such as Manihiki's pearl production; by exploiting hitherto unexploited natural resources such as submarine manganese deposits; by developing new high-value crops such as pepper (*Pacific Magazine*, May–June, 1991, 54–55); by selling high-value by-products such as shark fin into specialized markets such as China (*IBP*, 11 Feb 1991, 39); or by creating and selling new commodities such as passports, gold coins, stamps, offshore banking services, or shipping registries.<sup>1</sup> Unless the island states can generate one or more such sources of revenue, remittances are likely to remain important. Their steadily growing volumes have led politicians, planners, and researchers to focus on the ways in which remittances are put to use. Until recently, there has been little reason to consider the issue of the viability of remittance income and the possibility that it might decline.<sup>2</sup> Only now are people, such as economist Denis Ahlburg, starting to consider this question.

The questions raised are *Can* remittance flows be sustained? and *Will* remittance flows be sustained? The first question is primarily a technical one: Are there enough island-born or island-linked people in the labor forces of industrialized countries to generate a given level of remittances to the island states? The second question is a sociological one: Will those who are able to sustain the flow be willing to? In this paper I examine the case of remittance flows between New Zealand and Western Samoa.

Although such a study may seem at first to have limited relevance, it is a classic case of a particular type of relationship, between a peripheral state and a semiperipheral state, for which good data exist. Generic factors such as the consequences of capital restructuring in industrial states, fiscal crises of capitalist states, the changing demographic composition of migration streams, and cultural and lifestyle changes in migrant populations are present in various combinations in all relationships of this type. Here I propose to identify the factors and develop linkages between them in one situation, then suggest how these factors and linkages might be relevant in others. In the early part of the paper I address the first question and the specific factors that may influence migrant Samoans' ability to sustain historically high remittance flows. In the second part I turn to the

second question and the factors that may dispose Western Samoan migrants in New Zealand to continue to remit.

### CAN REMITTANCE LEVELS BE SUSTAINED?

My analysis of this issue sets aside the question of whether growth rates will be sustained. Since as early as 1975 the advisors of the Western Samoan government have tended to presume that they would grow, if at a slower rate. For instance, Western Samoa's third five-year development plan contains the following comment:

*Unrequited Transfers* are difficult to forecast, but it is reasonable to expect some continuation of their past rapid growth, which averaged 25 percent a year between 1965 and 1974, and 29 percent a year between 1970 and 1974 on a trendline basis. However, recession conditions in New Zealand and the United States may temporarily restrain this growth. As shown in table 3, projected unrequited transfers (a large part of which is private remittances) constitute a major source of financing of the trade deficit. Projections are made for a 15 percent annual rate of increase. (Western Samoa 1975, 39)

Ahlburg, using general assumptions, has suggested that remittances to Western Samoa are unlikely to grow (1991). In the short term, he argues, remittances are likely to level out and in the long term to decline, as has already begun to occur in Tonga. My focus, instead, is on whether existing volumes from Samoan migrants in New Zealand can be maintained, and on a series of recently implemented political, economic, and immigration policies that foreshadow an even lower volume of remittances. The New Zealand case is important because the largest number of Western Samoan migrants reside in New Zealand. Differences in detail may exist compared to other states in which Western Samoans work, but there are important general similarities between the labor markets of New Zealand, Australia, and the United States. The factors underlying this analysis of the Samoan case are that demand for unskilled and semiskilled labor in New Zealand has declined and is unlikely to return to previous levels; that incomes of migrants are falling and with them discretionary income levels; that the Samoan-born migrant population is aging; and that it is not clear that their New Zealand-born children will replace them as remitters.

The emergence of the present situation requires some understanding of the economic circumstances that existed in New Zealand during the early

phases of migration; of the ways these have changed recently; and of the likely future course. Economic circumstances have a marked impact on both present and future demands for migrant labor, on migrants' incomes, and on their capacity to remit.

### *The Good Times*

Until recently, migration from Western Samoa to New Zealand has run at fairly consistent levels. As earlier migrants achieved major goals in Samoa, such as home construction and vehicle purchase, and assumed new responsibilities in New Zealand, they gradually reduced their contributions to Samoa. But as new migrants joined the labor force, their higher level of contributions offset those of the earlier migrants. Over time, as the volume of new migrants grew steadily, remittance volumes continued to increase. This growth was based on economic policies of successive New Zealand governments in the period between 1950 and 1983. The policies were designed to diversify New Zealand's productive base by creating a sheltered economic climate in which local secondary industry could become established. Goods produced were intended to reduce demand for imports and could, with appropriate subsidies, eventually be exported. These protectionist policies brought considerable growth and economic prosperity to New Zealand. For much of the period, high primary commodity prices underwrote their costs. However, growth of the protected industries rapidly exhausted locally available labor and generated a more or less continuous demand for migrant labor, which was drawn primarily from northwestern Europe and the Pacific islands with which New Zealand had colonial ties.

### *The Emerging Crisis*

In the late 1970s falling demand for primary products, the restriction of access to traditional markets, and protectionist policies applied by New Zealand's major trading partners to primary produce, led to falling commodity prices and serious trade and budget deficits. In turn, these circumstances caused problems for the New Zealand government in the late 1970s and early 1980s. The state faced a classic fiscal crisis. Successive governments found it increasingly difficult to fund the economic and welfare programs developed by earlier administrations without further overseas borrowings and increasing debt-servicing charges.

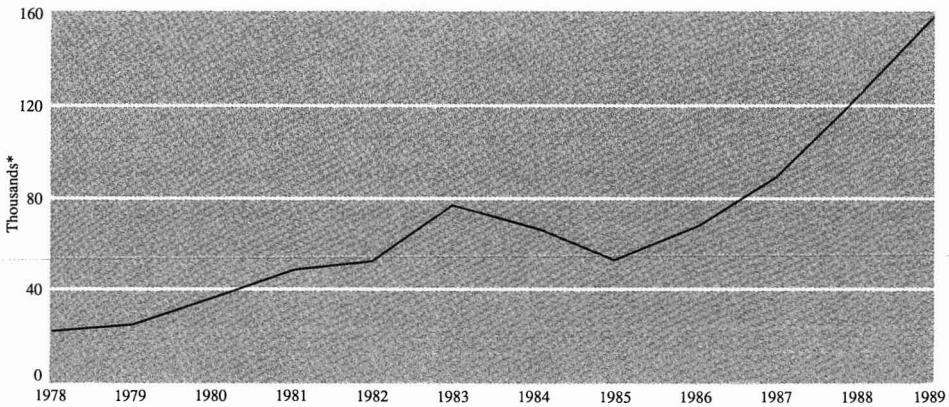
In 1984 a Labour government was elected with a set of monetarist eco-

conomic policies designed, it claimed, to address this problem. That government embarked on a radical program of deregulation. Among its early moves was the removal of subsidies and tariff protection to encourage the redeployment and more effective application of capital. Many industries did not survive in the new climate. Some were closed, others failed. Those that survived did so by reducing costs of production. Some mechanized and automated processes; some shed labor; some "portable" industries were relocated to countries with low-wage economies such as Fiji or Thailand; some simply switched from producing products to importing them. As emphasis shifted from productive capital, some capital formerly used in production was converted into more mobile forms and redeployed outside New Zealand. These policies rapidly pushed historically low unemployment rates upward.

The Labour government sought to reduce state spending by transforming the public sector. A number of operations were converted from government departments into state-owned enterprises. The managements of these enterprises were required to adopt commercial management philosophies, objectives, and styles and to produce dividends acceptable to the government. Under pressure to operate commercially and to produce dividends, these enterprises sought to reduce costs by much the same means as commercial organizations, including, among other things, reducing their labor force significantly. Operations that could not for various reasons be "corporatized" were encouraged to review their organization and reduce costs. The net effect was a dramatic reduction in the size of the public service, with consequent losses of employment and still higher unemployment rates.

Over the period 1984 to 1991, both the general unemployment rate and the rate for unskilled people rose steadily. From historically low rates of around 0.7 percent unemployment in the early 1960s when migration was gaining speed, the general rate had grown to 6.8 percent in 1986 (*NZ Official Yearbook 1990*, 351, 371). The rate increased even more rapidly as companies collapsed in the wake of the 1987 sharemarket crash and had reached 7.25 percent by March 1990 (*NZ Household Labour Force Survey*, March 1990) when an impatient electorate voted the Labour government out in a landslide. The speed of this growth is illustrated in Figure 1.

In late 1990, a National government came to power and chose to continue the policies of the previous administration. Faced with a growing



\* Monthly average for years ending 31 December.

FIGURE 1. Unemployment Growth in New Zealand 1980–1989. *Source: New Zealand Official Yearbook, 1990, 370.*

public debt and its associated servicing costs, this administration chose to reduce public spending still further despite some opposition to this strategy within the party. Many politically “easier” options were no longer available. Corporatization and the sale of government assets; more efficient tax collection; the institution of a goods and services tax; implementation of user charges for a number of government services; cuts in size and increases in efficiencies in government operations; and reductions in government subsidies to industry and agriculture had all been largely exhausted as sources of additional revenue.

The National government has opted for the least popular cuts—in the welfare budget. In 1991 the government reduced the levels of all benefits for adult unemployment, youth and training, sickness, sole parents, and widows. Tougher criteria for eligibility for associated income supplements were instituted, and an extended “stand down” period was introduced for those who left jobs or became redundant. Furthermore, as of 1 March 1991, social welfare benefits paid to people illegally in New Zealand were canceled and procedures put in place to prevent this group from applying for benefits in the future (NZ Department of Social Welfare 1991).

In parallel moves to increase revenue the government moved to recover part of the costs of certain of its services for which it was not already charging. It instituted new charges and increased others and moved to recover outstanding debts that had been allowed to accrue. For instance, the government engaged a private debt-collection agency to recover NZ\$77 million in outstanding spouse and child support payments from some

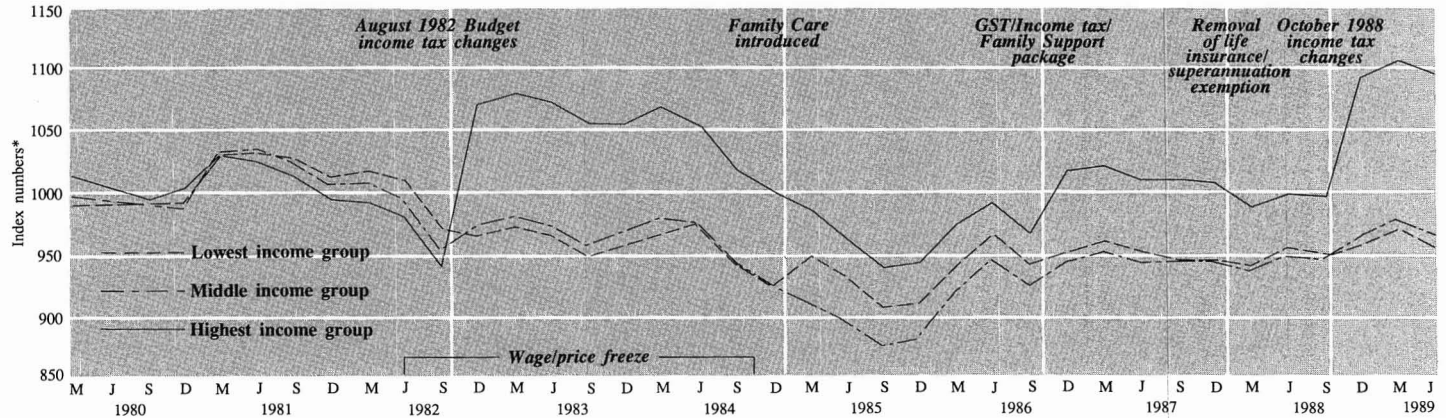
11,000 liable parents (*New Zealand Herald*, 30 April 1991). Moreover, the minister of social welfare has announced that to ensure more efficient collection in future, the Inland Revenue Department will from 1992 be responsible for collecting amounts of between 18 percent (for one child) and 36 percent (for five children) of absent parents' income, irrespective of their present marital status (*New Zealand Herald*, 15 May 1991, 5). The government has instituted new and more effective computerized procedures to exchange information between government agencies to ensure that correct deductions from wages and salaries and benefit payments are being made.

All of these policies affected low- and middle-income earners as well as the growing numbers who had become dependent on the state for their income as unemployment rose to 9.9 percent by March 1991 (*NZ Household Labour Force Survey* March 1991). Figure 2 shows the impact of these measures on real disposable income for various groups of New Zealanders.

The government is still enacting legislation designed to reduce its spending, and the full impact of these policies has yet to be felt. For instance, those who remain employed have not experienced the full effects of recently enacted industrial relations legislation. Until now, a system of national industrial agreements has granted a measure of protection to the employees covered. The Employment Contracts Act, designed to "free up the labour market" and to "make New Zealand industry more competitive," has reduced the power of labor unions by removing a compulsory membership requirement, and has thereby removed some of the protection they have provided in the labor market. Employees, who have depended on industry-wide unions to negotiate national conditions of employment, will now have either to negotiate individual contracts with their employers or to engage an authorized negotiating agent to represent their group. The combined effects of a shrinking demand for labor and a loss of union representation may lead to still further reductions in wage levels. Some groups of employers are already using the present combination of circumstances to negotiate awards from which long-standing provisions for penalty payments of various types have been removed. This is most likely to occur in the sectors where the demand for labor is weakest, such as unskilled and semiskilled activities.

These factors have influenced the financial situations of all New Zealanders in the 1980s, but they have affected subpopulations in differ-





\* Base: Year ended March 1981 = 1000.

FIGURE 2. Real Disposable Income Indexes, 1980–1989. *Source: New Zealand Official Yearbook, 1990, 381.*

ent ways. Some, including Samoan migrants, have been more seriously affected by restructuring than others.

### IMPLICATIONS OF GOVERNMENT POLICIES FOR SAMOANS

In this section I examine how Samoans were affected, and what effects this might have had on their discretionary income levels and indirectly on their capacity to remit. Given the distribution of income of Samoans shown in Table 1, it was inevitable that the recession would affect their discretionary income levels.

In 1986, before the full impact of government policies pushed incomes lower, 43.04 percent of Samoan income earners (compared with 27.56 percent of the total population) fell in the bottom income quintile, a group whose real disposable income had declined steadily between 1980 and

Table 1. Distribution of Income in New Zealand, 1986

Income Group NZ\$	Samoans* %	Total Population† %
< 2,500	17.99	7.11
2,501-5,000	4.78	5.21
5,001-7,500	8.01	7.62
7,501-10,000	12.26	9.68
10,001-15,000	24.59	21.39
15,001-20,000	11.97	18.68
20,001-25,000	3.77	12.05
25,001-30,000	1.39	7.06
30,001-40,000	0.71	5.17
> 40,000	0.17	3.02

*Sources:* Samoan data from Department of Statistics; Total population data from *New Zealand Official Yearbook, 1990*, Table 12.11 (p376).

*Notes:* \* Of the 39,288 Samoans employed in New Zealand in 1986, 14.29 percent did not specify their income.

† The total number of New Zealanders employed for wages in 1986 was 1,608,612.

1989 (see Figure 2). But although the data in Figure 1 might indicate a gradual decline to which people could adjust, for many Samoans the process was more sudden than the aggregate pattern suggests.

Despite some significant differences in the profiles of various Pacific Island subpopulations and evidence of recent upward social mobility on the part of Samoans (Bedford and Didham, 1989), in 1986 they were still concentrated, with other Pacific Islanders, in sectors that sustained heavy job losses very rapidly as Table 2 shows.

Ironically, the same chain migration process that had allowed Samoans to "colonize" particular industries effectively throughout the 1960s and 1970s (Pitt and Macpherson 1974) and had concentrated them in particular industrial activities, made them particularly vulnerable to labor retrenchment in both public and private sectors.

By March 1991, the rate of unemployment for Pacific Islanders as a group had risen to 27.2 percent, well ahead of the national figure of 9.9 percent. From 1987 to 1991 the number of Pacific Islanders employed has dropped by 24.9 percent from 44,200 to 33,200. While Samoans may have fared slightly better than other Pacific Island populations for various reasons, they cannot escape what is a national phenomenon. Economic downturns do not distinguish between loyal and less loyal, well-educated and less well educated work forces. The Samoan subpopulation is the

Table 2. Pacific Islander Unemployment Rates in New Zealand, 1986-1990

	Pacific Island Polynesian		Total Population	
	Male	Female	Male	Female
1986	6.4	8.2	3.6	5.1
1987	5.3	6.0	3.7	4.7
1988	12.2	8.5	4.9	5.2
1989	20.2	12.8	7.5	7.1
1990	21.3	14.0	7.4	7.1
1991	29.0	25.4	NA	NA

Source: NZ Department of Statistics *Household Labour Force Survey*, March quarters.

largest of the Pacific Island subpopulations in New Zealand and would have been expected to have sustained the heaviest job losses where all other things were equal. Furthermore, the character of unemployment itself has changed as the recession has deepened. Those who become unemployed remain on benefits for longer periods. The average length of time rose from 6.7 weeks in 1975 to 18.1 weeks in 1985 and 33.8 weeks in June 1990<sup>3</sup> (McCardle, 1991).

The victims of the retrenchment found their incomes declining progressively, first as working hours were reduced, then again as they moved from full-time jobs in the secondary industries to even shorter hours in service sector jobs; then as those jobs disappeared onto various welfare benefits, and finally as welfare benefits were cut. While unemployment has serious consequences for credit worthiness and makes it difficult to borrow, the lengthening period of unemployment leads to erosion of savings.

The situation has been further exacerbated by the arrival of migrants who are not able to enter the work force. This was in part the consequence of a 1982 judgment of the Privy Council, which established that persons born in Western Samoa between 13 May 1924 and 31 December 1948—the period in which New Zealand administered Western Samoa—or their descendants, were in fact New Zealand citizens (Macdonald 1986, 77). The Privy Council's decision could have had dramatic effects on the volume of migration between New Zealand and Western Samoa. In a series of hastily convened meetings the governments of New Zealand and Western Samoa agreed to nullify the effect of the judgment, but not before a number of people had taken advantage of the temporary opportunity to migrate. Despite the shrinking market for unskilled labor and changes in immigration regulations that reduced the number of employment opportunities, Samoans continued to migrate to New Zealand throughout this period. In fact, as Table 3 shows, the largest net migration gains occurred in the years when the economy was deteriorating and unemployment rates were rising most rapidly, a trend not reversed until 1990.

Many of those who migrated between 1986 and 1991 arrived during a brief visa-free period (Larner and Bedford, 1990) and remained illegally, or were adult "adoptees" or parents who were permitted to enter under the family reunification provisions of the immigration legislation. Many of those who entered illegally found only poorly paid part-time or casual work, and those who could not find work became dependent to various degrees on their relatives for maintenance. Adult adoptees who could not

Table 3. Samoan Migration Flows to New Zealand, 1982-1990

Year	Arrivals	Departures	Net
1982	10,298	9,468	830
1983	10,962	9,017	1,945
1984	10,067	7,912	2,155
1985	10,358	8,528	1,830
1986	12,531	9,990	2,541
1987	16,594	12,961	3,633
1988	18,616	15,432	3,184
1989	19,262	14,907	4,355
1990	13,572	13,636	-64

*Source:* Excerpted from Larner and Bedford 1990, Appendix 1b.

find work ended up on relatively low fixed incomes from welfare benefits. Few of those parents brought to New Zealand were entitled to benefits, and in most cases migrants were required to enter an agreement with the government that made them responsible for the costs of their parents' maintenance.

The effect of falls in real disposable income, increasing rates of unemployment and benefit dependency, and the growing numbers of new arrivals who will not enter paid employment have had a profound impact on many Samoan households' discretionary income over the six years in which these policies have been in place. The amount available for remittances has necessarily declined. Because costs remained more or less constant as incomes declined, many Samoan families found their discretionary income shrinking.

The full effects of the government's social and economic policies have not yet been felt. The government has tabled legislation designed to limit the numbers of persons who can enter the country as New Zealand citizens and therefore eligible for work or, where no work is available, for unemployment benefits. In the social area, for instance, the attorney-general has announced his intention to speed passage of the Citizenship Amendment Bill, which would remove provisions for recognizing overseas

adoptions for citizenship purposes. In the recent past this provision has allowed as many as eight hundred Western Samoan "children," a disproportionate number of whom are aged between sixteen and twenty-one, to enter New Zealand as citizens in any given year. The attorney-general has also indicated that the same legislation will seek to control marriages of convenience that have permitted illegally resident Samoans to claim citizenship (*New Zealand Herald*, 6 May 1991, 1). This and planned economic measures are likely to make the situation worse by limiting the growth of numbers of potential remitters and by reducing their incomes.

The effects of these policies become clearer when examined in the light of the size and sources of a family's income, its available disposable income, and its capacity to remit either cash or commodities to Western Samoa. What follows is a brief case study of the political economy of a particular family, but it may, with modifications, be used to model the ramifications for other types of family.

### *A Case Study*

The family household consists of a married couple, their four school-age children, and two illegally resident relatives who contributed to household and family expenses in both Western Samoa and New Zealand. They live in a South Auckland suburb in a three-bedroom home purchased in 1977 with a first mortgage from the government's Housing Corporation.

In 1983 the husband had a well-paid job as a foreman carpenter in commercial construction. His wife had a full-time job in the service sector. They received family benefits for each of the children and a family allowance. One of the illegally resident relatives was employed in construction, and the other, who had recently been made redundant, was receiving an unemployment benefit (Table 4).

By 1987 the husband was on reduced hours as building work subsided after the stockmarket crash reduced demand for new office space. His wife's job had disappeared, and she had taken a half-time job in the service sector at a lower hourly rate. The benefits they received remained at the same level. The illegally resident builder's laborer had become unemployed when a company in which he had worked for six years went bankrupt; he was receiving an unemployment benefit. The second illegally resident relative had had several part-time jobs in the interim but was again unemployed.

By 1991 both husband and wife were unemployed and receiving an

Table 4. Typical Weekly Household Income of Case Study Family, 1983–1991 (NZ\$)

	1983	1987	1991
<b>EARNINGS OF CORE MEMBERS</b>			
Primary earner	450	430	293*
Secondary earner	289	120	
<b>SOCIAL WELFARE ENTITLEMENT</b>			
Family benefit (4 allowances)	24	24	
Family support (4 children)	123	123	44
Income support	nil	nil	113
<b>ANCILIARY MEMBERS</b>			
First illegal resident†	143	143	nil
Second illegal resident‡	375	143	nil
<b>TOTAL INCOME</b>	<b>1404</b>	<b>943</b>	<b>450</b>

*Notes:*

\* \$293 is the unemployment rate for a married couple with two children and includes a family assistance supplement. This could as easily be seen as a social welfare entitlement.

† Unemployed throughout the period.

‡ Employed until 1987; employed intermittently since then.

unemployment benefit and a family supplement. The family benefits had been incorporated into the family allowance payment, and the family had reluctantly applied for an accommodation supplement to meet the mortgage payments on their home. Neither of the illegally resident relatives is eligible for the unemployment benefit any longer and neither has been able to find work.

The household's income has been dropping continually during a period when their costs have risen steadily. Between 1980 and 1989 the consumer price index rose 160 percent; some 70.13 percent of that increase occurred between 1984 and 1989. These parallel processes resulted in a steady erosion of disposable income (*NZ Official Yearbook, 1990, 614*).

The family has had to meet new costs resulting from the government's new policy of partial cost recovery. School fees for four children, which in 1986 cost the family \$200, now cost them \$600 per year, and the school administration has indicated that they are likely to rise again as the government seeks to cap education spending. The husband has two children by a previous marriage living with his former wife for whom he makes a token payment. If the government proceeds with its plan to recover an increasing percentage of child support costs from absent parents via deductions from wages or benefits, the family income could be expected to decline, and if the husband were to find paid employment, the level of deductions would presumably increase.

The two illegally resident relatives, who were once "assets," have become "liabilities" since their benefit entitlements were terminated. Where they formerly provided both labor and services and subsidized the household's participation in activities in both Samoa and New Zealand, they now make no contribution and must instead be supported on a declining household income.

Between 1977 and 1989 the family's largest commitment, repayments on their twenty-five-year first mortgage, increased steadily from around 8.5 percent to 15.4 percent as average home mortgage interest rates rose (*NZ Official Year Book 1990*, 519). The illegally resident relatives' income is no longer available to subsidize this cost.

Other factors have further eroded the family's financial capacity. In the past they were able to set aside little in the way of savings because of the expenses of running a household and participating in various Samoan activities. They had coped with periodic demands on their income by using the equity in their home to raise larger amounts, by running a bingo game to raise smaller amounts, and by borrowing within the kin group. These strategies are no longer as readily available as they once were.

In the past, for instance, they had used the equity in their house to raise additional short- and long-term finance to meet calls for assistance. They could meet the relatively small payments, and their equity was increasing as real estate values rose. As banks introduced simplified procedures for borrowing against home equity, it was possible to get additional funds relatively quickly and inexpensively. The house represented an additional source of finance in emergencies.

In 1987, when regular debt repayments for such items as a car were starting to consume most of the household's shrinking income, the family



reduced its outgoings by using the equity in the home to refinance other more expensive hire-purchase debts into a larger first mortgage. In 1989, to finance a major expense in Samoa, the family took a \$5000 second mortgage on the home with a finance company. Now, as their household income shrinks, they have considerable difficulties in meeting these payments.

The strategy of refinancing on advantageous terms is no longer available to this family. The declining value of their home, as a consequence of declining real estate values, their deteriorating credit record as a consequence of their tighter budget, and their limited ability to service further debt on unemployment benefits means that their major asset can no longer be used as an additional resource in emergencies.

The same is true of their second strategy. To generate additional capital, this household and a group of related households ran a fortnightly bingo game for several years. Each of the households encouraged friends and relatives to attend and play. The costs of the grocery "prizes" were deducted from each evening's proceeds and the "profits" retained in a fund to which members of the sponsoring households had access in case of emergencies. The bulk of the fund was divided among members around Christmas. A small amount, around \$750, was retained to cover contingencies until the club resumed in the new year. Over time, this activity has yielded less and less as fewer people can afford to play, or play fewer games on any one evening. Once the fund contained as much as \$7500, which could be borrowed at nil or very low interest rates and was occasionally given without expectation of repayment. The fund now rarely goes above \$1000 and is being eroded because borrowers cannot repay even relatively small debts.

There are problems with the third strategy. In the past when people's credit would not stand a loan, others had borrowed from this family amounts of up to \$1000, and they had from time to time borrowed similar amounts from others. Now, because the problem is affecting all of those involved in the same or similar ways, the chances of people having money to lend are reduced.

Furthermore, their employment status means that it is virtually impossible to obtain credit from other commercial sources, which generally insist on given income levels as the bases for loans. There are still some loan companies that will advance money in return for extraordinary securities over homes and chattels. Their activities have been the subject of

periodic public scrutiny from consumer organizations, and people are now cautious of borrowing from them.

Similar calculations can be done for various types of household and will yield similar results. In some cases the consequences are even more severe, as for instance, when benefits are simply withdrawn from a household of people illegally resident in New Zealand and they are left with no income.

## THE FUTURE

There will be fewer opportunities for new migrants to join the work force and significant reductions of income for those who remain in it. Recently adopted immigration policies will effectively discriminate against unskilled and semiskilled workers. This policy effectively limits the numbers of potential migrants from Western Samoa to 1100 persons per year entitled to permanent residence under a treaty, and those who qualify under family reunification provisions of the legislation. If the immigration points system were used to select the 1100 permanent residents it would discriminate in favor of people with either capital or skills. Furthermore, the quota sets the maximum rather than the minimum number of permanent residents per year and, as Va'a (1991) noted, the New Zealand government has not always filled the annual quota and could choose not to in the future.

The implications for remittance levels are obvious. At any given time the Samoan remitting population consists of new, generally young, single, migrants remitting large proportions of their income and older, married residents remitting steadily declining proportions of their income (Macpherson 1991a). Unless the stock of new migrants is replaced continuously, the general level of remittances can be expected to fall steadily as migrants go through the remitting cycle. A relatively small decline in the number of new migrants could have a disproportionately large impact on the total volume of remittances to Western Samoa.

Moreover, the family reunification policy can be expected over time to lead to a reduction in the volume of remittances. As parents join their migrant children in New Zealand, money that is presently remitted to them in Samoa and spent there, will be spent instead in New Zealand. The same can be expected of remittances to siblings presently in Samoa as they too are permitted to join family in New Zealand under family reunification provisions.

There are New Zealand-born Samoans who are about to enter the labor market in large numbers and could “replace” the immigrants presently in the work force. Significant numbers of New Zealand-born children will enter the work force in the next ten years, as Table 5 shows.

If 20 percent of the 15–19 year cohort were to enter the labor market in any given year the pool of potential remitters would increase steadily. But even if this happened there would still be fewer new workers from this source than have traditionally been available from migration. However, the earning potential of this group is probably higher than that of their immigrant counterparts and their migrant parents, because they are better prepared, in terms of cultural capital, for the work force.

Over time, increasing proportions of both male and female New Zealand-born Samoans have entered professional, technical, administrative, and managerial occupations, and the same trend is evident in clerical, sales, and service jobs. Smaller proportions of the New Zealand-born work force are found in the more vulnerable sectors: agriculture, production, and transport (Bedford and Didham, 1989, tables 7a, 7b). If this trend continues, New Zealand-born Samoans may be able to isolate themselves more effectively than their parents from some of the effects of restructuring. If their earnings are fed into remittances, it may well be possible to at least sustain levels.

This, however, presumes first that they will be able to enter the paid labor force. Unemployment rates are high among young people. In 1986, before the most severe effects of the recession were evident, 25.7 percent of New Zealand-born Samoan males and 25.1 percent of Samoan females aged between 15 and 19 years were unemployed and seeking work. These

Table 5. Age Structure of New Zealand-born Samoan Population, 1986

Age in years	Males	Females	Totals
< 5	4497	4161	8658
5–9	4092	3891	7983
10–14	3390	3204	6594
15–19	2319	2271	4590

Source: 1986 Census via Department of Statistics.

figures were only marginally lower than the 28.1 percent for island-born males and 29.9 percent for island-born females in the same age group. It is clear that the additional cultural capital the New Zealand-born bring to the labor market cannot make a significant difference when that market is generally depressed.

However, these figures may reflect another fact: that unemployment rates are highest among those with few formal academic qualifications (*NZ Official Yearbook, 1990, 371-372*). Despite impressive gains in levels of educational achievement, it remains a fact that in 1986 significant proportions of New Zealand-born Samoans were leaving school without a school qualification (Bedford and Didham 1989, tables 4a, 4b).

Those who do enter unskilled or semiskilled sectors of the work force can expect to earn less than their parents earned doing the same jobs in earlier times. Even the most optimistic model of the New Zealand economy suggests "that attempts to clear labour markets by adjusting wage relativities would require very large drops in wage rates paid to semi- and unskilled blue collar workers" (Rose 1990, 38). Those who are unable to break into the work force can expect to spend prolonged periods on unemployment and training benefits.

Even then, jobs that are available may not be as well paid because in the recent past new part-time jobs have been created more rapidly than new full-time jobs.<sup>4</sup> Between 1981 and 1986 the part-time male work force grew by 52.1 percent and the part-time female work force by 4.0 percent (*NZ Official Yearbook, 1990, Table 12.3, pp. 365-366*). By comparison, over the same period the full-time male work force grew by only 1.4 percent and the full-time female work force by 21.5 percent. Whether these trends have continued into 1991 is not clear. While the number of part-time jobs is small compared to full-time ones, if this trend continues it is probable that many new male entrants to the work force will be employed in newly created, lower paying, part-time positions. This may be only partly offset by the rather higher rate of full-time jobs taken by females over the same period.

It may be that the New Zealand-born cohort will enter a depressed labor market and that not all will enter the paid work force in the short term at least. While those with higher formal qualifications can expect to earn higher incomes than their migrant parents, many with lower qualifications can expect to earn lower real incomes than their parents did. For these people, the question of whether or not to remit discretionary income to Samoa may simply not arise, at least in the short term.

## THE PROSPECT OF RECOVERY

The questions arise of whether this is a temporary situation and whether after a brief lag, metropolitan economies will grow, job growth will return, incomes will increase, and Samoans will be free to resume their former levels of remittance. These questions are not easily answered since the performance of the New Zealand economy is only partly determined by internal factors and is significantly influenced by that of major trading partners. Some indicators are available.

One model of the New Zealand economy, which outlines the requirements for a fully employed, high-income society (Rose 1990), notes that even if new employment growth had commenced in 1988 and rates of 2.5 percent per year had been attained it would have taken until 1995 to attain full employment. In a comment on the probability of such rates being attained, the report states that although employment grew at an average compound rate of 2.3 percent between 1962 and 1977, "that was a long time ago and in a quite different environment" (Rose 1990, 3). In 1991 job losses have continued and new employment growth rates are running well behind those that would have been necessary to attain full employment by 1995. The prospect of a return to full employment in the next decade seems remote. The Treasury's longest estimates, published with the 1991 Budget, are for the rate to increase to 12.1 percent by 1992-1993 (*New Zealand Herald*, 31 July 1991, 1). Even then, for the reasons given, full employment may mean people working fewer hours in lower-paid service-sector jobs.

Even if "full employment" were to return, it is unlikely that all Western Samoans presently in New Zealand would be able to take advantage of the new situation. In mid-May 1991, New Zealand Minister of Labour the Honourable Bill Birch announced that the government intended to repatriate people illegally resident in New Zealand. When the number of illegal residents has grown on previous occasions, the government has offered amnesties during which people could come forward, register, and make a case for remaining in the country. Many people have come to believe that if they could remain in New Zealand for long enough and secure employer endorsement for their case, they would eventually be able to obtain residency. However, the minister, claiming the support of Pacific Island community leaders, has announced that this policy has rewarded people for violating immigration regulations and that a series of amnesties has led people to believe that they had simply to wait long enough to nor-

malize their immigration status. He has indicated that no amnesty will be offered and that those in the country illegally can expect to be deported. Prosecution of such a policy could reduce, by as many as 7500, the number of Samoans who would be available for work as the economy rebounded. If one assumes that each of these people might, after an economic recovery, have earned NZ\$450 per week in wages, their deportation would mean that the income of the community would be approximately \$3,375,000 less per week. If one further assumes that 20 percent of that income would have been remitted to Western Samoa, then the total remitted would be some NZ\$675,000 less per week or NZ\$35,100,000 per year.

Another developmental model, known as the Porter Project, generated for the government by a team led by an American academic economist, Professor Porter, looks to build on commercial and technological advantages New Zealand currently enjoys in a small number of specialized markets. The model the government appears to favor calls for a series of developments in areas unlikely ever to generate a demand for significant amounts of unskilled or semiskilled labor.

The question then becomes whether redeployment of human resources could forestall the fall in remittances. The Samoan family, as various authors have noted, operates as a transnational kin corporation<sup>5</sup> and moves its resources around to take advantage of opportunities in different markets. In the past people have been moved between New Zealand, Australia, and the United States. It should then be possible to move underemployed and unemployed people from labor markets in which demand is weak to those in which demand is stronger to increase the rate of return on human capital. However, there are real limits to such a strategy.

First, the metropolitan economies are linked to one another within the world economic system. Because of the nature of the linkages when one, such as the United States, is weak demand tends to weaken in the others, such as New Zealand and Australia. There may be short lags between weakening demand in one market and in another, particularly for Australia and New Zealand, which are increasingly closely linked. For instance, Australia's recession had driven unemployment to 10.6 percent by March 1991. A labor force survey by the Bureau of Statistics showed that unemployment had hit Pacific Islanders hard, with 10.9 percent of men and 13.4 percent of women out of work, and that the situation was worsening (*New Zealand Herald*, 30 May 1991, 18). The advantages of moving people from one place to another may be only temporary and may just fore-

stall the inevitable for reasons to be discussed. Furthermore, movement is constrained by complex sets of immigration regulations that tend increasingly to use point systems to establish eligibility in ways that discriminate in favor of immigrants with capital and skills. The application of these regulations would tend to work against the relatively free movement of many intending Western Samoan migrants.

Second, the three states among which most Samoans move are undergoing comparable types of capital restructuring, which results in the relocation of much secondary industry and the growth of a service sector in its place. The controllers of capital in each of the states seek means of arresting falling rates of return on invested capital and typically employ similar strategies—by exporting large numbers of jobs to low-wage economies of the third world and by capital intensification, that is, replacement of labor by automation, mechanization, and computerization. Automation and mechanization become additional means of reducing labor costs. The pace of discovery and application of new technologies is accelerating, and costs are falling rapidly. As yet the range of applications for computer-based technology is only in its infancy and its costs, while falling, are still relatively high. It is unlikely that industries in these states will ever generate the demand for Samoan labor that they once did.

Third, the crises these capitalist states face have certain generic characteristics. They are fiscal crises of late capitalism and force states to reduce the size and scope of social welfare programs to reduce the costs. In this context, states move to restrict immigration and to remove illegal immigrants. New Zealand, the United States, and most recently Australia (*PIM*, April 1991, 21) have all moved in this direction, and as domestic unemployment rates grow, it becomes increasingly difficult to persuade electorates that continued immigration is in the best interest of the domestic economy.

The next questions to arise are whether migrants, under increasing financial pressure, will continue to believe that remittances are a worthwhile investment for discretionary income, and whether their children can in turn be persuaded that this is the case. Those migrants who have close relatives in the village, who plan to return permanently to Samoa, and who aspire to an active role in village leadership may continue to remit in the belief that remittances are turned into sociopolitical capital on which they can draw later. Those whose close relatives move to New Zealand, who plan only occasional visits to Samoa, and who do not aspire to lead-

ership may invest discretionary income in New Zealand instead as their interests become centered there.<sup>6</sup>

Are New Zealand-born children of Samoan descent as committed to Samoa as their parents? There is probably no single answer to this question. Recent studies of Samoan and Tongan migrants have shown that they typically remit less than 40 percent of the amount that their parents remit.<sup>7</sup> But it is not simply that all migrant children remit less than their parents. Children exhibit quite different orientations to Samoan culture, custom, and language and to the villages with which they have connections (Macpherson 1984; 1991a; 1991b). While some may continue to maintain links with Samoa through remittances, many will not, for a variety of reasons. These issues are necessarily the subject of another paper.

If this forecast is correct, it has serious ramifications for the state of Western Samoa. Remittance income has for several decades made a significant contribution to the reduction of trade deficits. If deficits were to worsen significantly, international agencies might insist, as a condition of their continued assistance, on further austerity measures, a situation that could generate considerable political unrest. The availability of remittances has permitted people to meet their growing material aspirations. Remittances have provided significant parts of the costs of community facilities such as churches, schools, and dispensaries; major individual assets such as homes, freehold land, and vehicles; and the more mundane daily items such as school uniforms and fees, and imported food. If remittances are no longer available to meet these costs, the people may look increasingly to the government to meet them. In the present circumstances the government would not be well placed to do this and its inability could contribute to further political volatility.

There is evidence that Western Samoan politicians are becoming aware of the possibility that both remittances and international aid flows to Samoa may be waning.<sup>8</sup> However, they may have considerable difficulty persuading an electorate used to readily available remittances that the crisis and the need for action are real. By the time the reality of the situation becomes apparent, it may be much more difficult to persuade an impatient electorate to plan rationally for greater national self-sufficiency. Furthermore as Fairbairn has noted, although Samoan society has proved immensely resilient in the face of a number of challenges, the longer a society remains dependent on external sources of revenue, the more difficult it becomes to reinstate the social and economic foundations of earlier, higher levels of self-sufficiency (1985, 110–136).



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## Notes

1 Even these are temporary solutions. Their success in one state encourages others and before long the "market" is shared by more players. Furthermore, states that are losing tax revenue seek ways of eliminating such practices as offshore banking. While the Cook Islands has recently won the approval of the Hong Kong securities authorities as an alternative domicile for local companies, the British Inland Revenue Service is probing the activities of twenty states, including Vanuatu, which offer offshore banking services to British nationals (*PIM*, April 1991, 32).

2 Ironically, as this article is written, remittances from expatriate Samoans in the wake of Cyclone Ofa have pushed bank deposits to levels at which both the Bank of Western Samoa and the Pacific Commercial Bank are losing money on money on deposit because the money cannot be on-lent (*PIM*, April 1991, 33). However, periodic gestures of this scale can be usefully separated from historically "normal" levels. In the wake of Ofa, for instance, remittances ran 70 percent ahead of the levels for the same two weeks in the previous year.

3 This figure is the average length of time people returning to the workforce have received unemployment benefits. Other calculations, such as the average duration of unemployment for all currently unemployed, would produce different and possibly more useful figures.

4 Part-time refers to jobs in which fewer than 30 hours per week are worked; full-time, more than 30 hours per week.

5 A full discussion of the debate on metaphors for Pacific Islander migration, including a discussion of the transnational kin corporation, can be found in Hayes 1991.

6 This does not mean that they will cease to participate in Samoan activities but rather that they will increasingly invest their time and energy in the raft of religious, political, and family activities that has developed among Samoan migrants.

7 I am indebted to Denis Ahlburg for this information.

8 In a speech reported on Hawaii Public Radio (2 August 1991), Prime Minister Tofilau Eti Alesana of Western Samoa warned Samoans of the need to reduce the nation's dependence on external sources of funds.

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