



Office of the Chief Trade Adviser

INQUIRY INTO THE SEASONAL WORK PROGRAMME

Submission to the Joint Standing Committee on Migration of the Commonwealth Parliament



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Introduction

The Office of the Chief Trade Adviser (OCTA) was established on 29 March 2009 after Forum Leaders agreed to launch negotiations for a reciprocal trade arrangement with Australia and New Zealand – PACER Plus. PACER Plus is oriented towards the economic growth and sustainable development of Forum Island Countries (FICs). The arrangement is expected to be the most comprehensive trade agreement the FICs would have negotiated, embodying many trade-related components in a holistic framework. It was on the basis of the comprehensiveness of PACER Plus negotiations that the OCTA was established – to give independent advice and necessary support to the FICs to ensure their active participation in the PACER Plus negotiations.

The technical assistance provided by the OCTA to the FICs has been instrumental in advancing the PACER Plus negotiations. Considerable progress has been made in a number of negotiating areas: Customs Procedures, Rules of Origin, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Trade in Goods, Trade in Services, Investment, Labour Mobility, Institutional Provisions, Transparency, and Development Assistance. An agreement comprising these elements should provide a legal and institutional framework affording the PACER Plus Parties mechanisms to address constraints impeding trade competitiveness in a holistic manner, and contribute to economic development.

FICs face unique challenges in their quest for development, such as the small size of their economies and the limited opportunities for reaping the benefits of economies of scale, vulnerability to natural disasters, remoteness and isolation resulting in high trading costs, and highly concentrated export baskets. Despite recognising the importance of trade as a powerful engine for development, FICs continue to encounter internal and external barriers in utilising trade as a means to achieve economic growth and sustainable development. The negotiation of trade disciplines under PACER Plus can address some aspects of these internal and external barriers to trade

In the context of PACER Plus, the FICs have consistently demanded that Australia improve the functioning of the SWP, in particular through the removal of the caps, extension of the scheme to additional sectors, and coverage of all FICs. From the perspective of the FICs, PACER Plus will be unbalanced and fail in its primary objective of enhancing their participation in international trade if significant concessions on labour mobility are not given by Australia and New Zealand. For the FICs, the SWP and the RSE are essentially powerful development tools to assist them to address poverty and achieve economic growth and sustainable development.

Overview on SWP benefits/developmental impact to FICs

The Australian SWP is designed to meet labour demands in the horticulture sector by permitting workers from some FICs and Timor-Leste to work in Australia for a period between fourteen weeks and six months, providing employers who cannot source local labour



Office of the Chief Trade Adviser

the opportunity to recruit from the beneficiary countries. The scheme also provides for the return of experienced workers in future seasons as well as allowing employers to hire the same seasonal workers each year, provided the employers continue to struggle to find enough local workers.

The two main objectives of the scheme are to:

- Advance Australia's economic development objectives in the Pacific region, specifically through enabling seasonal workers to contribute to the development of their home countries, through remittances and training and skills development.
- Meet the labour demands in the horticulture industries, which face critical labour shortages.

Since its inception in July 2012, the SWP has been limited in that: (a) it has been open to a limited number of FICs, namely Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu; (b) the benefiting countries have not been able to fully utilise the development potential of the scheme because the scheme has been subjected to a cap whilst at the same time encountering cumbersome administration procedures and limited knowledge of the programme by farmers; (c) the schemes failed to operate at optimum level because of competition from other existing cheaper sources of labour such as illegal workers and backpackers. Due to these limitations, its general developmental impact on FICs has also been limited. Nevertheless, there is evidence to suggest that the scheme has contributed positively to participating countries, highlighting its importance to the development strategies of the FICs, with great potential to do more if conditions under which the scheme operates are improved.

From a FIC perspective, the SWP has been beneficial both to those workers who accessed the scheme and the sending countries' economies in general. FIC workers (and often their families) benefit from earnings, remittances, and skills development. Indeed, the SWP contributes to the transfer of useful skills to FICs' domestic labour markets and economies. The funds earned by workers permit obtaining better education, housing, and health services for families, and provide the opportunities for the development of small new businesses, often in rural communities.

An assessment of the development impact of the Australian Pacific Seasonal Workers Scheme (PSWPS) by Gibson and McKenzie shows that remittances from Tongan workers were spent on everyday expenses, school fees, savings and investment.¹ On the other hand in Robinvale, seasonal workers from Tonga, Samoa, Kiribati and Papua New Guinea have benefited from training in Basic English Literacy and Numeracy and First Aid training, under the Australian government funded Add-on Skills Programme. In addition, seasonal workers who participated in the Add-on Skills Programme in subsequent seasons stand the chance to

¹ Gibson J and McKenzie D (2010) *The Development Impact of a Best Practice Seasonal Workers Policy, Policy Research Working Paper*, 5488, Washington, DC: World Bank.



Office of the Chief Trade Adviser

be assessed for Certificate level I or II competencies in areas of their study that were related to their employment. Some workers also got on-the-job training, gaining skills that enhanced their chances of being employable when they went back home.

At the national level, remittances have also in some instances been a significant source for financing trade deficits and bolstering financial reserves at the macroeconomic level and financing health and education programmes. Table 2 shows the contribution of personal remittances to trade in goods and services for selected FICs from 2006 to 2013. The table shows that personal remittances play an important role in export earnings for a number of FICs countries, significantly so, for Tonga and Samoa compared to the rest of the world. For Tonga, Samoa, Republic of Marshal Islands and Tuvalu remittances also contribute significantly to GDP (Table 2).

Table 1: Personal Remittances, percentage of total trade in goods and services.

Country	2009	2010	2011	2012	2013
Fiji	12.05	9.55	7.19	7.83	8.68
Papua New Guinea	0.10	0.06	0.23	0.21	0.25
Samoa	74.94	67.63	71.08	70.84	66.25
Solomon Islands	1.06	0.51	0.34	2.70	3.14
Tonga	159.59	128.64	88.14	64.37	64.94
Vanuatu	3.77	3.59	6.16	5.85	5.91
World	2.81	2.56	2.42	2.48	2.50

Source: UNCTADStat

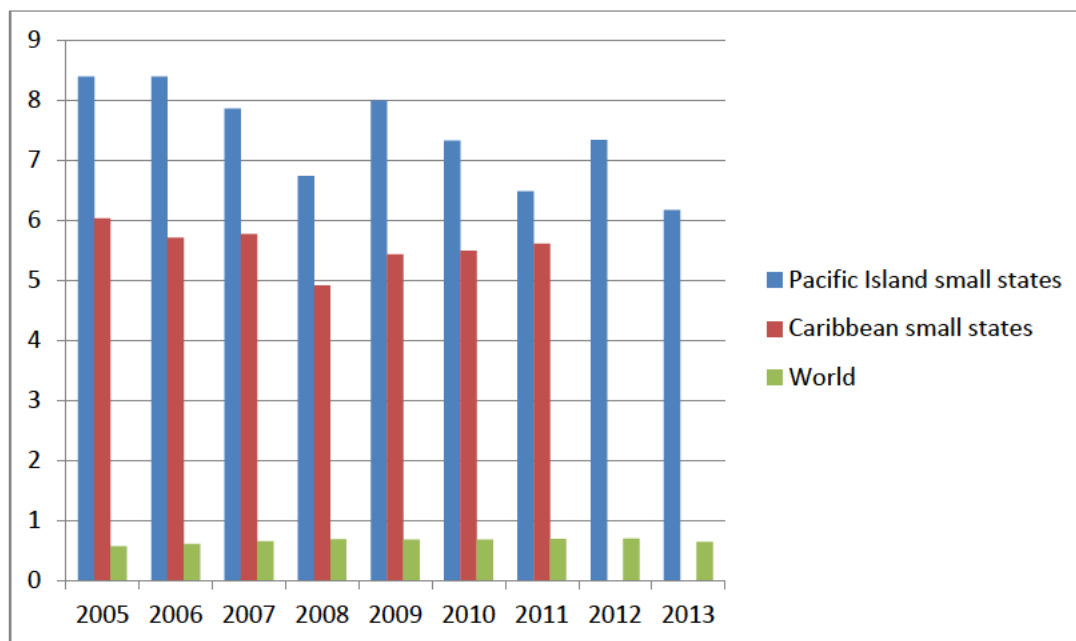
Table 2: Personal Remittances, Percentage of GDP – Individual FICs

Country	2009	2010	2011	2012	2013
Fiji	5.97	5.53	4.40	4.95	5.28
Federated States of Micronesia	6.25	6.14	6.26	6.38	6.97
Kiribati	8.34	7.77	7.20	7.30	
Republic of Marshal islands	15.51	13.55	12.80	11.83	12.28
Palau	0.85	0.91	0.98	1.09	1.03
Papua New Guinea	0.06	0.04	0.13	0.09	
Samoa	20.39	18.59	18.26	19.61	19.85
Solomon Islands	2.09	1.89	1.62	1.68	1.56
Tonga	22.45	20.54	15.83	24.56	
Tuvalu	17.81	12.32	11.66	9.62	10.59
Vanuatu	1.88	1.68	2.75	2.89	2.96

Source: World DataBank: World Development Indicators

Again, personal remittances contribute significantly to the GDP in Pacific Island Small States (PISs) compared to Caribbean Small States and the world, highlighting the importance of remittances to FICs economies.

Figure 1: Personal remittances received (% of GDP)



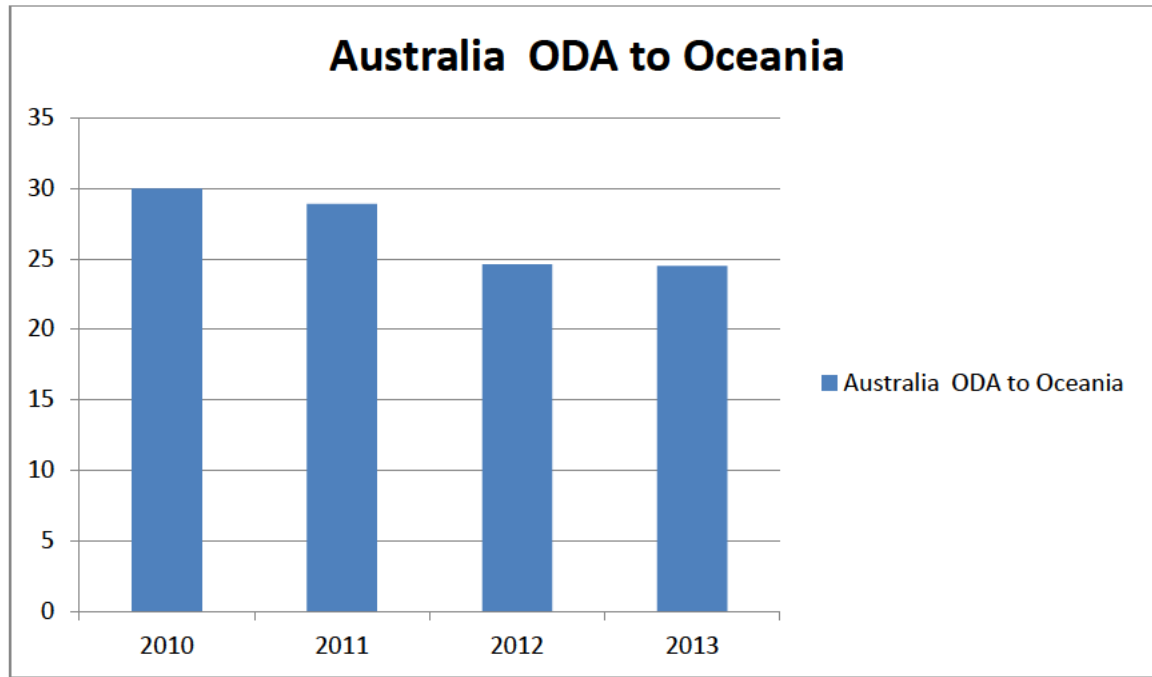
Source: World DataBank: World Development Indicators

The World Bank has noted that the contribution of remittances to some national economies outweighs that from official development assistance.²² The contribution has also been seen to be more stable than private debt and portfolio equity flows. In the case of the relationship between Australia and the FICs, development assistance and the SWP are complementary in achieving Australia's objective of advancing the economic development of the Pacific region. However, recent years have seen a decline in Australian development aid to the Pacific (Figure 2). Increased access by the FICs to the Australian labour market will, to a large degree, compensate for the reduction in Australian development aid to these countries. This is particularly important because aid and remittances are the major sources of foreign exchange in a number of FICs countries. In addition, increased remittances to FICs would be a cost-effective way to help these countries develop over time. Furthermore, a number of FICs, for example, Kiribati and Tuvalu, face important challenges given their small size and population, and limited resources and export potential. Labour mobility can be a powerful contributing tool to the development of these countries. We welcome the recent establishment of a special category multi-year visa to 250 citizens from Kiribati, Tuvalu and

²² World Bank (2014) Migration and Remittances: recent Developments and Outlook, *Migration and Development Brief 22*, April 11 2014, Washington, DC: World Bank.

Nauru but would urge a doubling of the number of visas to be issued so that their citizens can work in sectors of interest to them, including seafaring and mining.

Figure 2: Percentage (%) of ODA from Australia to Oceania



Source: OECD's Creditor Reporting System (CRS)

The above discussion highlights that the SWP has the potential to provide important and long lasting development benefits to the Pacific region.

The role of seasonal workers in the horticulture industry and other trial sectors

Recently, the Australian National Farmers Federation (NFF) praised the Australian Federal Government for expanding and streamlining the SWP to better suit the seasonal nature of the Australian agriculture industry. This is in realisation of the success of the SWP in contributing to the enhancement of the ability of Australian farmers to cope with the critical harvest times of the year. Since the inception of the SWP, the scheme has been reliable in providing and meeting the demand by Australian farmers for harvesting workers. The main activities for the SWP workers involve harvesting citrus fruits, harvesting almonds, and pruning grape vines, work that few locals would like to do. To a large extent, the scheme has helped horticulture farmers offset their seasonal labour shortages despite fears that the scheme would slow down soon after its inception. It has provided farmers with legal, dependable, enthusiastic and productive workers than other categories of seasonal workers, especially considering that the sector is highly labour intensive. Furthermore, dependable workers under the scheme have been critical to the production and harvesting of perishable products like asparagus and fruit, contributing to farmers avoiding losses. Not only did the scheme provide for sufficient labour requirements, but also helped improve workforce planning by farmers and increased productivity. Indeed the 2011 evaluation of the Pacific



Office of the Chief Trade Adviser

Seasonal Workers Pilot scheme found that Pacific Islands seasonal workers could meet the seasonal labour demands for the horticulture industry, thereby making it possible to fulfil the SWP's objective of making labour available to the Australian horticulture industry.³

Expanding the Seasonal Worker Programme to other countries and sectors

The success of the SWP in the horticulture industry aroused interest in the possibility of expanding the scheme to other industries that require seasonal low-skilled labour and are able to sustain the seasonal mobility programme. A number of sectors were identified, such as construction, accommodation and food services, agriculture, forestry and fishing. Subsequently, a decision was made to add three new sectors, namely aquaculture, cotton and cane, on a trial basis. The recently published White Paper on Developing Northern Australia lifted the national cap for seasonal workers and at the same time expanded the scheme to cover broader agriculture industry and accommodation. However, this does not cover the other sectors previously identified for the purpose of expanding the SWP. Yet, the 2014 employment projections by the Australian Department of Employment show an increase in the demand for workers in Australia in those sectors previously identified, but remained outside of the scheme. A case in point is the construction industry, which has been identified as having greater potential to benefit from seasonal workers, particularly because of the high turnover rates and increased demand. The decision not to include it in the scheme does not reflect projected employment growth in the sector, expected to grow by 8 percent, making it the fifth largest contributor to employment in Australia.

From the perspective of the FICs, the ideal scenario would be to open the SWP to all sectors where the skills of FIC workers can be used. However, the priority for the FICs is the expansion of the programme to cover sectors such as construction, health care and social assistance, where they can provide workers with relevant skills immediately. Expanding the scheme to cover these occupations would align with the projected employment growth in these occupational areas in Australia. For example the health care and social assistance sector is expected to grow by 16.3 percent over a period of 5 years from 2014 to 2018, making it potentially the largest sector in terms of employment. As a next-best option, and recognising the welcome moves in the White Paper on Developing Northern Australia to expand the SWP into the broader agricultural industry and the accommodation sector, the SWP could be further expanded to cover more sectors with possible labour shortages, for example aged-care, fisheries, and other sectors that require un-skilled and low-skilled labour supply (e.g. cleaners, gardeners, domestic helpers, etc.). Removing sectoral limits or at least expanding possible sectors covered under the SWP, would undoubtedly contribute towards increased recruitment of women and youth, who may currently feel that the sectors on offer are less suited to their skills. Focusing efforts on sectors where Pacific women and youth have already shown to be relatively more engaged in the Australian labour market would be a welcome development – an example being healthcare, social care which was found to be key

³ TNS Research (2011) Final Evaluation of the Pacific Seasonal Worker Pilot Scheme, https://docs.employment.gov.au/system/files/doc/other/pswps_-_final_evaluation_report.pdf



Office of the Chief Trade Adviser

for Solomon Islands women resident in Australia⁴. Moreover a World Bank study suggests that there is considerable potential for the expansion of the SWP under the right conditions.⁵

In terms of countries covered by the scheme, we would want to stress that the FICs would be strongly opposed to an expansion of the scheme beyond themselves and Timor-Leste. The FICs see the SWP as an essential part of their relationship with Australia and associate the programme with Australian influence in the region.

Priority should be put, in our view, on incorporating those FICS that are currently excluded from the scheme, and also on ensuring that the programme is used to its maximum potential by all participants. As is well known, some participating countries are using the programme extensively, while others have only managed to send a few workers. Efforts need to be made to identify any obstacles and ensure efficient participation by all FICs. Expanding the scheme to include countries outside the Pacific would obviously erode its benefits to FICs, which are much more dependent on such opportunities, and would defeat Australia's objectives of advancing economic development in the region.

Legislative and other impediments in attracting seasonal workers

There are a number of features that deter potential Australian employers from using or expanding their use of the SWP programme. These include burdensome costs both up-front and during the duration of their involvement in the SWP, and complicated and time-consuming bureaucratic procedures, including market testing and various reporting requirements. In addition, several commentators have pointed out that there is insufficient awareness of the SWP amongst potential Australian employers, suggesting that an effective communication and outreach strategy could significantly increase the demand for FIC workers. Of course, the White Paper on Developing Northern Australia introduces some welcome reforms, but more could be done to further remove these constraints.

Furthermore, Australian domestic policies impact either directly or indirectly on the recruitment of FIC workers. One stand-out issue is that of the recruitment of 'backpackers', who tend to compete with FIC workers for seasonal employment opportunities. To get a sense of the scale of the number of workers entering Australia on working holiday visas compared to on SWP visas, in the two years between July 2012 and June 2014, an average of 20,743 working holiday visas (subclasses 417 and 462 combined) were granted *each month*; this compares to an average of only 1,743 SWP visas (horticulture sector and trial sectors workers combined) being granted *each year* over the same period. Put differently, for every 1 SWP visa granted, 143 working holiday visas were granted.

The White Paper on Developing Northern Australia contains interesting proposals to redress this irregularity, as the Working Holiday Maker (WHM) Visa Programme is expanded into other sectors, thus reducing potential competition for FIC workers in sectors of interest to them. However, it is still possible that the generous provisions for WHM Visa seekers to

⁴ <http://dfat.gov.au/about-us/publications/Documents/review-analysis-demand-skills-solomon-islands-labour-market.pdf>

⁵ Doyle, J and Howes, S (2015) Australia's Seasonal Worker Programme: Demand Side Constraints and Suggested Reforms, World Bank, <http://apo.org.au/node/53430>.



Office of the Chief Trade Adviser

obtain a second-year visa reduce the demand for increasing the recruitment of FICS workers. Suggestions on the possibilities of extending the WHM Visa Programme to include people from FICs in order to level out the playing field, is welcomed by FICs, though the SWP better reflects the type of work opportunities that can effectively be used by Pacific Islanders. It would also be important for Australia to look into the possibility of removing or waiving visa fees for Pacific Island workers. In the context of the WTO, least-developed-countries (LDCs) have made a similar demand to developed and developing countries in the context of the services negotiations. Such a measure would help reduce costs associated with the SWP, thereby assisting both employers and workers.

Another issue that needs redress involves the use of illegal workers in Australia, who also effectively compete with FIC workers. One estimate puts the number of located illegal workers at over 17,000 in 2013-2014⁶, again significantly more than the number of workers arriving under the SWP. Certainly, more could be done to clamp down on the hiring of these illegal workers.

On the other hand, FICs can take steps in order to boost recruitment from their labour markets. For example, more could be done to increase people's awareness of the SWP, perhaps with technical and financial support from Australia on this. In addition, FICs could continue to upgrade education and skills provision to their citizens, in order to enhance their competitiveness in domestic and foreign labour markets.

A number of independent studies have further identified the various constraints that limit the recruitment of Pacific workers under the SWP, and highlight a number of suggested measures to overcome these constraints. For example, Doyle & Howes list six broad areas for possible intervention – labour demand, high costs, excessive risk, lack of awareness, reputation, and administrative requirements – with specific proposed reforms under each⁷. A number of proposed reforms relate to the burdens placed on both employers and workers in fulfilling their responsibilities as part of the programme; in terms of costs, risks, and administrative headaches. There is considerable scope for continued improvements on these important aspects of the SWP, to make it cheaper, less risky, and more straightforward for both employers and workers.

The impact on the Australian labour force of the current and projected seasonal worker programme

Australia is experiencing a decline in population growth compared to some FICs. In 2013, Australia experienced annual population growth rates of 1.75 percent, compared to 2.20 percent for Vanuatu, 2.09 percent for the Solomon Islands and 2.13 for Papua New Guinea. In addition, Australia has been experiencing low population growths between 2006 and 2013 while at the same time also experiencing significantly high percentage increases in the population aged over 65 years (Table 1). According to the Australian Government Department of Employment 2015 employment projections, employment growth in Australia is expected to increase in 16 of the 19 broad industry groups over the next five years (from 2014 to 2018). Moreover the labour force participation rate for ages 15-24 years (Table 3)

⁶ <http://devpolicy.org/pdf/Australias-Seasonal-Workers-Program.pdf>, table 4.1, page 14

⁷ Doyle, J and Howes, S (2015) Australia's Seasonal Worker Programme: Demand Side Constraints and Suggested Reforms, World Bank, <http://apo.org.au/node/53430> see figure 5.1 on page 26.



Office of the Chief Trade Adviser

shows that Pacific Islands Small states have more youth unemployment than Australia, providing a vital source of young and energetic labour force ideal for some of the jobs that might be unattractive to Australian citizens or permanent residents – work normally considered to be ‘hard and dirty’. Indeed the TNS Research found that farmers regarded Pacific workers as physically fit and strong, willing to do strenuous work as they are used to hard work and so can cope with farm work. In addition, research has suggested that Australian unemployed youth are not prepared relocate and do not have an interest in the jobs, which has necessitated the hiring of backpackers.⁸

Table 3: Population and labour force indicators

		2006	2007	2008	2009	2010	2011	2012	2013
Populations growth % Annual	PISs *	1.22	1.29	1.33	1.33	1.30	1.26	1.24	1.21
	AU	1.48	0.628	2.00	2.06	1.56	1.39	1.72	1.75
Population ages 15-64 (% of total)	PISs	60.33	60.52	60.66	60.77	60.87	60.97	61.06	61.10
	AU	67.45	67.58	67.69	67.70	67.61	67.39	67.07	66.60
Population ages 65 and above (% of total)	PISs	3.98	4.06	4.15	4.24	4.33	4.41	4.50	4.61
	AU	13.01	13.07	13.15	13.27	13.45	13.69	13.99	14.33
Labour force participation rate for ages 15-24, total (%) (modelled ILO estimate)	PISs	45.40	44.85	44.42	44.19	44.10	44.00	44.08	44.21
	AU	70.9	71	71	69.3	68.6	68.4	67.5	67.7

Source: World DataBank: World Development Indicators

*Pacific Small Island states includes Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

From the foregoing, there would be an insignificant impact on the Australian labour force as a result of an increase in the number of seasonal workers from the FICs, especially considering that the scheme is subject to labour market testing. Employers can recruit Pacific workers only when they can demonstrate their inability to fill the positions with Australian citizens or permanent residents. In effect, there is no competition between Pacific workers and Australian citizens or permanent residents. They also adhere to existing labour rules and policies meaning that they will not depress wages and accept sub-optimal working conditions. The incidence of competition is remote, especially considering that current projections show that Australia’s agriculture exports are likely to double in the next 15 years, which suggest that there will be more opportunities in this sector. The Pacific should be seen as a reliable labour reservoir for Australia, tapped as and when necessary. This is important in the context of the White Paper on Developing Northern Australia which confirms the projected increase in the demand for agricultural workers and the role that could be played by seasonal workers in filling the labour shortages.

The Role of Seasonal Worker programme in supporting development Assistance in the pacific

⁸ TNS Research (2011) Final Evaluation of the Pacific Seasonal Worker Pilot Scheme, https://docs.employment.gov.au/system/files/doc/other/pswps_-_final_evaluation_report.pdf



Office of the Chief Trade Adviser

The development assistance received by FICs should naturally be tailored to their unique development needs; major donors – including Australia – have signed up to this key principle through mechanisms such as the Paris Declaration⁹ and the Busan Partnership for Effective Development Co-Operation¹⁰. Given that both trade and migration issues are central to the long-term development prospects of FICs, it would be advisable for these issues to feature prominently in the development assistance strategy of Australia for the Pacific.

Improvements in the SWP that would lead to increased labour mobility opportunities for FIC workers in Australia are complementary to – not substitutes for – Australia development assistance to the FICs through other channels, for example aid spending. Whilst FICs see labour mobility as a key issue in their wider development relationship with Australia, they still expect Australia to commit to other important areas of development assistance, for example spending on Aid for Trade and other development programmes.

In addition, Australian development assistance to FICs can also contribute towards win-win migration opportunities for FIC through, for example, wider human development support towards improving education and skills making pacific workers eligible to fill semi-skilled and skilled occupations in Australia and elsewhere.

Concluding remarks

As mentioned in this submission, the recruitment of workers from FICs is beneficial both to those workers and their countries of origin, and to Australian employers and the Australian economy.

The SWP can provide significant development benefits to the FICs, as salaries earned by workers in Australia flow back to help obtain better education, housing, and health services in their countries of origin. The capital and skills acquired provide opportunities for creating small businesses and fostering private sector development. In that context, the FICs see the SWP as an essential development tool for the region and a central component of Australia's policy towards the region. However, despite its significant potential, the benefits of the SWP have been limited due to the cap on workers, the limited number of FICs allowed to participate, and the limited sectors covered. We appreciate the recent developments, notably as regards the cap, but would wish to see improvements as regards the latter two issues in order to ensure maximisation of the development benefits of the SWP. In addition, it is important to improve the functioning of the programme and lower its costs so that all FICs are able to fully make use of the opportunities provided.

⁹ <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

¹⁰ <http://www.oecd.org/development/effectiveness/busanpartnership.htm>