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**Should Australia and New
Zealand Open Their Doors to
Guest Workers From the Pacific?
Costs and Benefits**

Helen Hughes and Gaurav Sodhi

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Contents

List of Tables	4
Foreword	5
Executive Summary	7
1. Introduction	9
2. The costs and benefits of short term migration for Pacific islanders	9
Pacific islanders in Australia	9
Pacific islanders in New Zealand	11
Guest worker benefits	12
3. The costs and benefits of short term migration from the Pacific to Australia and New Zealand	13
Rural employment issues	13
Numbers of seasonal workers	15
Additional costs for Australian and New Zealand farmers	15
Selection of guest workers from the Pacific	15
Social costs and benefits	16
4. The costs and benefits of guest worker migration for the Pacific	17
Economic growth	17
Nationalism and emigration	20
Remittances	21
The economic, social and political impact of returning guest workers	23
Endnotes	24

List of Tables:

Table 2.1	Resident population by country of birth, Australia, 2001 and 2005
Table 2.2	Selected characteristics of Pacific migrants in Australia 2005
Table 2.3	Resident population by country of birth, New Zealand 2001
Table 2.4	Selected characteristics of Pacific migrants in New Zealand 2004
Chart 4.1	GDP per capita in 1975 and 2005 in 2005 Dollars
Table 4.1	Pacific labour market estimates
Table 4.2	Pacific population living abroad
Table 4.3	Annual remittance and export income, US dollars millions, most recent year
Table 5.1	Notional global population distribution by incomes (million people)

Foreword

Australia and New Zealand have been among the most successful countries in the world in integrating immigrants. One in four Australians and one in five New Zealanders were born abroad. These are among the highest ratios of foreign born residents in the West. Yet Australia and New Zealand have not experienced the social problems that have followed long and short term migration to Western Europe and the United States.

Migration has marked human progress since mankind's origins. Australia and New Zealand have always been countries of immigration. Until the second half of the twentieth century migration took place at the margins of societies and migrants were soon absorbed. The decision to migrate has always been fraught with hardships and risks, but migrants and their children in the past benefited by sharply improving their living standards as they integrated into host country societies.

Migration problems have arisen more recently because of the failure of many developing and transitional countries to grow rapidly and improve the standards of living of their people. At the end of the twentieth century, dramatically lower communication and transport costs enabled many people in developing and transitional countries to opt for migration so that millions are moving, often in desperation, creating pressures that exceed the absorptive capacity of Western countries. Migration flows are also distorted by excessive welfare and wage rigidities in developed countries that keep local populations out of the labour force. Milton Friedman, a committed liberal, noted in 1999 that 'You cannot simultaneously have free immigration and a welfare state'. That, in a nutshell, is the dilemma facing liberals today when discussing free flows of people.

Australia and New Zealand have been protected against high immigrant flows by their location, but selective and, for some time now, non-discriminatory (by country of origin) immigration policies have facilitated the integration of immigrants into civil society. In broad terms, Australian and New Zealand voters decide on the volume and composition of immigration flows at elections. To contribute to an informed debate, The Centre for Independent Studies has from time to time published monographs on immigration. The issue today is whether Australia and New Zealand should depart from their long term immigration policies to provide work places for short term seasonal guest workers from the Pacific. This monograph addresses the costs and benefits of such a policy departure for the guest workers, for Australia and New Zealand, and for the people of the Pacific.

Greg Lindsay
Executive Director
The Centre for Independent Studies

Executive Summary

Proposals for Australia and New Zealand to open their doors to guest workers for fruit picking and processing have been rejected by the Australian government, but support for such a scheme continues to intensify. Media, academics and farmers' organisations claim the scheme is a win-win deal, with benefits accruing to labour poor Australian farmers, cash poor Pacific islanders and, most prominently, Pacific governments faced with high unemployment and rising instability.

International organisations are now at the forefront of reviving *gastarbeiter* and *bracero* schemes in spite of their troubled history in Western Europe and the United States. The schemes are part of the pressure placed on developed countries to solve developing countries' problems by increasing immigration intakes. The World Bank is consequently pressing Australia and New Zealand to create seasonal work places for Pacific islanders.

Little consideration, however, has been accorded to the details of a Pacific guest worker scheme. Estimates of likely numbers of guest workers range from 10,000 to 38,000 places a year. But the Pacific's failure to adopt growth policies over the past 30 years has resulted in a pool of a million and a half unemployed and underemployed. Some 200,000 school leavers are added to these jobless every year. Even if the intake of seasonal workers coming to Australia and New Zealand were to rise to 50,000 workers a year, the impact on the Pacific would be negligible. To be other than symbolic, recruitment would have to be focused on those small islands that are not already becoming ghost economies through emigration. For most Pacific islanders a Pacific guest worker scheme would thus be a cruel deception.

This paper applies a cost-benefit analysis to the guest worker proposals. It argues that income gains for migrants selected for seasonal work would be achieved at high economic and social costs in terms of employment opportunities for long term unemployed and other welfare dependants in Australia and New Zealand.

Long term unemployment and growing disability rolls indicate that Australia's and New Zealand's welfare systems discourage labour participation. Both countries have significant pools of underutilised labour. In Australia, not employing Aborigines and Torres Strait Islanders from fringe and remote communities in labour short rural Australia is an egregious anomaly. Given low literacy, numeracy and English among Aboriginal and Torres Strait Islander working age adults, seasonal fruit picking and processing are among the few jobs available for the transition from welfare to jobs. Seasonal work could also provide transitional employment opportunities for unskilled Pacific islanders resident in New Zealand. International migration experience suggests that neglecting domestic sources of employment ratchets up welfare rolls and unskilled immigration numbers at the cost of economic efficiency and equity. The policy challenge is to unlock this supply with welfare reforms.

If seasonal immigrants were paid Australian wages and farmers had to pay the additional costs inherent in employing labour from the Pacific, fruit picking wages would have to rise substantially, perhaps to \$25 or \$30 an hour. Alternatively the additional costs would have to be subtracted from guest workers' wages or contributed by Australian and New Zealand taxpayers.

Agreements reached between employers and employees reflect private costs and benefits. But to be considered seriously, schemes for unskilled seasonal migration not only have to reflect market arrangements, but also account for social costs and benefits. Seasonal movements must, moreover, be managed within overall migration policies. The latter are constrained because the demand for immigrant places exceeds Australia's and New Zealand's absorptive capacities for immigrants.

Australia and New Zealand have responded by developing selective immigration policies that have been successful in avoiding the unemployment, alienation and apathy of second

generation immigrant youths that is evident overseas, most recently in France and the United Kingdom. Considerable numbers of Pacific islanders have successfully settled in Australia and New Zealand and they should continue to be welcomed as long term immigrants. But the experiences of Pacific migrants in Australia and New Zealand show that integration becomes more problematic as selectivity is diluted. A guest worker scheme would move away from proven immigration models.

International experience suggests that unskilled seasonal workers, with their limited English and literacy, are vulnerable. Australia and New Zealand would have to introduce highly interventionist measures to avoid substantial overstaying by unskilled immigrants.

Remittances from long term migration exceed export incomes by considerable margins in several Pacific countries. But remittances are predominantly spent on replacing local foods such as fish and vegetables, with imported packaged foods and beverages with ensuing severe health problems. Remittances are also spent on education—for further emigration. But in the absence of land and other private property rights only a negligible share of remittances goes to investment and economic development.

The World Bank's pressure on developed countries to accept more immigrants, regardless of costs and benefits, follows its abandonment of the key role of growth in development in favour of welfare, including the international redistribution of income through aid. But productive employment in farming, in manufacturing and in services must be created in the Pacific if the stagnation of the past 30 years is to give way to rising living standards. The reforms that are essential for growth and job creation are well known. The failure to pursue them is leading to ever increasing social problems and political instability. A guest worker scheme could not contribute significantly to Pacific living standards and, by appearing to provide a safety valve for the Pacific's employment problems, could further delay policy reforms.

1. Introduction

Proposals to bring guest workers from the South Pacific are intended to solve Australia's and New Zealand's fruit picking labour shortages and boost the incomes of Pacific islanders and their countries. A 2003 Australian Senate Committee proposal for a guest worker scheme as a form of aid¹ reflected growing lobbying by media,² academics³ and multilateral aid agencies.⁴ The Pacific Forum's leaders made a guest worker scheme the central feature of the annual Pacific Forum meeting in Port Moresby in 2005⁵ and the National Farmers' Federation saw it as a means of tackling rural labour shortages.⁶ Bob Sercombe, the Australian Opposition spokesman for Pacific Island Affairs quantified the proposal, suggesting that 10,000 Pacific islanders could pick and process fruit in Australia for three months each year and return home at season's end.⁷ The World Bank estimates that the horticultural industry in Australia has the 'potential over time' to employ 16,000 to 24,000 guest workers annually with a 'capacity' to employ 38,000 annually for four month periods each year.⁸ Projections of likely guest worker numbers make it clear that they could not relieve unemployment in the Pacific.

Human progress has gained enormously from migration with benefits accruing to migrants, host countries and often to the home countries. But migration also has costs, and the balance of costs and benefits is very different for short term rather than long term migration. Helen Clark, the Prime Minister of New Zealand, responded to the Pacific leaders at the Port Moresby Forum meeting by saying that she would discuss possibilities of seasonal permits to relieve temporary shortages, but that it would be essential that such workers returned home.⁹ John Howard, the Prime Minister of Australia was more cautious because the Australian Government had informed itself of the likely costs and benefits balance of a guest worker scheme.¹⁰

This monograph examines the costs and benefits of guest worker immigration for Pacific islanders in section 2. The costs and benefits to Australia and New Zealand are analysed in section 3 with particular attention to the opportunity cost of employing Aborigines and Torres Strait Islanders in Australia and Pacific islanders in New Zealand. Section 4 discusses the likely impact of a guest worker scheme on the Pacific islands.

The balance of costs and benefits is very different for short term rather than long term migration

2. The costs and benefits of short term migration for Pacific islanders

The experience of long term migration from the Pacific islands differs considerably between Australia and New Zealand.

Pacific islanders in Australia

Long term migration from the Pacific is a successful component of Australia's selective, but non-discriminatory (with regard to nationality of immigrants) annual target inflow of some 130,000 immigrants. Despite the hardships and risks of an emigrant's life, Pacific men and women and their families have benefited by settling in Australia. Pacific islanders either emigrate to Australia directly, or, since the Trans Tasman Agreement of 1973, by 'step migration' after acquiring New Zealand citizenship.

The majority of long term Pacific Islander immigrants find jobs, earn incomes, send their children to school, save, and unless they run into bad luck in employment or through illness, establish themselves fairly quickly at a much higher standard of living than they could attain at home. They acquire houses, cars and other material goods. Their skills increase through 'learning by doing'. Children have higher educational attainments and career prospects than their parents.

Pacific migrants at first tend to cluster in limited locations and, finding jobs by word-of-mouth, are also concentrated in a few occupations. At the margin, young Pacific islander 'gangs' are emerging in Sydney in response to other ethnic 'gangs'. Pacific island immigrants are also involved in marijuana and other drug trafficking, but crime problems largely reflect poor policing.¹¹ Australian immigrants generally have higher marital integration¹² and geographic and socioeconomic dispersion than immigrants to other Western countries. The 122,000 Pacific islanders living in Australia in 2005 (Table 2.1) constitute fewer than 3% of all immigrants. They tend to follow general immigration trends (Table 2.2) and are thus more likely to achieve the

Table 2.1 Resident population by country of birth, Australia, 2001 and 2005

Country of birth	2001	2005
New Caledonia	1,000	NA
Fiji	44,300	54,900
Papua New Guinea	23,600	26,200
Solomon Islands	1,330	NA
Vanuatu	898	NA
Kiribati	407	NA
Nauru	465	NA
Samoa	13,300	16,600
Tonga	7,700	9,300
Cook Islands	4,740	NA
Nuie	494	NA
Tokelau	262	NA
Above Pacific born population	98,496	107,000
<i>Total Pacific born population</i>	<i>98,839</i>	<i>122,000</i>
Total locally born		15,500,000
Total overseas born population		4,800,000
<i>Total population</i>		<i>20,300,000</i>
Percentage born overseas		24
Percentage of those born overseas born in the Pacific		2.5

Notes and sources: Australian Bureau of Statistics, Australian Census Analytical Program, *Australia's Most Recent Migrants*, 2001, Cat. No 2053.) and *Migration Australia 2004–05* Cat. No. 3412.0, available at www.abs.gov.au. Total Pacific population in Australia in 2005 from Australian Bureau of Statistics, *Labour Force Australia*, December 2005.

Table 2.2 Selected characteristics of Pacific migrants in Australia 2005

	Total population	Pacific born
Number employed	7,500,000	86,400
Number unemployed	370,000	4,300
Not in labour force	3,740,000	33,600
Percent in the labour force	64.3	73
Percent unemployed	5.1	4.7

Notes and sources: Pacific Islander participation rates and unemployment rates from Australian Bureau of Statistics, *Australian Labour Market Statistics*, Cat. No. 6105.0 November 2005
Australian participation rate, unemployment, from Australian Bureau of Statistics, *Labour Force Australia*, December 2005

Western living standards that most people in the Pacific crave.

Selection criteria for immigrants, which emphasise skills, knowledge of English and family ties in Australia, have created the parameters of Australia's positive immigration experience. Migrants cannot access welfare for two years. This undoubtedly influences Pacific emigrants' choice of destination. In New Zealand, welfare access is immediate and lasting. Pacific 'step' immigrants via New Zealand often seek to escape from the constraints of clan demands in New Zealand. Pacific immigrants to Australia, like most immigrants, have higher work force participation and lower unemployment than the population overall (Table 2.2).

Micro studies add information about Pacific migrant experiences in Australia. In the early 1990s when unemployment was high, Samoan immigrants had three times (25.5%) the unemployment of Tongans (8.3%). With similar education and other characteristics, it appears that a high proportion of the Samoan group had been able to bypass Australian immigration screening processes by migrating via New Zealand.¹³ A recent study of Tongan and Samoan immigrants, however, shows low unemployment for both groups and suggests that Pacific islanders conform to the socioeconomic characteristics of the Australian population as a whole.¹⁴

Pacific islanders in New Zealand

New Zealand academics argued that because of trends toward 'Migration, Remittances, Aid and the resulting (largely urban) Bureaucracy', or what became known as the MIRAB theory, it was impossible for small Pacific islands to raise their living standards.¹⁴ When New Zealand opened up immigration for its associated Cook Islands, Niue and Tokelau with MIRAB in mind, most of the people from those islands subsequently moved to New Zealand. Under the 1962 Treaty of Friendship with its former colony of Western Samoa, 1,100 new immigrants have been able to

Table 2.3 Resident population by country of birth, New Zealand 2001

Samoa	115,000
Tonga	40,700
Cook Islands	52,600
Niue	20,100
Tokelau	6,200
Tuvalu	2,000
Total Pacific born population	231,800
Total overseas born population	699,000
Total locally born	2,891,000
<i>Total population</i>	<i>3,737,300</i>
Percentage of the population born overseas	19
Percentage of overseas born population from the Pacific	34

Notes and sources: Estimated from Statistics New Zealand, *Census Snapshot: Pacific Peoples, Key Statistics*, 2002, www.stats.govt.nz; and Statistics New Zealand *2001 Census: People Born Overseas, Reference Report* October 2002

enter New Zealand each year. Since 2001, permanent residency quotas have also been opened up for Kiribati, Tuvalu, Tonga and Fiji¹⁶ (Table 2.3).

Pacific immigrants account for more than a third of all immigrants in New Zealand. Many Pacific islanders in New Zealand are less well integrated into the economy and society than Pacific islanders in Australia. In New Zealand, they remain geographically segregated into the second and third generations. Most live in highly concentrated communities in Auckland, although

Fijians (mostly of Indian Fijian origin) and Cook Islanders are more distributed throughout New Zealand, and more than half of those from Tuvalu live in Wellington. Pacific islanders are also highly concentrated in a few low skilled occupations—notably in sales and services and as ‘machine operators’. Tuvalu emigrants are an exception with most working in fishing. Immigrants from Fiji are also more evenly distributed among occupations, including the professions.¹⁷

In 2001, Pacific islanders had a labour force participation rate of 65% when for all New Zealanders it was 68% and an unemployment rate of 16% when for all New Zealanders it was 7%.¹⁸ With economic growth, however, by 2004 work force participation (61.5%) and unemployment (11.2%) had fallen, but unemployment was still double that for all New Zealanders (Table 2.4). Welfare dependence contributes to young Pacific islander gangs, notably in Auckland. The absence of skills and access to welfare appear to be key factors in the difference between the behavioural characteristics of Pacific islanders in Australia and New Zealand. Compared with 16% of the total population, 26% of Pacific islanders receive some form of government benefit in New Zealand.¹⁹ The experience of Pacific migrants in New Zealand diverges from that in Australia because Australia has preserved selectivity of its migrant intake. A comparison with New Zealand suggests integration becomes more problematic as selectivity is diluted.

Table 2.4 Selected characteristics of Pacific migrants in New Zealand 2004

	New Zealand	
	Total Population	Pacific Born
Number employed	1,883,800	85,000
Number unemployed	101,300	10,700
Not in labour force	1,001,500	57,300
Percent in the workforce	67	61.5
Percent unemployed	5.1	11.2

Source: New Zealand workforce participation, unemployment from Statistics New Zealand, *Labour Market Statistics*, 2004; New Zealand Pacific Islander labour force participation from Statistics New Zealand, *A profile of persons not in the labour force*, Key Statistics, May 2004.

Guest worker benefits

Permanent migration is, subject to host country selection criteria, initiated by migrants. In contrast, guest workers are usually selected according to criteria set by their home countries. Pacific governments would be unlikely to allow Australian and New Zealand farmers to recruit on a large scale, even if it was cost-effective. Fears of exploitation, given the history of indentured sugar workers in Australia, would likely be raised. The number of guest worker candidates usually greatly exceeds the numbers of places available so that selection of guest workers in home countries has proved universally difficult and subject to bribes.²⁰

Guest workers would not benefit as much as long term Pacific immigrants to Australia and New Zealand, but at Australian and New Zealand wage rates their earnings would be substantially higher than Pacific incomes. At current fruit picking wages of around \$15 an hour,²¹ seasonal workers could notionally earn \$700 to \$900 a week, or say, \$10,000 in three months in Australia. This is also considerably above Canadian guest workers’ earnings. Canada is generally considered to have one of the most liberal schemes, but workers are paid C\$8 (A\$9) an hour and work 11 to 12 hours a day, six days a week without overtime or penalty rates.

Guest workers’ contracts would determine the share of earnings guest workers would actually keep. Transport and accommodation, health and insurance, as well as other costs payable between Australia and New Zealand on the one hand and home countries on the other would have to be allocated. In Canada guest workers bear 40% of the cost of air fares out of their wages and contribute to insurance and pensions once they start earning, subject to a maximum deduction of 5% of gross earnings per pay period. The Canadian government covers health costs except in

British Columbia.²² Guest workers' earnings are not always taxed in host countries, but Australia has a 29% flat tax on temporary residents. Pacific leaders have indicated that they would seek to increase their revenues by taxing guest workers.

Benefits to guest workers would depend on whether they could work in Australia or New Zealand several times or would only be selected once. Canadian farmers prefer guest workers to return year after year, but return selections would reduce the social impact of the scheme in the Pacific.

Because guest workers' earnings are so much higher than incomes at home, they tend to under report or neglect abuses. They are inherently more vulnerable than permanent residents. In the Gulf states, where up to 90% of the workforce is comprised of foreigners,²³ guest workers have been a vital part of the economy for decades. An estimated three million domestic servants in the region, all low skilled temporary migrants from developing countries such as the Philippines, India and Bangladesh, work in conditions 'equivalent to indentured servitude',²⁴ with daily reports of abuse and exploitation.²⁵ Even in Canada, where careful consideration and robust legal authority has been given to protecting workers, abuse and mistreatment have not been avoided.²⁶ This is not to say that Pacific workers will be exploited in Australia and New Zealand, where the protection of the law is relatively strong, but the potential for poor treatment and exploitation cannot be ignored. Apart from injury to the guest workers, any emergence of dual standards would undermine civil society and the rule of law in Australia and New Zealand so that administrative controls would have to be put in place to ensure that abuses did not emerge.

3. The costs and benefits of short term migration from the Pacific for Australia and New Zealand

A shortage of rural workers at all levels of skill has been widely reported in Australia²⁷ and New Zealand.²⁸ In Australia it is the background to the Australian National Farmers' Federation *Labour Shortage Action Plan*.²⁹ The boom in Australian mining has been a factor, but in both countries very low unemployment is a principal cause of farmers' and canners' employment problems.³⁰ The National Farmers' Federation acknowledges that it 'has not been as proactive in the employment participation policy area as it could have been',³¹ but fails to point to the principal areas of policy reform that could make a considerable difference to the rural labour supply.

The decline of rigour in schooling, followed by the decline of technical training when post-modern 'competencies' replaced trade and professional content in TAFE institutions, have contributed to skill shortages throughout Australia, particularly in rural areas. Similar trends have led to rural labour shortages in New Zealand. Labour shortages can have a positive impact in making farmers and other rural entrepreneurs more efficient by substituting capital for labour to lower costs, thus keeping up with increasing international competitiveness, but this is only possible if skilled workers are being trained.

High employment rates have made it easy for students and other casual and part-time workers to obtain urban jobs. Backpackers who now form the mainstay of fruit picking and packaging in both countries have taken their places. These are self-selected, generally well-educated and exceptionally entrepreneurial youngsters who match young Australians and New Zealanders working on exchange visas abroad. Australia has one-to-two year (a second year's extension being a reward for three months of fruit picking) working visa agreements with 23 countries and New Zealand has agreements with 25 countries. Reciprocal arrangements enable young Australians and New Zealanders to travel and work abroad. Australia has an inflow of 85,000 backpackers annually.³² More countries, including the Pacific islands, could be added to these reciprocal exchange programmes.³³

Guest workers would not benefit as much as long term Pacific immigrants to Australia

Rural employment issues

By providing the principal or sole income for one in six working age Australians and New Zealanders, the two countries' welfare systems are another major reason for rural labour shortages.³⁴ Long term

unemployment is high and numbers on disability pensions are increasing. Since 1991 in Australia, for example, unemployed people over 55 for whom jobs cannot be found in their vicinity have been placed on disability pensions.³⁵ This has undoubtedly contributed to two thirds of those unemployed being unwilling to move to another location in their own State or Territory to take a suitable job.³⁶ Urban 'stress' is being increasingly used in claims for disability but there might be no better cure for some stress sufferers than earning an income by picking fruit or working in a cannery.

In Australia some 200,000 Aborigines live on the fringes of rural towns and in remote 'homelands' settlements. Employment rates are particularly low in the 'homelands' where Aborigines have essentially been barred from rural employment by separatist policies that have deprived them of education and thus made it impossible to find jobs. Aborigines receive a few meagre paragraphs at the very end of the National Farmers' Federation *Labour Shortage Action Plan*.³⁷ In contrast to those integrated into urban society, most rural Aborigines are on welfare pensions, including those on the euphemistically named Community Development Employment Program (CDEP) known more accurately as 'sit-down money'. Only some 15% of rural Aborigines are employed. Most of this employment is in some form of public service. Only a few are employed in private rural industries, although those few have spread out considerably from the (capital intensive) pastoral industry that the National Farmers' Federation still sees as the principal rural employer of Aborigines. The Federation failed to note the successful 2005 Cape York Institute initiative to recruit Aborigines from remote communities for fruit picking which recognised that breaking the habits of welfare dependence required policy and administrative intervention.³⁸ Fruit picking and packaging are frequently the best points of entry into the work force for poorly educated Aboriginal men and women without work experience.

The Greater Shepparton fruit growing and processing area is an example of the neglect of rural Aborigines. Despite a regional unemployment rate of only 2.5% in Greater Shepparton, the Yorta Yorta people, who number around 6,000, are almost entirely welfare dependent. A 'Ladders to Success' project mounted by local business and Aboriginal leaders placed 100 indigenous workers aged 15–40 in full-time jobs. Three years later, 80 were still in these full-time positions. In contrast, the bureaucrats responsible for the CDEP have been unable to shift one Aboriginal worker to a real job. A November 2005 ABC Radio discussion promoting Pacific seasonal guest workers for Shepparton, which included local farmers, local businessmen and the Chairman of the Farmers' Federation Workplace Relations Committee, typically did not mention the possibility of the Yorta Yorta people's employment.³⁹

Fruit picking pilot programs in South Australia's Riverland and the Sunraysia district in Victoria, while relatively small scale experiments, have been successful, with 75% of participants choosing to continue working. A number stayed on even after the trial was over.⁴⁰ Noel Pearson, from the Cape York Institute, argues that rural indigenous labour is ideal for use in horticultural industries.⁴¹ A lack of incentives from CDEP and welfare currently limits the use of indigenous labour in rural areas. Indigenous welfare reforms are needed to encourage more broad based participation in horticulture industries.

In a recent New Zealand survey, 29% of firms reported difficulties in hiring unskilled labour.⁴² Most (92%) Pacific islanders in New Zealand live in urban areas⁴³ and find it difficult to fill rural positions. In Hawkes Bay, labour is in such tight supply that the regional government is taking drastic measures, including the employment of sex offenders on farms.⁴⁴ The stubborn inertia of Pacific islander unemployment could be corrected by policy reforms. Guest workers would not be needed if those unemployed and those not in the labour force but able to work were recruited. Welfare reforms in both Australia and New Zealand and, in particular, reforms to Indigenous welfare will be needed to encourage labour force participation, but the bureaucracies responsible for welfare reform have not been able to achieve significant results.

The Australian Farmers' Federation would limit Pacific guest workers to 'groups of say, 30, 40, 50 workers going into particular regions or industries. They would be sponsored by either the local industry or region.' To reassure potential trade union critics, the Farmers' Federation stressed that Pacific workers would be paid standard wages and work to standard conditions.⁴⁵ The Federation has not, however, considered how guest workers would be selected, sponsored or screened and how

many would be required. Importantly, given standard wages, what would the additional costs of employing guest workers be and who would bear them?

Numbers of seasonal workers

Switzerland abolished its seasonal agricultural workers' scheme in 2002 and so have North European countries except for Finland's limited scheme for Polish workers. Austria, Canada, Germany, Italy and the United Kingdom, however, still have seasonal agricultural labour schemes⁴⁶ to satisfy farmers seeking low cost labour. Canada's scheme is limited to some 20,000 seasonal workers a year, more than 85% of whom work in Ontario. The Commonwealth Caribbean and Mexican Seasonal Agricultural Workers Program is a bilateral arrangement with Caribbean (since 1966) and Mexican (since 1974) governments. Workers are recruited for periods from two to eight months.

Estimates of proposed seasonal intakes into Australia range from 10,000 to 38,000. There have not been any estimates of how many guest workers could be placed in New Zealand annually. Using relative population size, the numbers for New Zealand might range from 2,000 to 6,000 or 8,000 a year. There has been no indication of what proportion of rural seasonal employment this would represent. The determinants of the likely actual numbers would presumably be the additional costs of employing guest workers over Australians and New Zealanders currently not working.

Additional costs for Australian and New Zealand farmers

The allocation of the additional costs of employing guest workers over domestic workers would be a key issue for farmers. In Canada employers pay 60% of guest workers' air fares. They have to supply accommodation with meals or cooking facilities. The guest worker accommodation is regulated, but the regulations are not policed and surveys often deem standards as inadequate. In the United States and European countries guest workers' accommodation has often been scandalous. This is not a precedent that Australian and New Zealand farm communities would be likely to tolerate meaning that accommodation costs and who would bear them must be specified. Canadian farmers also pay for the guest workers' visas and make a contribution to the placement of workers through the Foreign Agricultural Resource Management Service, a federally incorporated farmer managed non-profit organisation.

A lack of incentives from CDEP and welfare currently limits the use of indigenous labour in rural areas

Whether guest workers would be entitled to sickness, holiday and other benefits, or the payments generally made to casual workers in lieu of such entitlements, would have to be determined. In most guest worker schemes such sums are paid at the end of the contract and remuneration is back-loaded to prevent overstaying. The employment of guest workers would also include workers' compensation and health insurance to cover injury or illness on the job. Additional insurance would be needed for contingencies such as the selected workers failing to perform and having to be returned to their home countries, or vagaries of weather wiping out a crop leaving no picking or packing.

Adding these costs into an hourly rate would substantially increase the wages that would need to be offered by farmers. The World Bank's estimates of additional hourly costs of \$1.30 to \$7.50 seem optimistically low.⁴⁷ Labour shortages can be expected to be followed by wage rises, but the additional costs of overseas workers would likely be substantially higher than the costs of engaging already unemployed Australians and New Zealanders. The Australian Minister for Agriculture, Peter McGauran, reported much higher hourly costs than the World Bank. He said: 'If producers offered \$25 to \$30 an hour to pickers there would be a stampede from Australians'.⁴⁸

Selection of guest workers from the Pacific

The objectives of employers and Pacific governments differ. Farmers and canners in Australia and New Zealand would presumably give preference to rural labour. Minimising 'search' costs would mean recruiting from one or two of the larger Pacific countries. Employers would be likely to prefer repeat migrants to maximise productivity. In the Pacific, experienced agricultural workers

are mainly women, but recruiting women as guest workers would be unlikely to suit Pacific governments even where women could get away from their family responsibilities. Canadian employers prefer poorly educated Mexican workers with agricultural experience who do not speak English over Caribbean immigrants with good English to limit union organisation, immigrants' contact with local populations and overstaying.⁴⁹ Australian and New Zealand farmers and farm communities, however, might have different preferences.

A primary interest of Pacific governments is likely to be the relieving of pressures of increasing social instability caused by high urban unemployment and underemployment. They are likely to prefer spreading the benefits of the scheme by selecting workers from a range of islands and having no repeat selections. Moreover, their policy would be likely to be for men who have very high rates of unemployment and underemployment. If Pacific governments undertook the selection they would presumably pay the costs of recruiting which they would try to recoup from the workers selected.

Creating jobs in Australia for Pacific workers is far more costly than creating jobs in their home countries

Social costs and benefits

Communities hosting guest workers would have to provide some recreational amenities and, given the surge of income that guest workers would experience, take care that alcohol and other substance abuse did not emerge. Concerns such as those that Canadian farmers have had about interaction with local communities would also need to be considered.

Nic Maclellan and Peter Mares suggest that a guest worker scheme '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.⁵⁰ Pacific migrants with English skills, who have jobs and live long term—rather than merely work—in Australia would seem to be more able to encourage 'people to people' contact than short term workers who stay for a few months work and then go home.

Historical experience indicates that *gastarbeiter* migration to Western Europe and of the *bracero* seasonal workers' migration to the United States have had high social costs that have not accompanied long term migration. The *gastarbeiter* programme in Germany devised controlled conditions for Turks, Yugoslavs and others to fill agricultural and factory jobs but became synonymous with policy failure. Many of Germany's 'guests' never left, and their families soon arrived. The *bracero* programme in America—which from 1942 to 1964 recruited Mexican field hands to pick cotton and sugar beets in Texas and California—fared no better. The entry of thousands of farm workers provided camouflage to a substantial flow of undocumented labour.⁵¹ Tanya Basok argues that in the Canadian scheme, a lack of rights makes migrant workers particularly attractive to employers, an advantage that Australia would not wish to exploit.⁵²

The temptation to overstay would be enormous for islanders comparing their home wages with those in Australia and New Zealand. The minimum wage in formal employment for an unskilled worker in Papua New Guinea is \$68 a month and in Vanuatu \$244 a month.⁵³ There are huge financial incentives to overstay. Overstaying numbers of guest workers are said to be low in Canada, some 200 out of an annual intake of 20,000.⁵⁴ Overstaying has been discouraged by repeat employment offers, mainly to men who leave their families at home. Canada's winters and lack of winter jobs are no doubt also a factor in low overstaying rates.

In Australia and New Zealand the emphasis on skilled immigration has been combined with stringent controls to limit overstaying. In contrast to the millions of illegal immigrants in Western Europe and North America it is estimated that Australia has some 50,000 and New Zealand 25,000 overstayers.⁵⁵ Most of these are tourists, students and backpackers who eventually go home. The World Bank suggests that 'appropriate' regulations can limit overstaying. Unfortunately, worldwide experience suggests that necessarily invasive regulation and policing can make the costs of overstaying prohibitive for migrants and their employers. Despite large numbers of temporary immigrants, Singapore has a minimal overstaying problem because employers, whether individuals

or companies, are subject to severe fines and threatened with custodial sentences if they break the laws governing immigrants. An authoritarian regime would be a high price to pay for a guest worker programme not to spill over into illegal long term migration. It is unlikely that Australia and New Zealand would wish to emulate Singapore in this respect.

4. The costs and benefits of guest worker migration for the Pacific

It is impossible to argue that guest workers should be sourced only from the Pacific region without implying that such discrimination is intended specifically to help the neighbouring economies. Otherwise, why limit selection choice to the Pacific? Why not access guest workers from across Asia, where millions live in conditions more destitute than the Pacific. It would make more sense to tender contracts for short term labour globally to minimise costs.

From an economic point of view, creating jobs in Australia for Pacific workers is far more costly than creating jobs in their home countries.⁵⁶ Though the absence of jobs in the Pacific is being used to justify the Pacific guest worker scheme, the reasons for the Pacific's lack of jobs have not been analysed by the scheme's proponents.

Economic growth

Because population growth in the region has exceeded economic growth for 30 years, per capita incomes are barely above those at independence (Chart 4.1). Samoa has experienced the highest per capita income growth, with some genuine improvement in economic performance but also because population growth slowed with long term emigration. Tonga's per capita income rose because its population has been falling as a result of long term emigration. There has been slight per capita income growth in Fiji and Vanuatu. In Kiribati, the Solomon Islands and Papua New Guinea per capita incomes have fallen.

Average trends fail to disclose that Pacific countries consist of two distinct groups. Most of the benefits of growth have accrued to the political, bureaucratic and business urban elites and their 'big men' supporters in the countryside, so that for the 80% plus subsistence rural dwellers standards of living have been falling as education and health services have been eroded from their meagre colonial levels.

The Pacific economies should not be stagnating. They are well endowed with agricultural and timber resources, a number have minerals, they have marine stocks, many have beautiful tourist locations and they are close to burgeoning Asian markets.

Since independence, claims that the Pacific islands are 'too small' and 'too far away' have stifled the impetus for growth. Mauritius, Iceland, Botswana and the Maldives are examples of small countries, some in geographically unfavourable locations, that have overcome their disadvantages with liberal economic policies. All have impressive long term growth records that have delivered jobs and rising standards of living for their citizens.

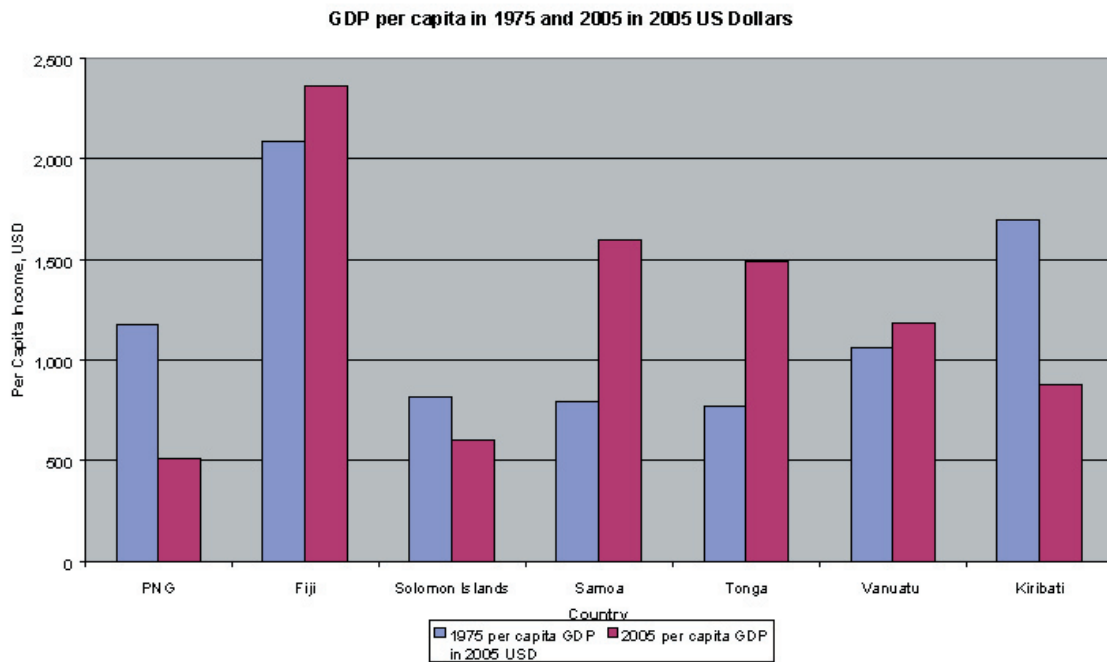
Iceland is a country similar in size to the Solomon Islands, but more remotely and disadvantageously located. Initially it was also highly dependent on fish exports. The Solomons, in contrast, is rich in agricultural land and timber, and has marine and gold resources. If the Solomons had followed the liberal economic policies that have transformed Iceland within a generation, they too could employ all their citizens productively and achieve high living standards. Mauritius is comparable in population to Fiji. While the per capita income of Mauritius has grown from half to double Fiji's in 30 years, Fiji has become a country of emigration with Indian Fijians escaping discrimination and eroding Fiji's skill base. Botswana, a small landlocked African country, has increased its per capita income from half to twice Papua New Guinea's during the last 30 years. In an era where telecommunications and transportation costs have fallen drastically, the difficulties of distance and size are even less relevant for the Pacific than in the past.

Environmental issues are also being used in the litany of excuses that dominate thinking about the Pacific. Tuvalu has been targeted as a special case because several of its islands—like many other islands in the Pacific—have long been susceptible to flooding as a result of long term climate changes.

The often cited high governance costs of the Pacific islands are not inherent but result from a new form of colonialism by international organisations that have created jobs for their staff by

turning the smallest islands into ‘nations’ with governance structures that absorb large volumes of aid without leading to any productive outcomes. Nauru and Tuvalu have parliaments, cabinets and bureaucracies that could easily govern countries 100 times their size. The Micronesian states have similarly overblown governance structures. Tonga, Samoa and Vanuatu each have central banks although they are barely the size of local government areas in Australia and New Zealand. Norfolk Island (population 2,000), for example, does not have the trappings of illusory independence.

Chart 4.1



Source: World Bank, World Bank Atlas, 1976, 2005, Washington D.C and IMF, Financial Statistics, available at www.imfstatistics.org

With modest governance and liberal economic policies all the small islands of the Pacific could provide high standards of living

With negligible subsidies from Australia, it enjoys high Western living standards. The inability of Pacific ‘micro-states’ to become economically viable has become a self-fulfilling prophecy, largely as a result of aid flows that maintain swollen political and bureaucratic superstructures that draw resources from the majority of the population. With modest governance and liberal economic policies all the small islands of the Pacific could provide high standards of living for the people who wish to live on them.

Kiribati and Tuvalu have taken steps to help themselves. When employment on Nauru phosphate was drying up, displacing many of its migrant workers, Kiribati established Marine and Fisheries Training Centres to prepare young islanders for employment on foreign vessels. By 2006, around 3,000 Kiribati seafarers were employed as a result of the training scheme.⁵⁷ A similar development on Tuvalu led to more than 240 such jobs by 1999.

Papua New Guinea remains the country of major concern. In 10 to 20 years time it will have a population of some 10 million if HIV/AIDS is brought under control. Uncontrolled migration to Australia is already occurring on a small scale across the Torres Strait. It could become a major flow, along with crime, arms and drug smuggling, if Papua New Guinea’s policies do not change and economic stagnation persists.

The *Pacific 2010* series of studies, completed in the early 1990s, predicted that unemployment and underemployment in the Pacific would continue to rise unless economic policy reforms turned

to rapid growth.⁵⁸ Greg Fry scoffed that ‘This new doomsdayism depicts a region that is failing to become part of the Pacific century’.⁵⁹ Yet Table 4.1 shows that the numbers of unemployed and underemployed are already, in 2006, higher than the *Pacific 2010* studies anticipated. The World Bank’s estimates of Pacific non-formal sector labour participation imply even higher unemployment and underemployment.⁶⁰ The recently released *Pacific 2020* report reiterates that ‘the growth performance of the Pacific islands has been poor’ and recognises that ‘without a sustained acceleration in growth, the Pacific will be unable to meet its pressing challenges’.⁶¹

There is no doubt that the Pacific region faces growing challenges and instability. The only way to encourage growth and stable governments is to create jobs for the unemployed and

Table 4.1 Pacific labour market estimates

	Population	Formal sector employment	Unemployment and under-employment	Annual additions to labour force
Papua New Guinea	5,500,000	220,000	1,000,000	150,700
Fiji	890,000	111,100	155,000	20,000
Solomon Islands	540,000	57,500	79,300	16,000
Vanuatu	200,000	23,800	35,300	4,900
Samoa	177,000	50,300	22,500	3,400
Tonga	112,000	15,600	17,100	2,900
Micronesia Fed Rep	108,000	15,600	16,400	2,900
Kirabati	103,000	9,200	25,000	2,900
North Mariannas Islands	80,000	6,000	20,600	1,100
Marshall Island	59,000	10,100	8,300	1,600
Palau	20,000	9,300	1,500	390
Nauru	13,000	1,100	2,200	350
Cook Islands	12,400	5,800	Not Available	Not Available
Tuvalu	11,600	2,000	1,800	260
Niue	2,100	660	Not Available	Not Available
Tokelau	1,400	140	200	40
American Samoa	57,000	17,200	6,000	1,500
French Polynesia	270,000	55,500	42,200	5,200
New Caledonia	216,000	46,300	31,000	4,500
Wallis & Futuna	16,000	3,100	Not Available	Not Available
Total			1,470,000	220,000

Notes and sources: Population from Helen Hughes, Sue Windybank et al, *Outlook for the Pacific*, forthcoming. About 2,000 of those living on Nauru are phosphate workers from Hong Kong, Kiribati and Tuvalu. Formal sector employment, underemployment and unemployment were estimated from working age population. It was conservatively assumed that only a third of the working age population was available for work. Formal sector numbers were subtracted. Additions to the labour force divides total under 14 years of age by 14, assuming equal distribution of ages.

underemployed youth in the region. Table 4.1 indicates that the employment of 10,000 to 50,000 Pacific islanders for periods of three to six months a year would not have an impact on Pacific labour markets. To have much beneficial impact guest workers would have to be narrowly focused on the smaller islands that are not already being eroded by long term migration to the point of lacking labour for essential services.

Nationalism and emigration

Table 4.2 indicates that many people, particularly in the smaller Pacific islands, wish to emigrate to larger societies.

Pacific territories as small as Tokelau (population 1,400) want to claim independence; although more Tokelauans live in New Zealand than on the Tokelau islands. Tokelau recently voted by a simple majority, though not the necessary two-thirds majority, for independence from New Zealand that would have entitled it, no doubt, to further United Nations aid and membership to some 30 other international organisations. The vote is to be repeated in two years.

Several hundred Nauruans live in New Zealand, Fiji and Australia and many more would like to move. Nauru's education and health deteriorated as it became a rentier society and many of its 10,000 people can scarcely put food on the table since high phosphate earnings have run out. But Nauru's government refuses to trade in its only asset—the island—for citizenship rights in a larger country such as Australia or New Zealand that could give it access to decent education, jobs and welfare for those too sick or too old to work. Nauru is not even the geographic or population size of a country town in Australia or New Zealand. It is almost entirely dependent on aid. The charade that Nauru can be an independent country continues, nevertheless, to the gain of a few but at the cost of increasing misery for the many. Nauru's language and culture would be more likely to be preserved if its population was to flourish, even if this meant that many Nauruans worked and lived elsewhere, than if living standards for the majority continue to stagnate at dismally low levels.

Emigration from Niue, the Cook Islands and Tokelau has been so considerable that fishing and agriculture for export lack sufficient labour. The Cook Islands' tourist industry depends on immigrant labour. Niue, the Cook Islands and Tokelau, like small country towns in Australia

Table 4.2 Pacific population living abroad

Country	Island population	Emigrants in Australia	Emigrants in New Zealand	Emigrants in United States	Total Emigrants	Emigrants as a percentage of Island population
PNG	5,500,000	26,213	NA	NA	26,213	0.5
Fiji	890,000	54,949	NA	10,265	65,214	7
Samoa	177,000	16,641	115,017	85,243	216,901	123
Tonga	112,000	9,268	40,716	27,686	77,670	69
Marshall Islands	59,000	NA	NA	5,843	5,843	10
Cook Islands	12,400	NA	52,569	NA	52,569	250
Tuvalu	11,600	NA	1,965	NA	1,965	17
Niue	2,100	NA	20,148	NA	20,148	959
Tokelau	1,400	NA	6,204	NA	6,204	443

Notes and sources: Island population from Table 4.1; emigrants in Australia from Australian Bureau of Statistics, *Migration Australia 2003–04*, Cat No. 3412.0, available at www.abs.gov.au; emigrants in New Zealand from Statistics New Zealand, *Census Snapshot: Pacific Peoples, Key Statistics 2002*, www.stats.govt.nz; emigrants in the United States from US Census Bureau, *We the People: Pacific Islanders in the United States*, US Census Bureau 2000 special tabulation available from www.census.gov.

and New Zealand, could become retirement communities, if they gave up the trappings of statehood. The majority of their people already have the lifestyle opportunities of being citizens of New Zealand. In Micronesian islands, association with the United States has also led to high emigration.

Emigration has 'hollowed out' Tonga where total population numbers have been falling, and Samoa, where population increases have slowed markedly—accounting, in part, for rising per capita income. Indian Fijians began to emigrate in significant numbers after the political coups of 1987 and 2000, led by teachers, nurses, doctors and other professionals. Less skilled Fijians have followed to join the army in the United Kingdom and to work in security related jobs in the Middle East. In 2005, there were 1,000 Fijians in Kuwait and Iraq.⁶² Indian Fijian women are working abroad as nannies and carers.

The search for higher living standards is not the only push factor. Tonga is one of the few feudal monarchies left in the world, Samoa does not have an adult franchise and Indian Fijians face discrimination in Fiji. Emigrants are seeking better social and political environments as well as higher incomes. Samoan, Tongan and Indian Fijian parents have ensured that schools are of much higher quality than in the rest of the Pacific and there is considerable private expenditure on education, directly or through churches, that enables young people to emigrate more easily. Ni-Vanuatu, Solomon Islanders and Papua New Guineans have been unable to access long term emigration to Australia and New Zealand because of their poor educational standards.

It is sometimes argued that guest worker schemes, unlike long term migration, do not empty out islands. But the differences between the benefits accruing to long term and short term migration are enormous. Short term work abroad can increase incomes in the short term, but even repeat migrants are not able to catch up with the Western living standards enjoyed by long term migrants. International experience suggests that long term migrants with newly acquired capital and skills are more likely than short term migrants, to make substantive contributions to their home countries.⁶³

Remittances

The contribution of remittances to relieving poverty and contributing to the balance of payments in migrants' home countries underpin multilateral organisations' support for emigration from developing countries.⁶⁴

Claims that a short term guest worker scheme would be beneficial for Pacific countries are intuitively appealing. Worldwide remittances were said to amount to US\$252 billion in 2005 with much of this going to developing countries. Remittances are said to enhance macroeconomic stability by contributing to a country's balance of payments. They have done so in the Pacific countries of emigration. In Tonga, which claims the highest portion of remittances to GDP in the world,⁶⁵ officially recorded remittances are higher than exports (Table 4.3) and actual contributions of remittances are estimated to be perhaps two to three times those sent through banking systems and recorded.⁶⁶ It is well documented that Pacific remittance flows tend to be high in early years of emigration⁶⁷ but decline over time as emigrants' ties loosen and the relatives they have been supporting age and die.⁶⁸

In the Pacific the evidence, however, suggests that most remittances are spent on consumption rather than investment.⁶⁹

Although remittances contributed to investment in several large countries, for example, Mexico⁷⁰ and Bangladesh,⁷¹ many years of considerable remittance flows in these countries have not been able to contribute to rapid economic development in the absence of pro-growth domestic policies. Empirical evidence shows a negative correlation between remittances and growth in smaller countries with poor economic policies.⁷² Remittances in small island countries in the Pacific typically 'create a consumption society where productive economic activity hardly exists'.⁷³

The large number of micro studies shows that Pacific remittances mostly go towards the consumption of food, beverages and consumer durables, with investment limited to the maintenance and building of dwellings and to education, mainly for further emigration.⁷⁴ In Ware, in Papua New Guinea, 88% of remittance income was spent on food. A similar figure was reported for Rotuma in Fiji. Kiribati and Tuvalu, for example, also report that expenditure on processed food, especially

tinned fish and rice, increases immediately after the arrival of remittances. National estimates for Tonga suggest that about 70% of remittances are spent on imported tinned and preserved food, beverages and tobacco.⁷⁵ The effects on health are disastrous because such substitution leads to the early onset of cardiac diseases and diabetes. This is already evident in several islands that have the unique distinction of having First World diseases despite having Third World incomes. In Samoa, Tonga and among Fijian Indians remittances contribute substantially to education for further emigration and housing improvements. In Tonga and Samoa they also help build and maintain churches.

Pacific remittances are overwhelmingly used for consumption because the absence of private property rights reduces investment opportunities and also results in remittances being claimed by extended families and clans. The combination of communal land ownership with policies that hamper entrepreneurship at every step makes it impossible to invest in productive farming or other business. Remittances have only contributed to productive investment and rapid growth in countries such as Taiwan and South Korea that have established private property rights and the

Table 4.3 Annual remittance and export income, US dollars millions, most recent year

	Current transfers: remittances and investment earnings	Total exports	Current transfers as a percentage of total exports
Papua New Guinea			
2001	75,100	2,098,050	4
2000	62,450	2,336,770	3
1999	60,310	2,174,910	3
Fiji			
1999	42,700	1,062,840	4
1998	45,300	932,140	5
1997	54,580	1,203,600	5
Solomon Islands			
1999	41,550	220,870	19
1998	56,440	196,900	29
1997	52,570	226,800	23
Vanuatu			
2003	4,820	121,620	4
2002	5,920	101,570	6
2001	39,530	139,150	28
Samoa			
1999	44,670	79,470	56
1998	64,120	81,710	78
1997	73,710	77,190	95
Tonga			
2002	74,540	40,750	183
2001	62,510	26,240	238

Source: IMF *International Financial Statistics*, www.imfststatistics.org

rule of law, and adopted strongly growth oriented policies.

The economic, social and political impact of returning guest workers

There is considerable debate about whether emigration has a positive or negative impact on the social and political development of home countries. Taiwan and South Korea benefited from the contact of their mainly long term emigrants with highly productive and liberal societies. Some similar effects have become evident in Tonga in a democratisation movement originating in Auckland.

The impact of emigration on economic policy is uncertain. Pacific emigrants tend to retain their village land holdings for some time as a measure of security. Such land may be used by relatives, by local 'big men' or lie idle. Where land shortages are emerging, this tends to postpone land reforms that are key to growth in the Pacific. If seasonal work led to further declines in productive land use by substituting imported food consumption for food production, the economic effects would be detrimental.

The most important impact of emigration on economic development is likely to be through policy debates in the Pacific. Emigration could be useful in persuading Pacific islanders that liberal economic policies lead to far greater income opportunities through productive employment and entrepreneurship than stagnating economies can provide through monopolistic rents. Familiarity with the income creating benefits of high employment economies and the role played by systems of law and property rights could reduce Pacific anxieties about land and other property reforms. The incompatibility of communal ownership and high living standards could become better recognised. But employment for guest workers could also reduce the pressures on elites to create domestic employment and weaken reform efforts aimed at stimulating economic change.

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- ⁶⁴World Bank, *Global Economic Perspectives: Economic implications of remittances and migration*, (Washington DC:

World Bank, 2006) and International Monetary Fund, 'Sending money home: trends in migrant remittances', *Finance and Development* 42:4 (Washington DC: International Monetary Fund, December 2005).

⁶⁵ World Bank, *Global Economic Prospects*, 90, claims remittances account for 31% of GDP.

⁶⁶ Connell, *Migration and Remittances*, A Report to the Asian Development Bank, September 2000, p 10.

⁶⁷ More than 20 years of a very considerable volume of studies of remittance to the Pacific are summarised in Connell, *Migration and Remittances*, above. The World Bank has added a survey of remittances to Tonga and to Vita Levu in Fiji where the emigrants have principally been skilled Fijian Indian. World Bank, *At Home and Away: expanding job opportunities for Pacific Islanders through labour mobility*, 2006

⁶⁸ Connell, *Migration and Remittances*, p 51.

⁶⁹ Asian Development Bank, *Remittances in the Pacific, An Overview*, March 2005.

⁷⁰ Naren Prasad, 'Small Islands Quest for Economic Development', *Asia Pacific Development Journal*, 10:1, June 2003, argues that Mexico has used remittance income to hasten growth and diversify its economy.

⁷¹ Vivienne Walt, 'Follow the money', *Time*, 13 February 2006, p 49.

⁷² Prasad, 'Small Islands Quest for Economic Development'.

⁷³ The above is quoted in Asian Development Bank, *Remittances in the Pacific, An Overview*, March 2005, p 30.

⁷⁴ Richard PC Brown and John Connell, 'Occupation specific analysis of migration and remittance behaviour: Pacific island nurses in Australia and New Zealand', *Asia Pacific Viewpoint* 47:1 (April 2006) argue that nurses remit higher proportions of their earnings for longer than other migrants, particularly if they intend to return home eventually, but their remittances also fall off after 25 years. Brown and Connell claim that this forms the basis for a sustained investment in emigration model for the development of the 'migration, remittances and bureaucracy' small states, but nurses are a small proportion of total emigrants, in time more may wish to stay in the host countries as have emigrants from Niue, the Cook Islands, Tokelau, Tonga and Samoa and Fiji. Richard PC Brown in 'Interrelationships between remittances and human capital: lessons from Pacific island remittance surveys', paper prepared for the G-20 Workshop on Demographic Challenges and Migration, Sydney 27–28 August 2005, Reserve Bank of Australia and Commonwealth of Australia, Treasury, concludes: 'The potential influence of remittances on human capital are varied, complex and not unidirectional', p 20.

⁷⁵ These examples are from Asian Development Bank, *Remittances in the Pacific, An Overview*, March 2005, pp 30–34. The World Bank surveys did not include expenditure data and thus included no information about remittance funded consumption. See World Bank, *At Home and Away: Expanding Job Opportunities*, pp 50–96.



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PO Box 92, St Leonards,
NSW 1590 Australia
Ph: +61 2 9438 4377
Fax: +61 2 9439 7310
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New Zealand

PO Box 5529,
Lambton Quay, 3785
New Zealand
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About the Authors

Helen Huges AO is Professor Emeritus, the Australian National University, and Senior Fellow at CIS. She was Professor of Economics and Director of the National Centre for Development Studies at ANU from 1983 to 1993, and a member of the Fitzgerald Committee on Immigration: A Commitment to Australia. She also worked at the World Bank from 1968 to 1983 and was a member of the United Nations Committee for Development Planning from 1987 to 1993.

Gaurav Sodhi is a Policy Analyst working in economic and foreign policy. He has a Bachelor of Economics and a Bachelor of Arts degree from UNSW, with majors in economics and political science.

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PO Box 92, St Leonards, NSW 1590 Australia • p: +61 2 9438 4377 | f: +61 2 9439 7310 | e: cis@cis.org.au