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SYNOD OF VICTORIA AND TASMANIA



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Submission to the inquiry into the *Treasury Laws Amendment (2022 Measures No. 3) Bill 2022*

Joint Submission to the Senate Economics Legislation Committee from The Uniting Church in Australia, Synod of Victoria and Tasmania; the Pacific Islands Council of Queensland Inc; the Pacific Islands Council of South Australia and NSW Council for Pacific Communities

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The Uniting Church in Australia, Synod of Victoria and Tasmania; the Pacific Islands Council of Queensland Inc; the Pacific Islands Council of South Australia and NSW Council for Pacific Communities welcome this opportunity to make a submission on the *Treasury Laws Amendment (2022 Measures No. 3) Bill 2022*. The following submission only considers Schedule 4 of the Bill. The submitting organisations support the passage of Schedule 4 of the Bill as soon as possible as the delay in passing Schedule 4 of the Bill is delaying the rollout of essential reforms to the Pacific Australia Labour Mobility scheme.

The Uniting Church in Australia was involved in establishing the pilot for the Seasonal Worker Program and sat on the SWP Advisory Group.

Members of submitting organisations across the country continue to provide support to workers on the Pacific Australia Labour Mobility (PALM) scheme. Our organisations also have partnerships with community organisations and churches across the Pacific Islands and Timor Leste and we have regular contact with them.

We strongly support the PALM scheme because it has had a positive financial benefit for the majority of workers that have been able to come to Australia, their families, communities and the economies of the countries they have come from. At the same time, we also recognise negative social impacts on some families and communities in the countries of origin. A minority of workers have had negative experiences of being exploited and mistreated in Australia. Sometimes these cases of exploitation and mistreatment have been from employers and the employers' agents; in other cases, workers have suffered negative impacts outside the employment relationship due to excessive gambling or alcohol consumption in Australia.

Our organisations have been part of extensive consultation on reforms to the PALM scheme to protect workers better and ensure they are more likely to benefit from the scheme. Reforms are also proposed to address the scheme's red tape for approved employers. New contracts with the reforms will be provided to approved employers, but the rollout of the new contracts has been delayed due to the tax changes contained within Schedule 4 not being in place. The reforms had been contained in Schedule 6 of the *Treasury Laws Amendment (Enhancing Tax Integrity and Supporting Business Investment) Bill 2022* that failed to pass through the Parliament before the May 2022 Federal election.

Workers from the Pacific Islands and Timor Leste on the PALM scheme are primarily in Australia to earn money to send home to their families. Thus, the lower tax rate of 15% is desirable over a tax rate of 30% or 32.5% for workers on the PALM scheme to allow them to address situations of financial poverty many have come from.

On the whole, the program provides income to families to build houses, start businesses, and support their villages by building churches and schools to help the wider community. This is most noticeable in the villages, where you see the half-built buildings waiting for the people to return and bring more funds home. But in the meantime, they have been kept busy and employed with the building and usually have others in the village helping. They also come home with skills they have learned, and for some of the workers who may never have been to school or have very little schooling. This is a great achievement and gives them self-worth.

They see a different country and how it operates and has shops that don't sell everything from clothing to kitchen utensils to electronic gear to food (like \$2 shops) and go home with ideas of businesses that are not available or can have individual items sales, such as just clothing for men or just flowers or just food.

Uniting Church member who provides support to workers on the PALM scheme in Victoria and visits Vanuatu on a regular basis.

The PALM scheme provides vital employment and income opportunities for people from the Pacific Islands and Timor Leste. In our discussions with Pacific Island Governments, many are not able to facilitate the creation of enough jobs in their own countries to match the number of people reaching workforce age each year. Church representatives from the Pacific and other Pacific Island community members have stated the negative social impacts of unemployment in some Pacific countries, including family breakdown and increased drug and alcohol abuse. There are also reports that higher levels of unemployment are leading to a greater prevalence of family violence in Pacific Island communities.

The World Bank has identified high unemployment in many Pacific countries as a critical issue.¹ The table below reports the unemployment rate of Pacific Island countries that send workers on the PALM scheme for 2019 and 2021.

Table 1. Unemployment rates in selected Pacific Island countries in 2019 and 2021.

Country	% unemployment in 2019	% unemployment in 2021
Vanuatu	4.39 ²	2.18 ³
Tonga ⁴	3.06	3.97
Samoa ⁵	8.41	9.84
Fiji ⁶	4.45	5.24
Papua New Guinea ⁷	2.45	2.75
Solomon Islands ⁸	0.75	1.03
Timor Leste ⁹	4.51	5.07

UNICEF pointed out in Fiji in 2017:¹⁰

The impacts of poverty are significant in Fiji, and children and families are highly exposed to risk and economic shocks, particularly those caused by natural disasters.

- *The lack of social protection and other social welfare services is a significant gap and limits the ability of the government to lift vulnerable persons out of poverty and support economic growth.*
- *Lack of opportunities for adolescents and young people perpetuates cycles of poverty and has led to unhealthy behaviours, such as drug and alcohol abuse and mental health issues.*

They made identical findings concerning Vanuatu.¹¹

A joint report between Save the Children Australia, ChildFund Australia, Plan International and World Vision in 2019 reported the negative social impacts of poverty, inequality and unemployment across the Pacific Islands and in Timor-Leste:¹²

¹ <https://www.worldbank.org/en/country/pacificislands/overview#2>

² <https://www.adb.org/offices/pacific/poverty/vanuatu>

³ https://www.theglobaleconomy.com/Vanuatu/Unemployment_rate/

⁴ https://www.theglobaleconomy.com/Tonga/unemployment_rate/

⁵ https://www.theglobaleconomy.com/Samoa/Unemployment_rate/

⁶ https://www.theglobaleconomy.com/Fiji/Unemployment_rate/

⁷ https://www.theglobaleconomy.com/Papua-New-Guinea/Unemployment_rate/

⁸ https://www.theglobaleconomy.com/Solomon-Islands/Unemployment_rate/

⁹ <https://www.statista.com/statistics/809031/unemployment-rate-in-timor-leste/>

¹⁰ UNICEF, Situation analysis of children in Fiji, UNICEF Pacific Office Suva, 2017, 124.

¹¹ UNICEF, Situation analysis of children in Vanuatu, UNICEF Pacific Office, 2017, 102.

Poverty and inequality are key drivers of instability within families. The inability to meet the basic needs of nutritious food, medical care, secure relationships, quality learning environments and responsive parenting can lead to increased vulnerabilities for children and can be linked to an increased risk of violence.

Across the Pacific and Timor-Leste, the combination of economic insecurity coupled with increased urbanisation, unemployment, and a lack of cash income to meet family needs often makes it hard for families to cope. Parents are facing greater pressure to participate in the cash economy, often resulting in the neglect of children and the absence of strong family structures. In many contexts, this is affecting the broader social safety nets normally provided by families, with limited economic resources to support extended family members, children and other kin who may arrive and become part of the household at any time. A report by UNICEF points to other issues interlinked with economic inequality, poverty and violence. These include children facing greater pressure to work in a cash economy and being lured into exploitative work; problems with alcohol and drug abuse pervading many households and dissolving traditional family structures and protection mechanisms; and the growing youth bulge in combination with rapid urbanisation leaving many children and young adults with limited opportunities.

In 2018, Samoa was the first Pacific country to conduct a national inquiry into family violence. Among its findings was that financial stress is a trigger for family violence while not being causal.¹³ Further, the inquiry found that detected family violence was higher in lower-income families, where financial stresses were higher.¹⁴

A 2016 report by Save the Children Australia, the Burnet Institute and Australian Aid reported that substance abuse in the Solomon Islands was related to unemployment and limited employment opportunities.¹⁵

We know that many Pacific Island countries have limited opportunities to build sustainable economic development. Thus, migrant labour and remittances are one of the few options that Pacific Island Governments have available to them for generating income to address poverty in the Pacific Islands. For example, in 2019, people in Fiji received approximately \$400 million in remittances. Remittances comprise the second largest source of foreign exchange after tourism. Remittances earn more for the Fijian economy than its traditional export markets, such as sugar, garments, gold and timber.¹⁶ In Tonga, close to 40% of its GDP came from remittances.¹⁷ In Samoa, remittances totalled approximately one-sixth of its

¹² Kavitha Suthanthiraraj, 'Unseen, Unsafe. The underinvestment in ending violence against children in the Pacific and Timor-Leste', Save the Children Australia, ChildFund Australia, Plan International, World Vision, 2019, 15.

¹³ Samoa Office of the Ombudsman and National Human Rights Institution, 'National Public Inquiry into Family Violence in Samoa', 2018, 193.

¹⁴ Samoa Office of the Ombudsman and National Human Rights Institution, 'National Public Inquiry into Family Violence in Samoa', 2018, 196.

¹⁵ Brendan Quinn, 'Alcohol, other substance use and related harms among young people in the Solomon Islands', Save the Children Australia, Burnet Institute, Australian Aid, January 2016, 10, 47, 49.

¹⁶ Jessica Collins, 'Bang for buck: Getting the most out of Pacific Islander remittances', The Lowy Institute, 18 January 2022, <https://www.loyyinstitute.org/the-interpreter/bang-buck-getting-most-out-pacific-islander-remittances#:~:text=Remittances%20are%20also%20key%20sources,%2C%20garments%2C%20gold%20and%20timber.>

¹⁷ International Monetary Fund, 'Asia & Pacific Department Pacific Island Monitor', Issue 15, October 2021, 9.

GDP. In both Tonga and Samoa, approximately 80% of households received remittances.¹⁸ The IMF has also stated that Vanuatu is also highly dependent on remittances.¹⁹

The Asian Development Bank reported that in 2019 remittances across the Pacific region increased by 9.2%, and in 2020 they increased by 14.4%. Further, from 2019 to 2021, remittances to Fiji had an annual growth rate of 38.1%, and Samoa had an annual remittance growth rate of 6.1%.²⁰

Without the PALM scheme, people from the Pacific Islands would still take jobs in other countries where no programs provide support and offer safeguards against exploitation. Before the pandemic, the UN estimated that over 750,000 Pacific Islanders lived outside their own countries.²¹

The differential rate of tax in Schedule 4, between 15% for those on the PALM scheme (who are not Australian tax residents) and 32.5% for those that leave the scheme, will assist as a small disincentive for workers to disengage from the scheme and work illegally in breach of their visas. It is our experience that it is usually better that when a worker has a problem with an approved employer on the PALM scheme, they seek to have the matter resolved through the Fair Work Ombudsman, the Department of Employment and Workplace Relations or the Pacific Labour Facility. Disengaging from the PALM scheme leaves the worker without the protections and support of the scheme. With the passage of Schedule 4, a worker that disengages from the scheme and is employed in breach of their visa conditions will be subject to a higher 32.5% tax rate if their new employer wishes to avoid committing a tax evasion offence. Workers on the PALM scheme are required to work for a specified approved employer as one of the conditions on their visa.

We support that an employer engaged in tax evasion by not collecting the correct final withholding tax is denied the ability to claim a deduction for the payment of salary, wages, commissions, bonuses or allowances they have paid to the extent they fail to withhold an amount, or after withholding the amount, that they fail to pay the Commissioner of Taxation. Having to collect the correct withholding tax against wages paid can help to expose wage theft if the tax collected demonstrates that the worker was paid below the legally required rate or pay.

Our organisations support that Schedule 4 will allow the tax treatment in the Schedule to be extended to foreign resident workers under any programs prescribed by regulations and for regulations to prescribe visa names for these purposes. Such flexibility will assist in avoiding future delays in reforms to such visa schemes as has occurred in the current case and save the Parliament having to pass an amendment due to a change in name of a scheme or visa.

¹⁸ Jessica Collins, 'Bang for buck: Getting the most out of Pacific Islander remittances', The Lowy Institute, 18 January 2022, <https://www.loyyinstitute.org/the-interpreter/bang-buck-getting-most-out-pacific-islander-remittances#:~:text=Remittances%20are%20also%20key%20sources,%2C%20garments%2C%20gold%20and%20timber>.

¹⁹ International Monetary Fund, 'Asia & Pacific Department Pacific Island Monitor', Issue 15, October 2021, 9.

²⁰ Aiko Kikkawa, Guntur Sugiyarto, James Villa Fuerte, Bardi Narayanan, Raymond Gaspar and Kijin Kim, 'Labor Mobility and Remittances in Asia and the Pacific during and after the COVID-19 Pandemic', ADB Briefs, No. 204, December 2021, 6.

²¹ Qing Guan, James Raymar and Juliet Pietsch, 'Estimating International Migration Flows for Pacific Island Countries: A Research Brief', Population Research and Policy Review, 14 August 2022, 2.