

## **SUBMISSION TO**

### **Senate Employment, Workplace Relations and Education References Committee**

### **Proposed Inquiry on Pacific Region Seasonal Contract Labour**

## **TERMS OF REFERENCE**

The committee will examine the viability of a contract labour scheme between Australia and countries in the Pacific region, for the purposes of providing labour for selected rural industries. In doing so, the committee will take account of the following:

- (a) Labour shortages in rural and regional Australia;
- (b) The availability and mobility of domestic contract labour, and the likely effects of such a scheme on the current seasonal workforce;
- (c) Social and economic effects of the scheme on local communities;
- (d) Likely technical, legal and administrative considerations for such a scheme; and
- (e) The effects of the scheme on the economies of Pacific nations.

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## **Chandler Macleod Profile**

Chandler Macleod is a full-service human capital solutions provider to a broad range of clients in Australia and New Zealand. Chandler Macleod offers recruitment and contracting services for all job levels and categories, as well as a range of consulting services that improve the utilisation and effectiveness of human capital in a client's organisation.

In May 2005, Chandler Macleod Group merged with Forstaff to form Chandler Macleod Limited (CHD), Australia's second largest publicly-listed recruitment services company, listed on the Australian Stock Exchange.

## **Government Sector Supplier**

Chandler Macleod is a Federal Government Endorsed Supplier and has been providing services to the Commonwealth, state and local government and government agencies over a thirty-year period.

Recently, Chandler Macleod was appointed as a preferred supplier to Centrelink on a national basis and to the panel for supply of personnel to the Department of Defence. Other current government clients include DEWR, the Department Public Works NSW, DoCITA and DOFA.

Chandler Macleod is a registered Job Placement Organisation and Harvest Labour Service Provider through its Oz Jobs brand on the East Coast and in the Northern Territory.

Chandler Macleod is working in partnership with DEWR in assisting with the assessment of Job Network clients through its ESP service delivery.

## **Geographic Capability**

Chandler Macleod has over 70 offices operating across Australia and New Zealand.

Each state of Australia and the North Island of New Zealand can provide the full range of services available from the three divisions – Recruitment and Contracting, Consulting and Training. Services can be provided on a local, regional, national or trans-Tasman basis.

The company has specifically set up a network of rural locations on the Eastern seaboard to assist with the Harvest Trail program and is therefore well positioned to support Government rural employment initiatives.

Current branch locations are illustrated on the map below.



## Industry Associations

Chandler Macleod has been a member of the Recruitment and Consulting Services Association (RCSA) since December 1988. Chandler Macleod managers have held a number of senior roles within the organisation, including Chair of the Ethics Committee (NSW), Executive Committee (QLD/NT), Industrial Relations (National), OH&S (National).

Currently, Chandler Macleod is actively involved with the RCSA at a number of levels, including:

- John Harland, Regional Manager for New Zealand, is on the New Zealand RCSA National Council
- Alan Bell, National General Manager for CM Health, is Chair of the RCSA Health Care Group NSW.
- Dianne Hamer, Group Manager, Managed Solutions, is on the NSW RCSA Council, Chair of the NSW OH&S Committee and representative on the national OH&S committee, Industry Reference Group Delegate for Business Services Sector, convened by Work Cover NSW.

John Plummer, Executive Director of Chandler Macleod, has recently completed his term as President of the RCSA.

Chandler Macleod is a member of the following professional bodies:

- Australian Institute of Management
- Institute of Market Research
- Australian Business Limited.

Chandler Macleod's managers are also members of the following professional associations:

- Association of Administrative Professionals NZ
- Australian Human Resources Institute
- Australian Industry Group
- Australian Institute of Management
- Australian Psychological Society (all registered psychologists)
- CPA
- Employment Chamber of Commerce (Auckland and Wellington)
- Institute of Company Directors
- Law Society of NSW
- New Zealand Institute of Management
- New Zealand Law Society.

## **Quality Accreditation**

Chandler Macleod understands that clients and candidates have customer expectations and requirements and the suitability and effectiveness of the quality system is to ensure it is supporting the business to achieve these expectations.

Chandler Macleod maintains quality assurance certification through a partnership with Benchmark Certification, an international accreditation and consulting organisation in the field of quality assurance and continuous improvement. The quality system is part of the company's overall continuous improvement programme and is maintained in accordance with the International Standard - AS/NZS ISO 9000:2000.

## **Government Licensed Relationships**

1. Job Placement Licence No. JPL-3250
2. Harvest Labour Service Provider Licence No. ESC3-0098

## Response

(a) **Labour shortages in rural and regional Australia**

We are experiencing significant demand in mining, hospitality, medical and seasonal worker markets that is currently unfilled. Harvest Trail work this year has been steady with noticeable shortages of suitable labour for many assignments in regional areas in both NSW and Queensland.

(b) **The availability and mobility of domestic contract labour, and the likely effects of such a scheme on the current seasonal workforce**

Our experience is that there is low mobility in the local Australian workforce.

Regional seasonal work is often hard, unskilled and requires long hours. For a largely metropolitan based Australian work force the Harvest Trail requires non-transferable skills, is viewed as labour rather than career advancement and therefore is unattractive. Pay rates are award based and the cost of travel and accommodation and travel to rural locations is seen as a deterrent for metropolitan workers. While the rates are attractive in themselves, it is a question of relativity and conditions. It is generally the domain of local rural workforces (of which the numbers are inadequate to meet demand) and travellers commonly referred to as backpackers.

Mining and resources industries also have a degree of seasonal work in rural areas. It is our experience that the rates of pay provided by the employers are more attractive than for seasonal agriculture based work and the employer is usually very accommodating when it comes to the facilitation of labour supplies.

It should be noted that Chandler Macleod research indicates that the best style of long-term worker for rural and regional areas is one that has been used to a rural or regional lifestyle. For shorter term projects the history of the worker is less important.

Seasonal work in metropolitan areas is generally retail, manufacturing or hospitality based. Our experience is that there is little need for seeking a mobile workforce in the metropolitan areas for un-skilled work as there are suitable supplies available. Skilled workers in the technical and trades areas are in short supply, but generally this is not a seasonal issue.

(c) **Social and economic effects of the scheme on local communities**

Chandler Macleod is not in a position to comment extensively on this issue with only anecdotal comments on the impacts on local rural communities. Income and cash flow would be welcome in these communities and the ability to complete seasonal work would appear to have a positive economic and social impact.

(d) **Likely technical, legal and administrative considerations for such a scheme**

Technical

The main issue seen here is one of logistics, how would people arrive at locations, depart locations and accommodation at the locations. Consideration also needs to be given to the length of assignments and the ability of people to move from one seasonal need to another in a foreign country. It is not perceived that language will be an issue.

The system must also cater for injured workers in terms of hospitalisation, injury treatment, and rehabilitation of the worker or possible repatriation during an assignment or after a period of recovery.

Legal

The key legal issues identified are immigration procedures, visa applications and controls to ensure that workers return to their country of origin at the completion of assignment. Allocation of responsibility for migration flow would appear to be critical.

Administration

The Harvest Trail has an administration system in place. However it is perceived that there are greater administrative issues that may need to be considered on behalf of the workers. Consideration needs to be given to the payment of wages, the accommodation, living allowance and transport costs that may be included in those payments and the appropriate taxes and charges.

Once rates of pay have been determined consideration of the tax deductions, payroll tax impositions, superannuation deductions and health insurance need to be considered.

On a more simple level, how do people get paid who have no bank accounts, or possibly no Australian accessible accounts. Typically workers are paid to a bank account so this may now require either the central administration of accounts or cash payment. Cash payment may then create some cash management issues for the workers.

(e) **The effects of the scheme on the economies of Pacific nations**

No comment

## **Possible Seasonal Work Flow Solution**

Critical characteristics of the potential project of sending Pacific Island workers to complement local labour supplies suggest that there are multi-party interests in each level of such a project. For this project to work effectively many parties need to work in harmony which may be best done by motivating each of these interests towards a successful outcome. A possible solution is described in outline below.

### **Movement of Labour to Australia**

- Pacific Governments (PG) are seeking employment to resolve their local economy issues and to generate foreign income. They need to be motivated to organise and transport labour from their country to Australia.
- Pacific Governments would be required to quality control and guarantee labour authenticity (genuinely suitable for the work assigned and not seeking to seek other employment when in Australia).
- Federal Government through DIMIA to would need to organise short term harvest labour visa controls in conjunction with Pacific Governments.

### **Movement of Labour in Australia**

- Currently the movement of labour within Australia is the responsibility of the individual. Our recommendation is that labour is brought in on a specific project basis and that transport to and from the port of arrival/departure be a part of an overall scheme / project and is organised by Pacific Governments in conjunction with Australian appointed Government agencies.
- Federal Government through its DEWR offices to organise its "Harvest" network as a liaison point for rural employers seeking harvest labour.
- "Harvest" network is regionally based and can specifically organise labour by project. DEWR to act as the go-between for "Harvest" service providers and Pacific Governments to identify needs in terms of labour and timing.
- DEWR and Pacific Governments to agree scope and logistics.
- Harvest network to liaise with rural employers once scope and logistics of individual projects are known.
- At the completion of each project labour is transported to the departure port.
- Pacific Government and Rural employer are responsible for the departure of labour from the country at project end – this could be a bond related issue.

### **Payments System**

- It is surmised that much of the Pacific labour may be unattached to local bank accounts and therefore a cash payment system is likely.
- The cost of transport and accommodation will be significant and would in all likelihood account for some of the income earned by a worker and therefore needs to be deducted from pay.
- Pay rates should be predetermined. It is recommended that this is centrally co-ordinated and that Pacific Governments be integral to ensuring that Pacific labour is paid for work done, transport and accommodation is paid, workers have an income such that they are able to enjoy a reasonable living standard while in Australia and that Pacific labour returns to their country of origin at the conclusion of any project.

- Rural employers would pay to a central point against time sheet / agreed payment records or schedules and then the central point would distribute funds. It is noted that most Harvest Labour Service providers may be able to provide this facility if there is no requirement to pay the workers in cash as most have the systems to pay local workers electronically.
- Workers should be subject to Australian Employment laws and the protection afforded by those laws as to minimum payments and conditions

### **Taxation and Social Costs**

Key taxation (income tax, payroll tax, GST) and social costs (workers compensation / health insurance, superannuation) elements need to be considered.

- It would be our recommendation that income taxes on Pacific workers pay be omitted to facilitate cost effectiveness. It is also anticipated that on an annual basis most workers will most likely fall below the income tax threshold and therefore be entitled to a refund at year-end.
- It is possible that earnings may be subject to Pacific workers home nation's tax and that there may be some off-sets required.
- We accept that in an equity position that Pacific workers should be paid similar wages to Australian workers for similar work and not receive a premium nor discount because of their foreign worker status.
- The removal of payroll tax is seen as desirable in any circumstance and therefore we would recommend that wages of all rural workers, irrespective of their origin be not subject to payroll tax.
- No special conditions should be created for the application of GST.
- It is proposed that superannuation be treated as per a normal foreign worker - available as a rebate when they leave the country.
- It would be mandatory that all workers are covered by workers compensation and or health insurance that includes repatriation to their country of origin in the case of health and or injury issues.