

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into Pacific region seasonal contract labour

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**AUSTRALIA FIJI
BUSINESS COUNCIL**



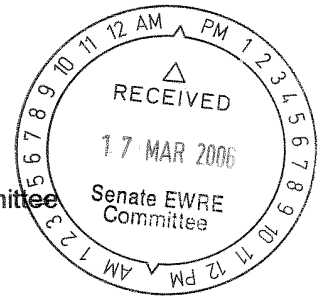
**AUSTRALIA PACIFIC ISLANDS
BUSINESS COUNCIL**



**AUSTRALIA PAPUA NEW GUINEA
BUSINESS COUNCIL**

17 March 2006

Mr John Carter
Secretary
Senate Employment Workplace Relations and Education References Committee
Suite SG52
Parliament House
CANBERRA ACT 2600



Dear Mr Carter

REFERENCE: INQUIRY ON PACIFIC REGIONAL SEASONAL CONTRACT LABOUR.

The Australia Papua New Guinea Business Council (established 1981), the Australia Fiji Business Council (established 1986) and the Australia Pacific Islands Business Council (established 2000) are non-profit associations of Australian business with interests in the Pacific Islands countries.

The Councils have a collective membership of more than 100 Australian companies. Members cover a wide range of manufacturing, service and tertiary sectors. Some of our members have had investment and trading interests in the Pacific islands countries for more than 100 years.

The Councils' principal objective is the development of bilateral trade and investment, thereby supporting the economic development of countries in the region. We believe Australian business interests, and Australia's national interest, are best served by supporting the political, economic and social development of the Pacific Island countries. The creation of politically stable, economically self sufficient (in the case of some of the smaller economies this would realistically be a limited self-sufficiency) and socially just societies in the region creates a win-win situation for the people of the region and for Australia.

The Councils thank the Committee for the opportunity to lodge a submission on the important issue of access by the Pacific island economies to the Australian labour market.

Although separate entities, the Councils have much in common and have chosen to lodge a single submission to this inquiry because this issue is common to all three.

We have noted that the Committee's Terms of Reference (TORs) include five points. It is our intention to focus our comments in this submission on point (e) of the TORs i.e. the effects of the scheme on the economies of Pacific nations.

The first four points in the TORs deal with Australian domestic market issues, and we largely propose to leave comment on that to those whose interests closer to the Australian labour market better qualify them to comment.

However, we do wish to make the observation in relation to the Australian labour market that while the Australian government claims that it is unable to identify a systemic labour shortage in the areas under discussion, we have had reported to us by a wide range of

interlocutors anecdotal information which does support the view that there are shortages in the Australian labour market which could be adequately filled by short term contract engagements from the Pacific island countries.

In June 2002, in a submission to the Senate Foreign Affairs, Defence and Trade References Committee on Australia's Relations with the Pacific Island Countries, the Councils argued for some labour market access to Australia for selected Pacific island countries.

At that time we noted that from time to time approaches had been made by Pacific Island governments seeking approval from the Australian government for a "guest worker" scheme to enable their citizens to work on short term employment contracts in Australia. The usual response is that Australia has a non-discriminatory immigration policy and does not have any guest worker schemes.

We also noted that New Zealand has in place schemes which allow small numbers of citizens from Pacific Islands countries to work short term in New Zealand, and expressed the view that such a scheme implemented by Australia would be a useful adjunct to the aid program.

We argued then that this issue should be revisited with some imagination by the government. We believe the need for an imaginative approach to this issue is even greater now than it was then, not only because the level of representations on this matter from the Pacific island countries' Leaders has become a crescendo, but also because it has merit in its own right.

The Councils wish to place on the record the view that the question of access to the Australian labour market is arguably the single most important issue between Australia and the Pacific island countries in the view of the Pacific island countries, and that Australia's management of its relations with the region over the next several years is likely to come to be judged by how it handles this issue.

Remittances from overseas workers in Pacific Island countries and dependencies such as Kiribati, Tuvalu, Niue and Tokelau form an important part of the economy of these and some other smaller states of the Pacific Islands. Many of these countries have virtually no natural resources, are suffering population and environmental pressures, and have little prospect of developing viable economies.

Even medium sized (by Pacific standards) countries such as Samoa and Tonga have a long history of significant remittances from overseas citizens. Nauru has not so far got into the business of labour export, but given its worsening economic state could develop an interest in the practice.

A significant change which has occurred in the last three and a half years is that remittances have become a significant part of the national accounts in Fiji, a country with a well developed economy and education system and in which remittances have not hitherto played a significant economic role

According to Reserve Bank of Fiji data, in 1999, remittances to Fiji amounted to FJD50m. In 2001, they amounted to FJD188m, and in 2004 reached FJD297m. Figures for 2005 are not yet available, but can be expected to have increased again.

In 2004 remittances were the second largest export earner after tourism (FJD712m), and ahead of the major manufacturing industry, textile garments and footwear (TCF) (FJD291m) and the major agricultural export, sugar (FJD188m).

The attached charts, sourced from the Reserve Bank of Fiji, graphically demonstrate these figures.

Samoa has a long history of remittances forming a significant part of the national accounts. In fact they have been consistently the greatest contributor to foreign exchange earnings for the country.

There are more Samoans residing abroad than in Samoa itself. Their remittances amount to about 20 percent of GDP, which is among the highest ratios observed in the world. Of the Pacific island countries, only Tonga with 25 per cent has a higher ratio.

While Samoa's merchandise exports, predominantly automotive wiring harnesses, have declined from WST53.2m in 1999-00 to WST40.8m in 2003-04, remittances over the same period have increased from WST116.9m to WST165m. Forty percent of Samoa's remittances come from the United States, 25% from New Zealand and 15% from Australia.

There is a significant body of work on the impact of remittances on developing country economies. We do not propose to reproduce any of that work, but do draw the Committee's attention to the following and recommend that the Committee's research on this enquiry include these papers:

- "Trade and Migration Study: Building Bridges for Global Labour Mobility", OECD in conjunction with the World Bank and the International Organisation For Migration, 2004
- "Labour mobility for sustainable livelihood in Pacific island states", Satish Chand, Australian National University, November 2005
- "Remittances in the Pacific: An Overview", Asian Development Bank, March 2005

In examining the effect any scheme might have on the economies of the region, it is important to make the point that the employment in Australia of several thousand, or even several tens of thousands, of Pacific islands country nationals will provide only some pressure relief for Pacific islands governments struggling to manage the youth bulge in their countries.

A work placement program will not obviate the need for Pacific islands country governments to work to undertake in their economies the reforms necessary to attract domestic and foreign investment for long term sustainable economic development and growth, and to improve the current overall poor standard of corporate governance across all sectors.

It is also essential that any scheme put in place does not have the effect of stripping from the Pacific talented members of the workforce whose presence in the Pacific island country economies is needed to provide the basis for the new generation of business and political leadership.

Although the discussion about access to the Australian labour market has focused on unskilled seasonal work, there is a risk that if any program is not managed carefully it could have an unintended effect of drawing away from the Pacific island country economies some higher level talent.

The Council takes the view that the introduction of any scheme should be seen as part of a desirable wider and longer term objective of drawing closer together the Australian and Pacific islands countries economies.

To draw the economies closer together requires co-operation in a range of economic policy areas of which labour market access is just one.

The Council envisages a time in the future where there is some form of economic integration between Australian and the Pacific island country economies.

This closer economic integration would include a greater freedom of movement of labour in all directions.

Such a movement of labour between Pacific island countries is envisaged in the Pacific Plan which was endorsed by Pacific Island Forum leaders at their annual meeting in Papua New Guinea in 2005.

Inevitably, as Australia moves to negotiate the detail of the economic relationship between Australia and the Pacific island countries under the Pacific Agreement for Closer Economic Relations (PACER), movement between Australia and Pacific islands labour markets will be an issue to be addressed.

The Council strongly supports the concept of closer economic integration, and sees the granting of some limited labour market access under a controlled scheme as an important early step in this process.

One argument the Australian government has used against specific short term labour market access for Pacific island nationals is that Australia has a universal non-discriminatory migration policy.

This argument is flawed in several ways.

First, this issue is not about migration. It is about short term labour access which meets Australia's national interests in at least two ways: addressing a labour shortage in Australia and addressing a labour surplus in neighbouring countries of central importance to Australia.

Second, the argument is flawed because, in fact, Australia does not have a universal non-discriminatory immigration policy. It discriminates in favour of citizens of New Zealand who can enter Australia at will (a provision, incidentally, utilised widely by Pacific island nationals amongst others to facilitate their access to Australia without being subject to the Australian migration program) and in favour of youth citizens of a number of northern hemisphere countries who can enter Australia for extended periods for work and tourism (backpackers).

Another argument used by the Australian government to justify this discrimination in favour of backpackers is that they come to Australia with money in their pockets to spend and their work is incidental to their tourism, and they visit Australia just once, whereas Pacific islanders would come probably without spending money and may wish to return more than once.

We believe this argument is also flawed.

In our experience as business people, it is highly preferable that workers return to build on the skills learned during earlier visits. We believe it is counterproductive for Australian business to have a 100% workforce turnover each season.

The traditional harvest trail in Australia worked on the basis of a large workforce of people moving in an annual pattern of regular recurring employment.

They returned again and again to their seasonal workplaces, and indeed in many cases became valued seasonal members of the community.

And this raises another point in favour of Pacific island nationals being given favourable treatment in terms of access to the Australian labour market.

That point is that Pacific island nationals will more easily and readily assimilate into community life during their seasonal visits than is likely to be the case with almost any other national or ethnic group.

Pacific island nationals mostly speak English, they are generally familiar with Australian business and social practices and patterns, and they play the same sports that Australians play. They are accustomed to having social intercourse with Australians in various situations in their own countries, and have many shared values.

Australia needs to stand up and be proud of its relations with the people of the Pacific islands region, especially at the people to people level, and be willing to grant them special facilities into the Australian market.

If necessary it can vigorously and logically defend that access against any criticism borne of envy from countries in other nearby regions. Australia's special relationship with and responsibilities for the development of the Pacific island countries provides adequate justification for providing special treatment for them, just as successive Australian governments have been able to rationalise the special arrangements granted to citizens of New Zealand.

But the Council also considers that in addition to granting labour market access to Australia, it is important that the Pacific island countries provide some greater access by Australians to their markets.

There is a view in the Pacific island countries that the employment of expatriates takes jobs away from local employees.

In fact, there is research which shows that the reverse is the case and that each expatriate employed in a developing country creates a minimum of eleven jobs.

The Council believes that any movement on labour market access for the Pacific island economies should have some reciprocity.

Australian business faces many difficulties in placing essential foreign staff into Pacific island economies.

The difficulties faced are costly to business, and impede business efficiency and growth and impact negatively on the Pacific island economies.

A recognition by the Pacific island country governments that they not only have a need for their nationals to have access to the Australian labour market but that Australian business

also has needs in their countries which if met can add further to their economic growth and development would be a step towards the sort of co-operation needed to give effect to greater regional integration.

The future relationship between Australia and the Pacific islands countries needs people of vision at both ends of the relationship. An effective outcome to this issue will be a good starting point in moving towards a more visionary relationship.

The Council again thanks the Committee for the opportunity to put forward its views on this important issue, and states its willingness to meet with the Committee for a discussion to expand further on the points raised.

Yours sincerely



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President
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DATA DEMONSTRATING THE VALUE AND SIGNIFICANCE OF REMITTANCES IN FIJI'S EXPORT EARNINGS

