

The submission discusses the likely impact on the economies of the Pacific of the seasonal movement of labour from the Forum Island Countries (FICs) to Australia. It does so by reflecting on some of the issues raised by the leaders and others around the Forum last year. The examination suggests that the seasonal movement of labour could have a highly significant and positive set of impacts on the economies of the FICs.

The submission recommends that the Committee:

- 1. note the substantial benefits that opening Australia's seasonal labour market could have on the economies of the FICs in terms of:
 - (a) improving the allocation of factors of production throughout the region;*
 - (b) reducing poverty;*
 - (c) increasing the flow of resources for investment;*
 - (d) increasing savings;*
 - (e) improving the balance of payments;*
 - (f) improving the business environment;*
 - (g) promoting entrepreneurialism*
 - (h) raising the ability and incentive of FIC citizens to invest in education; and*
 - (i) generating broad based support for regionalism.**
- 2. consider, on the basis of these substantial benefits, developing with the participation of FICs a scheme for the seasonal movement of labour for workers from the FICs; and*
- 3. note the possible role that the Pacific Islands Forum Secretariat could play in facilitating the operation of such a scheme.*

The Forum and Labour Mobility

As the Senate has noted in its background to this inquiry, at last year's Pacific Islands Forum there was discussion amongst the Forum members over the possibility of setting up a scheme allowing the temporary movement of labour between the Forum Island Countries (FICs) and Australia and New Zealand. The discussions then focused on determining whether temporary movement of labour would be beneficial to FIC economies.

2. Although generally the FICs were strong in their view that the issue was very important to them because of perceived significant economic spin-offs, lack of information on how such an idea would work and what its likely benefits were meant that Australia was not ready to consider seasonal labour mobility as a policy priority. The then Parliamentary Secretary for the Department of Foreign Affairs outlined this prior to the Forum:

“Labour mobility has been flagged as an area requiring further analysis, so people can talk about what it actually is they're thinking, some analysis can be done on how such an idea might work and then what's missing and where work is required. Some conclusions can be drawn about whether this is a net beneficial change or whether it's not, because at the moment there's no evidence to point to whether this is a wise thing to do or not... So what we're trying to do is actually get some information, get some analysis, get some basis on which informed decisions can be made, and that recommendation and response reflects the fact that just not traditionally been what we've done, but now we're having a look at a range of considerations around labour mobility” (Bruce Billson, Pacific Beat, 12/08/05)

3. The Forum Secretariat welcomes the role that this enquiry will play in helping to fill the substantial information gap identified by the Parliamentary Secretary.

4. In line with the Committee's terms of reference, this submission discusses seasonal labour mobility in relation to its likely effects on the economic development of the FICs. As such, it does not explore any of the potential social impacts of such schemes. It should be noted here, however, that these effects would need to be considered before any decisions are made as to whether or how to proceed with seasonal labour movement. It is likely that social impacts would be complicated and require considerable study.¹

¹ For example, Labour Migration has been marked as an emerging critical issue in the Revised Pacific Platform for Action on Advancement of Women and Gender Equality 2005-2015, demonstrating the importance given to understanding the impacts of labour mobility on areas of social concern such as gender equity. However, the effects of seasonal labour movement on women's status remain poorly understood. For example, whilst seasonal labour migration can no doubt lead to the economic empowerment of women due to their high representation in migrating sections of the labour force, the impacts on vulnerable women left behind, such as the old, might be adverse.

Macroeconomic Framework for Examining Seasonal Labour Movement

5. Seasonal movement of labour is viewed by many of the countries of the Pacific as a critically important issue because of the huge direct economic benefits that current forms of labour mobility bring them. These include remittances, which positively impact on balance of payments, national incomes, unemployment and economic growth.

6. In some of the FICs, remittances form a major part of national income and are the engine of growth. For these economies, the lack of comparative advantages in resource development means that labour mobility is the only viable economic activity which offers positive spin-offs to all levels of communities. In the bigger FICs, remittances are a balancing item in what is usually a trade deficit position with trade with Australia and New Zealand.

7. Sir Rabbie Namilau, the Minister for Foreign Affairs of Papua New Guinea underscored the basic macroeconomic framework for understanding these impacts when he said that:

“Whilst we appreciate the amount of aid that Australia and assistance that Australia's given to Papua New Guinea, we prefer - and they agree because they've been saying it also - that trade is better than aid and by allowing our people to go on short-term work in Australia, that will essentially be providing them the means for income for a service that they're providing... And that's a better way to help sustain a family” (Sir Rabbie Namilau, Pacific Beat 27/9/05)

8. The movement of workers from FICs to employment on Australian farms is trade in labour. FICs, like most developing countries, have an abundance of unskilled labour. Australia, on the other hand, has effective demand for unskilled labour. This represents a significant divergence in factor endowments, which provides the potential for trade in these factors. As the President of Kiribati put it:

“Australia, I think, is beginning to realise that there are jobs which their people are not willing to do, there are jobs which could be carried out by people from ... the island countries, and it stands to reason that we would benefit and they would also benefit” (Anoté Tong, Pacific Beat, 25/10/05)

9. Recent estimates confirm that both the island countries and Australia would indeed benefit from trade in labour, and that these benefits are substantial – as the island countries recognise:

“Labour mobility in my view is going to happen, it's inevitable and for a whole lot of very good reasons. Many of you would also know that there have been studies done by the World Bank and other international financial institutions which show that the greatest benefit from globalisation to developing countries would come from labour mobility, billions of dollars compared to returns they would get from

any other source of assistance or any other kind of economic activity” (Dr Kilifoti Eteuati, Samoa’s High Commissioner to Australia, Pacific Beat 06/02/06)

10. The World Bank estimates that Dr Eteuati quoted suggest that unrestricted labour mobility at the global level could **double global GDP**. Even taking practical and political considerations around labour mobility into account, practically achievable global welfare benefits may be around three times total current global development assistance.

11. Others have looked at the same question and come up with similar results. For example, Winters examined the global effect of feasible temporary labour mobility, and he disaggregated the likely benefits, both in terms of how the global benefits would be split between countries, and in terms of the relative effects of skilled and unskilled labour movement. He found that “gains are shared between developing and developed countries and owe more to unskilled than to skilled labour mobility” (Winters, 2002, pg14).

12. In particular, he estimated that if developed countries opened up their labour markets to the extent of allowing temporary migrants to expand domestic labour forces by 3%, the permanent residents of those developed countries would benefit to the tune of a significant US\$6,860 million per year. The benefits to the developing countries as a result of unskilled labour mobility of this degree are appreciably more substantial. He estimated that they would benefit to the degree of something around US\$50,000 million, per annum.

13. Walmsley, Ahmed and Parsons (2005) took this disaggregation one step further and looked at the likely impact of Australia and New Zealand opening up temporary access to their labour markets for unskilled workers from the Pacific, to the equivalent of just 1% of their (Australia’s and New Zealand’s) labour forces. They estimated that the likely benefits to Australia would be in the region of US\$200 million per year, and that the FICs would benefit by around US\$900 million.

14. Thus, both macroeconomic theory and empirical evidence suggest that allowing temporary movement of unskilled labour from the FICs to Australia would be of benefit to both the developed and developing economies of the region. In particular, it looks as though it would be of huge benefit to the Island nations - countries with many fewer options for economic development than the larger countries in the region.

15. The limitations on other options for economic development in the Pacific islands must also be emphasised. It has been suggested that instead of encouraging people to move to where the jobs are, FIC governments should concentrate on bringing jobs to their people. In trade terms, FICs should aim to attract capital and other factors of production to their countries, rather than trading their labour into overseas labour markets.

16. There is undoubtedly significant potential for job creation through improving the investment climate of the island countries of the Pacific, and any route to doing so should be prioritised by the FICs. However, the World Bank (Luthria, forthcoming) and others suggest that the FICs face intrinsic cost disadvantages which mean that encouraging job creation domestically is unlikely to be sufficient to meet demand for employment.

17. Shah elaborates on this point in relation to Kiribati, which as a Smaller Island State (SIS) of the Forum faces many of the problems that the other FICs face, but to an even greater degree. “Traditional routes to development—followed since independence in 1979—are more or less closed to Kiribati, which means that development can not be pushed just by encouraging specialization, diversification, and opening of the economy to foreign competition [outward-looking trade policy]. The fact is that Kiribati has almost non-existent potential for the production of goods of any sort [except marine products], which leaves it few options to attract domestic or foreign investment, develop its comparative advantage, and emphasize particular sector or industry to become its engine of growth” (Shah, 2005, pg 6).

18. For all these reasons, the Pacific Islands Forum Secretariat believes there is a case for Australia and the region to consider a scheme for seasonal labor mobility in which FICs can participate.

Beyond the Macroeconomic Framework – Disaggregating the Effects of Seasonal Labour Movement on FIC Economies

19. Temporary labour movement is likely to have other impacts which are not modelled in macroeconomic exercises, and which are likely to be positive. In particular, many of these gains will build the FIC economies and make them more attractive to foreign investment. To use the World Bank’s language, seasonal labour movement could help to bring people to where the jobs are AND improve the business environment to bring investment and jobs into FICs.

Poverty

20. Initially, however, it is worth pointing out the positive effects that seasonal access to labour markets might have on poverty in the FICs. These may be significant, and greatly appreciated by FIC governments:

“Government recognises the important role that remittances now play in our lives. I understand that a large portion of our rural communities benefit from these remittances. They are a useful source of livelihood for our low income families. They help the fight against poverty” (Ratu Jone Kubuabola, Fiji Minister for Finance and National Planning, 4/11/05).

21. The latest evidence on the size of remittance flows and their impact on the poor comes from an as yet unpublished survey on remittance-receiving households in Fiji and Tonga by Brown and Borovnik². They found that:

² The findings of this study are not unique. Whilst it tends to provide greater detail than previous work, it draws similar conclusions to many other studies (e.g. SPC’s 2003 study on the poverty impact of the remittances of the region’s mariners.)

(i) A large number of households receive remittances - 90% in Tonga and 43% in Fiji. Even households which do not have a migrant sometimes receive remittances - from migrants 'belonging' to other households;

(ii) People from both rich and poor households migrate, and the vast majority of migrants remit, including the poorest;

(iii) The amount of money received through remittances is significant. In Tonga, the average remittance-receiving household gained USD3067 in 2004, and for Fiji the figure was USD1328;

(iv) Households in the lowest per capita income group (assessed pre-receipt of remittances) had the highest proportion of households receiving remittances, and also received the highest amount of individual remittances, suggesting that remittances play a role in reducing income disparities;

(v) For this group (the poorest 20% of households, pre-receipt of remittances), remittances play a critical role in reducing income poverty. In Fiji, their income increases on average by 82% when remittances are included and, in Tonga, by 639%; and

(vi) This leads to a reduction in the proportion of people identified as being below the 'poverty line' of 4% in Fiji, from 38% to 34%, and of 24% in Tonga of 24%, from 57% to 33%.

22. It is difficult to imagine a comparable instrument for increasing the incomes of the poor. In the context of rising poverty in the region, a 4% reduction in poverty in Fiji through remittances is significant, and the 24% reduction in Tonga must be without parallel, unachievable, at least in the short term, by any single other policy instrument.

Investment

23. With respect to the relationship between access to seasonal labour markets and improving the domestic economy, the first avenue by which seasonal labour movement could assist is by providing funds for investment. While the macroeconomic frameworks described in the previous section assumed significant flows of remittances, no assumption was made of the use to which these remittances are put. In particular, they didn't consider whether remittances are invested and used to generate further wealth within the FICs, or consumed, contributing to a once-off increase in welfare.

24. Conventional wisdom tends to suggest that "the crowding-out effect of remittances combined with notions of an easy subsistence lifestyle... together discourage productivity" (Connell and Brown, 2005, pg 38). For example, MacMaster suggested that in the Cook Islands, Samoa, and Tonga, remittances are, "...a mixed blessing as they undermine the incentive to work and are rarely spent on productive investment. They are normally used for unproductive ceremonial purposes or on imported luxury consumption items" (Macmaster (1993), quoted in Connell and Brown, 2005, pg 38).

25. Other similar conclusions have suggested that, if they reduce the benefits from investment and drive out private capital, it is unclear whether the net effect of remittances is conducive to long-term economic prosperity. As Connell and Brown note, however,

“few of these studies... present data that justify these assumptions and conclusions” (Connell and Brown, 2005, pg 38-39).

26. In fact, this conventional wisdom may be misleading on at least three fronts. Firstly, the emphasis of many of these commentators on the benefits of using remittances for investment implicitly (and sometimes explicitly) suggests that spending on consumption is somehow a ‘bad’. However, as emphasized in the previous section, remittances can provide vital support to the incomes of the poor. If this income ensures that the poor have the ability to meet basic food needs, for example (as described in Connell and Brown, 2005), it is hard to see how the use of remittances for consumption support is not just as important as spending on financing investment. This point has been emphasized by Luthria (2004) and Conroy (2004).

27. Secondly, expenditures which might have previously been classed as consumption, particularly spending on education, and upgrading housing (both very common uses of remittances) straddle a thin line between investment and consumption. To the extent that they contribute to the household’s ability to produce, these expenditures should be classed as investment.

28. And thirdly, the latest evidence suggests that remittances are also used to finance significant levels of ‘traditional’ investment. Connell and Brown survey most of the available literature on remittances in the Pacific and suggest that “almost every study of remittances has revealed [that] even in the most difficult circumstances recipients make efforts to invest where they can. In the outer islands of Kiribati where most remittances provide basic needs and the custom of *bubuti* (a request that cannot be refused) makes savings let alone business almost impossible, all recipients nevertheless sought to retain some income to invest in land, doughnut bakeries, stores, or even in sewing material for blouses that might later be sold” (Connell and Brown, 2005, pg 40-41).

29. Further examples include evidence that half of all market vendors in Apia, Samoa, all of whom received remittances, claimed that some had been used as capital for the purchase of seeds, fertilizer, and tools to produce food to sell (Muliaina, 2001, cited in Connell and Brown 2005); a significant proportion of remittances received by Samoan and Tongan households in the early 1990s were used for business and farm investments (Walker and Brown, 1995, cited in Connell and Brown, 2005); and that remittances were used by families to help finance market stalls at the Nuku’alofa flea market in Tonga, leading to its significant expansion (Connell and Brown, 2005, pg 34).

30. Critically, Connell and Brown also find that when migration is temporary, flows of remittances for investment increase significantly – both because the size of flows is likely to increase (MacLellan and Mares, 2005, pg14) and because the tendency for remittances to be used for investment rises. This is because when migrants are themselves returning, they have a stronger incentive to ensure that remittances lead to productive businesses and employment in their home countries. As such, the link between temporary migration and investment by migrants is likely to be of some importance.

Savings

31. As well as being directly invested by the returning migrants themselves or by other family members, remittances can also finance investment if they are saved and become a source of funds that can be drawn on to finance lending to other sectors. It has been assumed until recently that remittances are rarely saved, but this conclusion appears misleading for two reasons. Firstly, there has been some difficulty in gathering evidence on the remittances-savings relationship³, and secondly, conclusions have largely been based on evidence from permanent, not temporary labour movement.

32. More recent evidence which examines the relationship between temporary labour movement and savings finds it to be a positive one. For example, Connell and Brown note that “in the case of Tuvaluan seafarers, where actual use is more transparent, and where return migration is necessary, as much as 37% of remittances went into personal bank accounts” (Connell and Brown, 2005, pg 32). Similarly, Brown and Borovnik, in research currently being conducted in Fiji, found a positive and significant link between remittances and savings – but only for indigenous Fijians. They hypothesise that this is because indigenous Fijians are more likely to be engaged in temporary, rather than permanent migration (Brown, Personal Communication, March 2006).

Balance of Payments

33. As well as providing the finance required for investment, access to temporary work abroad can help to build the domestic economy by supplying governments with a valuable source of foreign exchange. For example, in 2004 Fiji citizens working overseas are estimated to have sent home over FJ\$450 million (US\$262 million), which is higher than the amount of money the country retains from the tourism industry (Pacnews, 18/10/05). Reserve Bank of Fiji Governor described the importance of these flows:

“Everyone should say thank you to all our peacekeepers, security personnel, nurses, sportspersons and family members abroad for helping us pay for our imports... These remittances have come at an opportune time for us, with our exports not performing well... They have given us much-needed breathing space” (Mr Savenaca Narube, PacNews, 18/10/05).

34. Similarly, Fiji’s Minister of Finance emphasized the important role that remittances play in this context in his 2006 budget address:

“I am glad to say that increased remittances have been a boon in terms of foreign exchange earnings... Remittances are now equivalent to 7 percent of GDP, and

³ Remittances do appear to be making a substantial contribution toward savings. This is suggested by indirect evidence, such as the number of new savings accounts being opened and the significant amounts being deposited, which are rising alongside increased flows of remittances. However, this trend is hard to discern in the official data because of the form in which savings are often held and “because of the inadequate, inconsistent, and sometimes quite inappropriate manner in which aggregate savings rates are calculated and treated in most macroeconomic analyses” (Connell and Brown, 2005, pg 42).

this has become the second largest source of foreign exchange earnings for Fiji (Ratu Jone Kubuabola, Fiji Minister for Finance and National Planning, 4/11/05).

35. Other countries see even greater benefits from remittances in terms of foreign exchange. For example, in terms of foreign exchange transactions, Tonga has seen a steady increase of remittances over the last four years, from P\$105 million (2001) to P\$184 million (2004) - in comparison, in 2003-04 trade in merchandise raised just P\$28.3 million and services P\$52.7 million (MacLellan and Mares 2005, pg9).

36. With the continuing reduction in trade preferences, the options that FICs have for earning foreign currency are narrowing. As such, an avenue with potential for earning such large amounts as temporary movement of labour is of great importance to the macroeconomic stability of the region.

Business Environment

37. Seasonal labour mobility could also help to ensure macroeconomic stability through playing a crucial 'safety valve' role in Pacific economies. Statistics on the proportions of young people in the population have been shown to be effective predictors of the likelihood of civil violence (because of the pressures and strains that un-met demands of large numbers of young people put on government services and the economy).

38. "Where the proportion of adults aged 15-29 exceeds 40%, this more than doubles the risk of civil war. Where the youth proportion exceeds 50% there is a 50/50 chance of civil war" (Ware, 2005, pg 2). In the fast growing populations of the Pacific these proportions are high - the proportion of youths for the Solomon Islands and Vanuatu is 49% (and in the Solomon Island 49% of these youths are classed as unemployed, and it is likely that with many of the others are effectively under-employed). In Samoa, the proportion of youth is 44%; in Kiribati, 42%; and in Fiji, 41%. Labour mobility could reduce the number of unemployed young people to below the 40% 'trigger'. Even if civil unrest or war seem unlikely in some countries; it is likely, as argued by Professor Ron Duncan, that high levels of youth unemployment⁴ are contributing to a worsening of the law and order situation (Duncan, 2004). Indeed, a 1997 survey (Levantis, 1997) of self-identified unemployed in PNG found that 70% of unemployed males were engaged in criminal activity.

Entrepreneurialism

39. As well as promoting economic development through providing finance for investment and supporting macroeconomic stability, seasonal access to the labour markets of rural Australia should help citizens of the FICs to develop the necessary skills – or, as Sir Rabbie Namilau succinctly phrased it:

⁴ He expects over 4.5 million FIC citizens of working age to be without formal employment in 2015 (Duncan, forthcoming)

“This will assist our people to gain experience [as well as] an income” (The National, 26/10/05).

Rather than leading to ‘brain drain’, almost undoubtedly the most problematic aspect of permanent migration, temporary employment abroad may lead to ‘brain gain’.

40. In all the FICs, agriculture employs a significant proportion of the population and is a key sector with potential for development. If FIC workers are to gain temporary access to any one sector of the Australian economy, it is the horticultural sector which is most likely to be of benefit in terms of skills transfer, through the effects of coming into contact with different farming methods and technologies⁵. They are also likely to come across new opportunities which they can exploit on return home. The whole Tongan squash-pumpkin export industry was founded on a Tongan realizing in New Zealand that there were months when NZ could not grow and supply Japan with vegetable, which Tonga could.

41. Moreover the sorts of skills that Pacific workers would develop from working in Australia are significantly broader than such sector specific skills. Perhaps most importantly seasonal work in Australia has the potential to help workers to develop an entrepreneurial attitude.

42. Several commentators emphasise the importance of these skills. For example, Ware states that “when interviewed, employers across the Pacific stress that what they are looking for in potential employees is not occupation-specific training, which they would often rather provide themselves on the job to meet their specific requirements, but rather good work discipline in terms of turning up on time, devoting full attention to the task at hand and avoiding preferential treatment of kith and kin - attributes which are often in conflict with traditional ways where family and customary demands come before the claims of the employer” (Ware, 2005, pg7). Voigt-Graf makes a similar point in a recent study on skills gaps in FIC economies - “employers were concerned about a widespread inability among their workforce to “think outside the box” and work attitudes such as a lack of reliability” (Voigt-Graf, 2006, pg16).

43. It is not just employers who would benefit from increased entrepreneurial skills. The Director of the National Microfinance Unit in Fiji, Ms Luse Kinivuwai, has noted that an important barrier to the development of successful micro-enterprises through microfinance is a lack of “skills and ideas” amongst potential microfinance clients. Likewise, Ms Dorinda Work of Microfinance institution ‘Aglow’ has noted that from their perspective, the most urgent requirement for developing successful micro-enterprises “is for capacity building and the transfer of technical expertise to micro-entrepreneurs” (presentations at Fiji National Centre for Small and Medium Enterprise Forum 2005).

⁵ This process might work in a similar way to the process by which foreign direct investment can spur domestic growth by (amongst other effects) exposing developing country workers to the latest technologies, and organisational and management practices (e.g. see Slaughter, 2002, for some documentation of these effects).

44. The Forum Education Ministers have recognised the vital role that entrepreneurialism can play in creating jobs and economic development.

“Several international and regional agreements endorse the notion of entrepreneurship to enhance job creation. Entrepreneurship is considered key to economic performance... Encouraging entrepreneurship is increasingly recognised by governments as an effective means of creating jobs; increasing productivity and competitiveness; and alleviating poverty and achieving societal goals, in particular by assisting disadvantaged groups of the population” (PIFS 2005a, pg 2).

45. The Ministers went on to acknowledge that exposure to entrepreneurial attitudes is perhaps the most important way of spreading these skills:

“It is often lamented that entrepreneurship and Pacific Island cultures are incompatible. This is not necessarily true. There are numerous examples of highly successful Pacific entrepreneurs who have proved that this is not the case. Many, but not all of them, had exposure to a business environment as children and this influenced them significantly” (PIFS, 2005a, pg 2-3).

46. Temporary work in Australia could play a key role in exposing FIC workers to entrepreneurial “skills and attitudes”, Ware suggests, which “once learnt in Australia, would be taken home to be applied there” (Ware, 2005, pg7). Chand draws the same conclusion. Seasonal labour opportunities would expose “the workers to the disciplines of formal sector work in an advanced country. Reporting to work on time, spending the whole day at the work site, and observing the disciplines of the workplace all constitute training for an unskilled subsistence-sector worker from the PICs” (Chand, 2004, pg12). The World Bank also agree, Luthria (2004) suggesting that whilst the effect is hard to measure, it is likely that working abroad does change attitudes towards entrepreneurialism and the private sector.

Education

47. Access to seasonal work in Australia could also promote skills development by financing education, and by making it more attractive to FIC citizens (Luthria, 2004). Whilst this argument is more frequently made in reference to skilled labour mobility, given the higher levels of education required to do skilled jobs, even so called ‘unskilled’ labour tends to remit enough money to finance education costs (Connell and Brown, 2005, Brown and Borovnik, forthcoming), and requires basic numeracy, literacy and English language skills, thus establishing a strong link between education and work opportunities abroad.

48. Tonga has the highest rate of literacy in the region, and for its GDP per capita one of the highest rates in the world. It is highly likely that this level of education has been financed by remittances, and induced by the opportunities for work abroad (Ware, 2005

pg5). Carrier summarises a similar situation in Ponam Island, Papua New Guinea - "Ponam is not a society passively allowing or suffering the migration of its members. Rather it is a society which actively regulates this migration, and it does so in a way which helps secure a substantial remittance income [hence people say] 'Children are our garden and we survive by eating the fruit'" (Carrier 1984). "Migration... thus has a conscious economic rationality equating an economic return (remittances) with an economic investment (child rearing for migration)" (Connell and Brown, 2005, pg 31).

49. The externalities of the higher levels of education resulting from opportunities for work abroad are likely to be significant. Amongst many other social and economic effects, an educated workforce can help to attract foreign investors, can adapt more quickly to change, and tends to be self-perpetuating, in that educated parents prioritise educating their children.

Summary – Beyond the Macroeconomic Framework

50. Migration is not a substitute for economic development, and development ultimately depends on sound domestic economic policies. However, temporary labour access to Australian labour markets could play a significant and unique role in promoting those sound domestic economies policies - through providing funds for investment, promoting macroeconomic stability and developing FIC workers' skills.

Seasonal Labour Movement and Regionalism

51. The final perspective from which access for Pacific workers to seasonal employment in Australia might be examined is the current policy focus on regional integration through the Pacific Plan.

52. The Pacific Plan aims to enhance and stimulate economic growth, sustainable development, good governance and security through regionalism. The expected benefits of regionalism are huge - for example, the Asian Development Bank-Commonwealth Secretariat joint report to the Forum Secretariat, 'Towards a New Pacific Regionalism', suggested that the trend of eroding 'effective sovereignty'⁶ it diagnoses FICs as suffering from, could not only be stopped by the Pacific Plan, but reversed. Regionalism has the potential to make the difference between decline and development (ADB-Commonwealth Secretariat, 2005, pg xiv).

53. The same report recommends that for regionalism to be successful, it must be approached head-on. It argues that "in the Pacific (as elsewhere), there will inevitably be a tendency to favor marginalist, incremental approaches. Yet overcoming the inevitable "speed bumps" on the road to intergovernmental cooperation requires strong economic momentum. A political strategy based on the harvest of early practical benefits is essential. Early "wins" will need to be of sufficiently large magnitude to attract interest

⁶ effective sovereignty being a reduction in the ability of the FICs to effectively carry out their chosen policies

and serve as the basis of future interventions” (ADB-Commonwealth Secretariat, 2005, pg xvi).

54. Labour mobility is one such “early win”. At the individual level, labour mobility is a highly visible form of regionalism, and as such, it should have the effect of demonstrating the benefits of regionalism to even the most sceptical citizen. And then there is the size of the potential benefits, which mean that it is a popular initiative with FIC governments. As the ADB and Commonwealth Secretariat put it, “there is strong evidence that FIC leaders are still strongly in favor of labor mobility, and that it would provide strong momentum behind a large-scale, Forum-wide regional project” (ADB-Commonwealth-Secretariat, 2005, pg76).

55. One such piece of evidence is the quote provided at the start of this submission. When asked by journalists at the Forum leaders’ meeting whether Kiribati would accept a lack of “movement in the Australian position on seasonal workers, as part of the broader discussion about economic integration in the Pacific”, the President of Kiribati replied:

“I think we're in a very difficult position... I don't think we have the choice to take a no for an answer” (Anoto Tong, Pacific Beat, 25/10/05).

56. Likewise, at the Forum Economic Ministers’ Meeting (FEMM) 2005, Ministers considered the “key policy areas which will enable the successful management of the transition to greater regional economic integration” (PIFS, 2005c pg1). They concluded that further examination of:

“promotion of labour mobility through the region and beyond” (PIFS, 2005d, pg4)

is necessary in the context of supporting regional economic integration.

57. Allowing Pacific workers access to seasonal employment in Australia has the potential to provide a significant boost to regionalism; and regionalism is of similar importance to the future economic development of the region. Through this link, access to seasonal labour markets in Australia could have positive externality effects on economic growth in the region, with benefits of a level significantly above and beyond the already highly significant effects described in the previous sections.

Role of the Pacific Islands Forum Secretariat in the Technical and Legal Aspects of the Scheme

58. Point (d) in the terms of reference refers to the legal and technical considerations for a seasonal labour scheme between the FICs and Australia. This submission does not go into detail on how such a scheme might operate in this regard, noting that other submissions will likely address this item in depth. However, it should be noted that at the Pacific Islands Forum Secretariat – World Bank Discussion Workshop on Improving Development Outcomes through Labour Mobility, possible configurations for a scheme

were discussed. Amongst these was the potential for the Pacific Islands Forum Secretariat to help facilitate discussions between its members on such technical arrangements. The Committee might wish to keep in mind the possible role of the Forum in this regard.

Recommendations

59. On the basis of the discussions outlined above, this submission recommends that the Committee:

1. note the substantial benefits that opening its seasonal labour market could have on the economies of the FICs in terms of:

- (a) improving the allocation of factors of production throughout the region;
- (b) reducing poverty;
- (c) increasing the flow of resources for investment;
- (d) increasing savings;
- (e) improving the balance of payments;
- (f) improving the business environment;
- (g) promoting entrepreneurialism;
- (h) raising the ability and incentive of FIC citizens to invest in education; and
- (i) generating broad based support for regionalism.

2. consider, on the basis of these substantial benefits, developing with the participation of FICs a scheme for the seasonal movement of labour for workers from the FICs; and

3. note the possible role that the Pacific Islands Forum Secretariat could play in facilitating the operation of such a scheme.

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