



**Australian Government**

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**Department of Foreign Affairs and Trade**

## **Pacific Region Seasonal Contract Labour**

**Submission by the Department of Foreign Affairs and Trade  
to the Senate Committee on Employment, Workplace  
Relations and Education**

**April 2006**

## **Senate Committee Inquiry into Pacific Region Seasonal Contract Labour: Joint Submission by the Department of Foreign Affairs and Trade and AusAID.**

### ***Preface (and note on terminology)***

This submission focuses on the last of the Committee's terms of reference: the economic effects of a contract labour scheme on the economies of Pacific nations. It also includes a brief description of current policy and a recent history of the seasonal labour issue in its regional foreign policy context.

The terms "labour mobility" and "seasonal (or guest) worker scheme" are sometimes used interchangeably when considering the seasonal labour issue. The Australian Government, however, distinguishes clearly between the two. Whereas the Government has said it will not accede to requests to introduce a scheme for seasonal unskilled workers, it is fully engaged in broader consideration of skills and labour mobility issues in regional Pacific forums and has recently embarked on a vocational training initiative that would significantly increase the number of skilled workers in the Pacific and facilitate the mobility of workers within and beyond the region, including to Australia.

There is also a tendency to equate the working holiday arrangements Australia has with a number of European and Asian countries with a seasonal (guest) worker scheme. These are fundamentally different concepts. Working holiday-maker arrangements are reciprocal and apply essentially to young people who want to holiday in Australia and do some work to defray expenses. They must have the means to support themselves in Australia whether or not they take a job. Seasonal (guest) workers by definition simply do not have that sort of financial independence.

### ***Background***

Pacific Island Countries (PICs) want Australia to provide seasonal work opportunities for their young unemployed and have raised the issue with the Australian Government periodically over a number of years, including during negotiations for the Pacific Agreement on Closer Economic Relations (PACER) signed in 2001.

PICs were encouraged by the Senate's 2003 Report "*A Pacific Engaged*" which recommended the Australian Government support Australian industry groups, State governments, unions, NGOs and regional governments to develop a pilot program to allow for labour to be sourced from the region for seasonal work in Australia. The Government noted the recommendation but said that "Australia has traditionally not supported programs to bring low skilled seasonal workers to Australia".

At the December 2004 Australia-PNG Ministerial Forum, the issue was raised by the PNG Foreign Minister, Sir Rabbie Namaliu, who sought access to Australia for unskilled/semi-skilled Papua New Guineans for seasonal work, such as fruit picking. The issue came up again at the 2005 Forum. Australia confirmed it had no plans to introduce a seasonal or guest worker scheme.

In May 2005, Forum Trade Ministers commissioned an investigation of the potential impacts of a move under PACER - to which Australia is a party - towards a comprehensive framework for trade (including services) and economic cooperation between Australia, New Zealand and PICs. The Forum Secretariat has yet to finalise terms of reference for the study. We can expect labour market access to be an issue in future negotiations for a Forum-wide trade and economic cooperation agreement under PACER, but only in the context of a comprehensive fully WTO-consistent Agreement.

Pacific Islands Forum (PIF) Economic Ministers considered the issue of labour mobility in the Pacific at their June 2005 meeting in Tuvalu. The Hon Chris Pearce, Parliamentary Secretary for the Treasurer, represented Australia at the meeting. Forum Economic Ministers recognised the need for further examination of labour market issues in the Pacific, including "the issue of labour mobility through the region and beyond."

More recently, the issue has been raised in the context of the development of the Pacific Plan. The Plan aims to create stronger and deeper links between sovereign countries of the region and identify sectors where the region could gain the most from sharing resources of governance and aligning policies. It was commissioned by Leaders at the Pacific Islands Forum (PIF) meeting in Auckland in 2004 and subsequently endorsed by them at the Port Moresby Forum in October 2005.

The Pacific Plan calls for integration of services, including temporary movement of labour, into the Pacific Islands Countries Trade Agreement (PICTA) and the Economic Partnership Agreement (EPA) that PICs are currently negotiating with the European Union. Australia is not a party to PICTA or to the negotiations with the EU. Consistent with the outcomes of the Forum Economic Ministers Meeting in June 2005, the Plan also recognises the need, in developing a policy environment supportive of regional integration, for further examination of Pacific labour market issues, including labour mobility.

At the 2005 Port Moresby Forum, Prime Minister Howard, in response to approaches from some Pacific Leaders, confirmed that Australia would not accede to requests to introduce a seasonal or guest worker scheme. The Prime Minister announced an in-principle decision to establish an Australian Technical College for the Pacific. The College would increase significantly the numbers of skilled workers in the Pacific and facilitate the mobility of workers within and beyond the region, including to Australia. The technical, vocational and trades training undertaken by the College would meet Australian accreditation standards and enable Pacific islanders to be more competitive in the global skilled labour market, including Australia.

The College is not intended to encourage an outflow of qualified people with much-needed skills from PICs to Australia and other developed countries. Training Pacific islanders to Australian standards would give them opportunities to make substantial contributions to their countries' prosperity, whether at home or by remitting funds from abroad. The Prime Minister's initiative has been widely welcomed in the Pacific.

DFAT and AusAID expect, nevertheless, that PICs will continue to press for seasonal worker access to the Australian labour market. Most recently, at a Ministerial

meeting of the Melanesian Spearhead Group in Port Vila on 15-16 March 2006, PNG, Solomon Islands, Fiji and Vanuatu agreed to pursue the issue of labour mobility “at every opportunity in regional and bilateral meetings”.

### *Australia's Approach*

Australia has not had seasonal worker schemes in the past and is not attracted to them. Australia has a global non-discriminatory migration program under which Pacific Islanders have the same opportunities as all others seeking to work in Australia. The present focus of Australia's migration program is on dealing with particular skill shortages. There are currently no mechanisms allowing for the entry of non-skilled workers to Australia. There are, however, opportunities for Pacific Islanders to work in Australia under existing visas for occupational training and for long-term work attachments. We (in conjunction with other relevant Government departments) have encouraged Australian businesses with an interest in the region, through their business councils, to consider how they can use these visa categories to provide greater employment and training opportunities for Pacific Islanders in Australia.

Australia's membership of the World Trade Organisation limits its ability to discriminate in favour of nationals of certain nations ahead of others. Under the core national treatment principle, Australia is obliged to extend to all 149 WTO members no less favourable treatment than it accords to any other Member/s. Any scheme which granted special access to Pacific Islanders may be open to challenge from other WTO members seeking similar access.

### *Effects of a contract labour scheme on the economies of Pacific nations*

International experience suggests that labour migration alone will not deliver prosperity. As the World Bank points out, migration is not a substitute for economic development and development ultimately depends on sound domestic economic policies. Migration opportunities do nonetheless deliver significant benefits to the economies of some developing Pacific nations.

Where overseas employment opportunities for Pacific Islanders exist they are being taken up enthusiastically. Polynesian countries have traditionally had access to the New Zealand labour market and there are now more Polynesians living and working outside the region than within. A number of micro-states in the Pacific, including Kiribati and Tuvalu, where resource bases relative to population size are small, have recognised that domestic employment opportunities will be limited and are successfully pursuing explicit labour export strategies. Larger countries too, such as East Timor and Fiji, are also pursuing methods to increase the numbers of workers abroad.

### *The Effects of Migration*

The main economic benefit of migration for the economies of developing nations is remittances. Globally, current remittance flows per annum are US\$167b, exceeding

total global official aid flows and approaching global foreign direct investment levels.<sup>1</sup>

Table 1 shows that remittance levels for Samoa, Tonga and Tuvalu are high - they are among the ten most remittance-dependent economies in the world. For these economies, remittances are a more important source of support to the economy than aid. These figures record only official remittance flows, and may substantially underestimate the true flow.<sup>2</sup>

**Table 1: Remittances and Aid 2003**

	Remittances % GDP	Aid % GDP
Fiji	7.0 <sup>a</sup>	2.3
Kiribati	12.0	31.5
Papua New Guinea	0.2	6.4
Samoa	14.2	10.4
Solomon Islands	0.0	25.5
Tonga	39.2	16.3
Tuvalu	38.6 <sup>b</sup>	35.9 <sup>c</sup>
Vanuatu	3.3	11.7

a: refers to 2004, b: refers to 2002, c: refers to 2001

Source: World Development Indicators; Narube (2005)<sup>3</sup>, ADB (2005)

Remittances increase incomes in migrants' families and the wider community as a whole, and reduce poverty in otherwise poorly-performing economies. Remittances can also be an important income stabilizer as flows increase at times of financial, political or environmental crisis and act as an informal safety net. Whilst remittances are often spent on consumption, there is also evidence that households increase expenditure on education, health and savings and that remittances can ease capital constraints for farmers and small-scale entrepreneurs.

Evidence in the Pacific suggests that these benefits can be substantial.<sup>4</sup> Polynesia has fared much better than Melanesia, with higher economic growth, lower population growth, better social indicators, more social stability and less conflict. This better performance is attributable to a number of factors, including greater social cohesion, but analysts also point to Polynesia's greater access to overseas labour markets, leading to lower unemployment, higher remittances, and higher investments in education.<sup>5</sup>

<sup>1</sup> World Bank (2006), *Global Economic Prospects*, The World Bank, Washington.

<sup>2</sup> ADB (2005), *Remittances in the Pacific: An Overview*, Asian Development Bank, Manila.

<sup>3</sup> Narube, S. (2005) Governor of the Reserve Bank of Fiji, address to the Fiji Australia Business Forum, Nadi, Fiji, 17 October 2005.

<sup>4</sup> A forthcoming paper by the World Bank will provide more detail regarding the impact of remittances in PICs.

<sup>5</sup> Duncan, R. and S. Chand, (2002) "The Economics of the 'Arc of Instability'", *Asian-Pacific Economic Literature*, Vol 16:1, pp. 1-9;

Ware, H. (2004), "Pacific Instability and Youth Bulges: The devil in the demography and the economy", Paper presented at: Australian Population Association 12<sup>th</sup> Biennial Conference, 15-17 September 2004, Canberra.

As well as the direct benefits from remittances, migration also serves to stabilise the economies of Pacific island nations. Pacific island countries have high levels of population growth and a large “youth bulge”<sup>6</sup>, but few employment opportunities. This creates a large pool of unemployed youth, increasing the risk of instability and conflict. The ability to migrate therefore acts as a “safety valve”, relieving pressure on limited resources and employment opportunities and reducing the impact of a government’s inability to provide social welfare.

Micro-states such as Nauru, Kiribati and Tuvalu, have limited resources, and it is likely they will continue to rely on remittances, aid, and rents from the fisheries resources they control.

### ***An unskilled temporary labour scheme***

There is no contemporary history of formal unskilled labour migration in the Pacific islands context. However, international consensus, articulated by the World Bank, the UN Global Commission on International Migration and the International Organisation for Migration, amongst others, is that increasing the emigration of low or unskilled workers will significantly reduce poverty in developing countries.<sup>7</sup>

Evidence suggests that the effects of temporary (and circular) migration are less ambiguous on the home country than those from permanent migration. First, remittances tend to be higher from temporary migrants. Second, temporary migration minimises the risk of social dislocation and brain drain. Temporary workers return with skills and experience they would not otherwise have had. Australia’s skilled migration scheme currently offers various temporary migration options.

Australia has recently committed to providing skills training to Pacific Islanders through the announcement of the Australia-Pacific Technical College. The objective of the College is to contribute to the development of a skilled and competitive Pacific workforce. With Australian qualifications, graduates will also have the potential, though not a guarantee, of accessing job opportunities internationally, including in Australia.

### ***Effects of a Scheme on Pacific Region Workers***

The effects of a potential seasonal labour scheme on workers, and hence the economies of the Pacific region, would depend on the precise features of the scheme, including application, transport and accommodation costs, conditions of employment, insurance, taxes, and savings and remittance arrangements. Beyond remittances and employment, there are other potential development benefits in the “demonstration” effects from workers increasing their understanding of modern farming techniques, good governance, participation in a cash economy and the private sector.

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<sup>6</sup> More than 50% of the population of some Pacific island countries is aged less than 15 years.

<sup>7</sup> World Bank, (2006), *Global Economic Prospects*, The World Bank, Washington; Global Commission on International Migration, (2005), *Report of the Director-General on the World Commission on the Social Dimension of Globalization*; International Organization for Migration, (2005), *World Migration 2005*, International Organization for Migration, Geneva.

## *Conclusion*

Migration opportunities already deliver significant benefits to some developing Pacific island economies. These benefits include remittances, skills transfer and the alleviation of domestic population pressures. However, the full effects of any Pacific region seasonal contract labour scheme on Pacific island countries would depend on the precise nature of the scheme.

It is possible that nett financial benefits, after costs of travel, accommodation, insurance and living expenses, would not deliver an increase in remittance flows. Further, the numbers of workers likely to be needed in seasonal contract labour schemes may not make a substantial difference to unemployment rates in Pacific island countries. Certainly such schemes would not detract from the challenge of generating economic growth in Pacific island countries, and the need for governments to adopt pro-growth policies.

Australia and the Pacific island countries are partners, bound together by geography, history, trade, security and, most importantly, by an extensive range of close and growing community and people-to-people links. It is in all our interests to have the Pacific island countries succeed in improving the living standards of their growing populations by making the most of their endowments. Australia is committed to working in partnership with PICs to help build stability and growth, thereby creating jobs and reducing unemployment. This is one of the aims of Australia's extensive aid program to the Pacific, worth an estimated \$955 million in 2005-06.