

Submission to the Senate Employment, Workplace Relations and Education References Committee

Inquiry into Pacific region seasonal contract labour

10 March 2006

Committee Secretary
Senate Employment, Workplace Relations and Education Committee
Department of the Senate
Parliament House
Canberra ACT 2600
Australia

Dear Sir,

Please find attached my submission to the Senate Employment, Workplace Relations and Education References Committee inquiry into Pacific region seasonal contract labour.

The submission draws on research I have conducted as an Adjunct Research Fellow with the Institute for Social Research, Swinburne University for the “Pacific Labour and Australian Horticulture” project. The project is funded by the Australian Research Council through its industry linkage scheme. Further information on the project and copies of project working papers are available on the web at: <http://www.sisr.net/cag/projects/pacific.htm>

However this submission is presented in my personal capacity and the views expressed should not be attributed to the Institute for Social Research, Swinburne University or funding and industry partners.

I would be happy to address the issues raised in the submission at hearings of the Committee as required.

Yours sincerely

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From:

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1) Introduction

Pacific island community and government leaders have long argued that increased access to the Australian and New Zealand labour markets, especially for unskilled workers, should be a central component of regional economic integration. This takes on greater importance, following the adoption of the “Pacific Plan for Strengthening Regional Co-operation and Integration” by members of the Pacific Islands Forum in 2005.

At the October 2005 meeting of the Pacific Islands Forum in Papua New Guinea, the issue of labour mobility was hotly debated.¹ In a December 2005 statement issued to the regional media, Australia’s Foreign Minister Alexander Downer outlined Australian government policy on temporary work schemes, stating that: “The answer to the Pacific’s large and growing unemployment problems does not lie in a few hundred unskilled young people coming to Australia to pick fruit for a few months of the year.”²

But the issue of labour mobility has growing importance for the economies of Pacific nations and the livelihoods of many people living in countries that are Australia’s closet neighbours.

Around the contemporary Pacific, there is extensive migration to Pacific towns and cities from rural areas and outlying islands, as people seek education, employment and enjoyment. This is often “circular” migration, with people returning to their home areas after fulfilling their desire for earnings, training or career advancement. Granting greater temporary access to labour markets in Australia and New Zealand could provide an added way of earning cash, addressing poverty and improving rural livelihoods in the Pacific islands, without the need for permanent migration (legal or illegal) to industrialised countries of the Pacific Rim.

Pacific governments are raising the issue of labour market access in negotiations with Australia and New Zealand during regional trade negotiations over agreements such as PACER and the EU-ACP Cotonou agreement. Following the Forum’s adoption of the Pacific Plan in 2005, PNG’s Foreign Minister Sir Rabbie Namaliu has stated:

“We believe that permitting increased labour mobility should be part of Australia’s and New Zealand’s commitment to implementing the Pacific Plan. It is one way to demonstrate to our leaders that they are serious about assisting island countries to develop their capacity and their economies.”³

This issue of labour migration and seasonal work is also on the agenda of regional organisations and donor agencies:

- the Forum Secretariat hosted a Remittances Roundtable in March 2005, studying the link between remittances, migration and labour market flexibility in current regional trade negotiations (PACER and the EU-ACP Economic Partnership Agreement).⁴
- the Asian Development Bank has published an overview of the role of remittances in Pacific island economies, in the context of research on hardship in island countries.⁵
- the World Bank is currently conducting research on labour mobility and market access, investigating ways of improving migration opportunities so that Pacific labour can move to where the jobs are found in the region.
- the Australian Agency for International Development is developing “Pacific 2020” scenarios that look at demography and development projections over the next 15 years.
- a 2003 inquiry by Australia’s Senate Foreign Affairs, Defence and Trade References Committee on Australia’s relations with the Pacific recommended that the Australian government support civil society and private sector organisations to develop a pilot program for seasonal workers to come to Australia from the Pacific.⁶

2) Seasonal workers schemes and Pacific development

Many employers in the agriculture, horticulture and construction industries in Australia have lobbied for seasonal worker schemes.⁷ Other submissions to the inquiry will discuss the potential benefits and costs for Australia.

But seasonal worker programs will also bring clear benefits for people in the Pacific islands, especially in rural and outer island communities where there are limited opportunities for employment in the formal wage sector. This section of the submission focuses on a key term of reference for the inquiry: “(e) the effects of the scheme on the economies of Pacific nations.”

a) Role of remittances in development

International trade and finance organisations are increasingly focussed on the role of labour mobility in development and poverty reduction. The World Bank *Global Economic Prospects 2006* has documented that international migration and international remittances both have a strong impact in reducing poverty: remittances received by developing countries should total US\$167 billion in 2005, more than twice the level of development aid from all sources.⁸ The World Bank report suggests that remittances sent through non-official channels could add at least 50 percent to the official estimate, amounting to almost US\$250 billion if remittances sent through informal channels are included.

Migration has become an outlet for many Pacific island nations and remittances play a vital part of the economy in many Pacific countries. In some cases, they are the largest source of external capital - for example, remittances account for 7 per cent of Fiji's gross domestic product (GDP), but an estimated 31 per cent of Tonga's GDP.⁹

Smaller Polynesian and Micronesian states like Tonga, Samoa, Niue, Kiribati, Tuvalu and Wallis and Futuna have long been reliant on remittances from migrants or seasonal workers, to complement Overseas Development Assistance (ODA) and very limited access to Foreign Direct Investment (FDI).

But remittances now play an increasingly important role in larger Pacific economies. For example in Fiji, one of the region's largest countries, the amount of remittances has grown from F\$56 million in 1994 to F\$306 million in 2004.¹⁰ (In comparison, AusAID's development assistance allocation to Fiji in 2005-06 is A\$30.5 million).¹¹ Fiji has historically relied on sugar and gold mining and more recently tourism and garment manufacture. But over the last decade, the amount of remittances has increased to a level where they earn more foreign exchange than other sectors except tourism. The governor of the Reserve Bank of Fiji, Mr. Savenaca Narube states that remittances are one of the main sources of funds for domestic spending, the main driver of the economy.¹²

Given the young and growing populations in most island nations, the issue of employment generation will become increasingly urgent in the Pacific in coming decades. Pacific island fertility rates are slowing compared to the 1980s, but not fast enough to address the demand for jobs in the cash economy. Except for the French territories of New Caledonia and French Polynesia, none of the Pacific Island countries will reduce their Total Fertility Rate to less than 2.1 per cent by 2029.¹³

There is growing discussion about the potential to address this lack of employment opportunities through greater international labour mobility, to complement economic growth within the country. Pacific migration provides benefits such as the transfer of remittances, the repatriation of skills and

education, the promotion of tourism and the seeding of funds for small business development. There is significant evidence that the influx of remittances into rural communities can contribute to community development and addressing poverty (e.g. through payment of school fees, health costs and spending on children's education).

However migration also has social costs. The immigration policies of developed nations favour those with skills and high levels of education rather than the vast bulk of Pacific islanders whose main skills lie in farming and fishing. Australia and New Zealand benefit greatly from the migration of skilled workers from the Pacific - rugby players, accountants, IT workers, nurses and other health professionals - and many island governments are worried about the costs of "brain drain" of skilled workers (according to an October 2005 World Bank report, 75 per cent of all graduates from Tonga and Samoa and 62 per cent of all graduates from Fiji have emigrated.¹⁴)

In contrast, there are fewer opportunities for unskilled workers to access the Australian labour market, in spite of growing demand. There are already many Pacific islanders in Australia working in construction, fruit-picking and other semi-skilled occupations but this can contribute to the breakdown of families by the extended absence of undocumented or migrant workers. A regulated seasonal worker scheme would allow people to travel back and forward between Australia and the Pacific islands, which could help reduce overstaying and the stresses on family life.

b) Labour mobility and trade negotiations

Labour mobility is a central element in negotiations over regional trade agreements like PICTA, PACER and the EU-ACP Economic Partnership Agreement (EPA) – especially for Pacific island governments, who see access to the labour markets of Australia and New Zealand as a crucial element in long-term job creation and development.

Accessing the Australian labour market for unskilled as well as skilled and professional staff is an explicit policy goal for island governments. The issue will continue to arise in future decades, given the demographic projections for both Pacific Rim and Pacific island populations, with shortages of skilled and unskilled workers in Australia and rising young populations in most island nations. The pressing need to find jobs in the formal wage sector for Pacific Island workers coincides with the emergence of gaps in the labour force of developed nations.

As well as permanent migration, there is already an increasing trend towards temporary entry for employment of skilled migrants in Australia – but discussion about temporary entry for unskilled workers is only just beginning.

c) Reciprocity and policy reform

One major stumbling block to negotiating increased labour market access is the issue of reciprocity – whether Pacific island countries will have to open their labour market to Australian and New Zealand workers in return for access for unskilled workers in the larger economies.

Currently, the Pacific Islands Forum sees the issue of labour market access as part of negotiations for a broader package incorporating trade in services. Pacific economists see an increase of remittances as an important source of boosting foreign reserves and addressing balance of payments gap between Australia, New Zealand and Pacific island neighbours, which are only likely to worsen as PACER takes effect and trade protections are dismantled.

The demand for reciprocity fails to recognise the different size and training needs of Forum member countries. Non-government and church leaders in the Pacific are even more outspoken than government leaders about the need for Australia to increase labour market access without demanding extensive trade-offs.¹⁵

The lack of support for seasonal worker schemes is partly based on a number of perceptions which need to be addressed before temporary work programs could be introduced between Australia and the Pacific:

- a) memories of “blackbirding” that raise concern over the wages and working conditions for foreign workers.
- b) an entrenched orthodoxy within the Australian government that sees only high-skilled or capital-rich migrants as being of value to Australia.
- c) a well established bias towards permanent, rather than short term migration, despite the increase in temporary skilled migration.
- d) opposition from some trade unions to the idea of bringing in “cheap” labour which could be exploited by unscrupulous employers.

Rather than starting temporary work schemes, the Australian government has expressed a preference for permanent migration. At the October 2005 Pacific Islands Forum, Prime Minister John Howard stated:

“We always have a preference for permanent settlement for migration....I think you either invite someone to come to your country to stay as a permanent citizen or you don’t.”¹⁶

But Australia already allows temporary entry for full-fee paying overseas students and skilled workers. The business sector has increasing access to short term visas to bring in workers to cover skill shortages - originally this category was used exclusively to bring in professionals like IT specialists and medical staff but in recent years the catchment has broadened to include more traditional trades like welding.¹⁷ The number of temporary visas issued to skilled workers has jumped dramatically during the life of the Howard government: there were 40,124 business long stay visas granted in the 2003 - 04 financial year, up from just 9,600 in 1996-7.¹⁸

The growth of this component of the migration program reflects an international trend towards micro- or niche migration schemes designed to overcome labour shortages in particular industries at particular times. In other countries such schemes also extend to low or semi-skilled workers, particularly in agriculture, but Australia and New Zealand may be the only developed nations that do not import seasonal labour for agriculture and horticulture – a key industry where employers are seeking increased labour.¹⁹

d) Social impacts

Pacific church and community leaders welcome the idea of developing seasonal work schemes to allow Pacific islanders greater access to the Australian labour market.²⁰ They do however, raise concerns about social and economic impacts – on labour rights, family life and development outcomes for women - that would need to be addressed if such schemes were to function effectively (for examples, issues of communication between family members; unsafe sexual activity including the danger of HIV; sexual harassment for women working overseas; childhood development issues etc).

There is increasing labour mobility in the Pacific, but the flow of remittances raises new social issues. For example, the recruitment of over 1,000 Fijians for security work in Iraq and Kuwait has raised many problems for the Government of Fiji: the unregulated role of private recruitment contractors, the social impact on family life, and the capacity of government to support workers with pay disputes or post-deployment health problems.

3) Building people to people links

A seasonal worker program between Australia and neighbouring Pacific island nations should not be conceived purely in terms of economic exchange, or as a bargaining chip in trade negotiations intended to further liberalise Pacific Island economies.

Rather, it should be regarded as a development opportunity: a mechanism to advance, however modestly, sustainable economic and social development in the communities from which the workers come, and to encourage the expansion of “people to people” contacts between Australia and the Pacific

In Australia there is potential to build on the model of “sister city” relationships that exist between some regional municipalities and localities in the Pacific islands. Under this scenario, a particular region or outer island might be twinned with an area in country Victoria or Queensland. In addition to recruiting seasonal workers from an overseas region to work in horticulture, associated educational activities could be devised for schools, and community organisations could take a lead role in organising social events and cultural activities to welcome overseas workers into the community.

Volunteer programs (Australian Volunteers International and Australian Business Volunteers), service clubs (Rotary, Lions etc) and other NGOs could co-ordinate development activities with targeted communities. Workers would be engaged in some level of formal training – for example in first aid, chemical safety and handling – to ensure that they go home with useful skills as well as money in their pockets.

Community-based organisations in both countries could co-operate to develop ways for remittances to contribute to general development activities, through micro-finance schemes, small business programs, and the education of young women.

4) Recommendations for seasonal work programs

In “*A Pacific Engaged*” - the 2003 Senate report on Australia’s relations with the Pacific region - the Senate Foreign Affairs, Defence and Trade Committee recommended that “the Australian government support industry groups, State governments, unions, non-government organisations and regional governments to develop a pilot program to allow for labour to be sourced from the region for seasonal work in Australia.”²¹

This recommendation has some merit: if Australia is to introduce a seasonal employment scheme and further open up its labour market to Pacific Island workers, the starting point should be a series of small-scale pilot projects.

However there are a number of key questions in the design of any program that will need to be addressed by government, employers and unions, in order for the scheme to be effective. These include:

a) Labour rights and working conditions

The development of seasonal work programs for Australia could draw on overseas examples where government, unions and employers have co-operated to develop appropriate standards for seasonal work recruitment and operation (such as the Temporary Labour Working Group, a consortium of major retailers, growers, suppliers, labour providers and trade unions in the United Kingdom).

The International Labour Organisation (ILO) also has a range of conventions covering core labour standards, and the ILO Office for the South Pacific in Suva currently has a program to encourage Pacific governments to sign and ratify the relevant agreements.²² The ILO also has specific conventions 97 and 143 covering migrant workers, but these have not been ratified by Australia or by any Pacific island governments.²³

b) Development of government agreements to regulate the program

The 2003 Senate Committee into Australia's relations with the region recommends a pilot seasonal worker scheme, but says that:

“the model developed provide for management and organisational arrangements to be the responsibility of the source country and adequate mechanisms be put in place for training and transfer of skills.”²⁴

However, such a proposal places the burden on small island states, while the Australian government and private sector reduce or avoid their responsibility for the costs as well as the benefits of seasonal work schemes.

A more realistic approach would involve bilateral government-to-government treaties, outlining the responsibilities of both host government and sending nations. There could also be a wider regional framework agreement linking the scheme to regional development objectives, developed in co-operation with the Pacific Islands Forum.

Government officials will no doubt object to potential costs of administration. But even if the recruitment of personnel is conducted by private sector organisations, there is a need for closer government regulation of recruiting agents. Already in the Pacific, there are numerous examples of fraudulent behaviour by recruiters, exploiting the hopes of poor communities for a better life.

c) Cost sharing schemes between growers, workers and governments

Allied to a level of government regulation, it is important for the development of cost sharing mechanisms, to pay for the bureaucratic costs of regulation, administration and oversight, and the practical costs of airfares, visas, medical checks and accommodation.

While employers may recoup some costs from workers, it is unfair that the full burden of financing the scheme should fall on impoverished Pacific villagers!

d) Addressing the social impacts

The benefits of increased income for the family and community must be weighed against the social costs, especially for women and children (e.g. the added burden of childcare for older Pacific women when their family members are working overseas, or the impact on children's education and family life if one parent is overseas for an extended period).

There is also a potential role for Pacific island communities and churches in Australia and in the sending countries to play a support role for seasonal workers. Employers and governments could assist with communication between seasonal workers and their families at home (e.g. employers could provide telephones and computer terminals with Internet and email access in church or community centres in Australia, while sending governments, NGOs and aid donors could assist with computer training programs for families at home).

As the EPA and PACER negotiations discuss trade in services, including increased labour mobility, there is a crucial need for extensive study of social, cultural and political impacts, as well as monitoring the flow and usage of remittances.

e) Pre-departure training and information for seasonal workers

Accurate and timely information will be a crucial element of any scheme, for prospective seasonal workers before they travel. Recruitment, training and orientation should involve a range of participants, representing governments of the sending and host nations, employers, unions and church leaders.

Such information could cover a spectrum of issues, including wage rates, labour conditions (hours, meal breaks, occupational health and safety), cultural issues, visa and consular advice, banking and remittance procedures etc. There could also be discussion of social issues that may face bored, isolated workers, including substance abuse, gambling and the risk of HIV / AIDS, or advice on family budgeting, allocation of savings or investing in local community projects.

In developing a regional seasonal worker program, governments could tap into existing NGO and inter-governmental programs (e.g. the Regional Maritime Program of the Secretariat of the Pacific Community has a number of useful models for pre-departure training and social responsibility for the many Tuvaluan and i-Kiribati seafarers working in the region).

f) Positive and negatives incentives can reduce overstaying

The opportunity to return to Australia each season provides a key incentive for seasonal workers to fulfil their visa obligations. But governments could also develop positive incentives that could assist seasonal workers to return to their home country. Australia and Pacific governments need to develop comprehensive legislation to assist migrant workers with legal return and facilitate the sending of remittances, through regulations on taxation, investment and inter-country movement.

Any seasonal labour program will need to take account of taxation agreements (or the lack of them) between Australia and the Pacific. Currently non-residents who perform harvest labour in Australia (working holiday makers) are taxed at a higher rate than resident workers (29% rather than 13%) and do not benefit from the tax free threshold.²⁵ Unless this provision is altered, Pacific Islanders performing seasonal work could find themselves subject to double taxation.

Secondly, there will be political issues relating to undocumented workers from Pacific Island countries, currently living or working in Australia in breach of their visa conditions. The creation of a regulated temporary work program could be accompanied by an amnesty, which would give time for undocumented workers to regularise their position, either as permanent migrants or as temporary workers. The issue of residency rights for workers is of crucial concern for Australian unions and Pacific communities in Australia, and migration policy would need to be co-ordinated with the introduction of seasonal work programs.

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