

Senate Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into the main economic and security challenges facing PNG and the island states of the Southwest Pacific

Question taken on notice at hearing 20 November 2008

Department of Education, Employment and Workplace Relations

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Australian Government

Department of Education, Employment and Workplace Relations

Dr Kathleen Dermody
Committee Secretary
Senate Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Dr Dermody

On 20 November 2008, the Department of Education, Employment and Workplace Relations (DEEWR) appeared at public hearings of the Senate Foreign Affairs, Defence and Trade Committee Inquiry into the economic and security challenges facing Papua New Guinea and the island states of the southwest pacific.

At the public hearings the Committee requested that DEEWR provide a list of the selection criteria for labour-hire companies in relation to the Pacific Seasonal Worker Pilot Scheme. The selection criteria are available at **Attachment A**.

The Committee also requested DEEWR provide supplementary information in relation to: *Table 2: Selected PIC labour force size and participation rates (2006)* on page five of its submission (Submission 64).

The Labour market participation rate estimates reported in Table 2 of the DEEWR submission are sourced from the International Labour Organization (ILO) publication *Labour market scenarios for the Asian Decent Work Decade in the Pacific Island Countries* (2007). These ILO estimates of labour force participation rates are based on Pacific Island Country (PIC) labour force surveys and census data, using a methodology designed to allow comparability with estimates of other country's labour force participation data.

It is important to note the limitations of labour force participation estimates attributable to the lack of current, reliable and comparable labour market data available for Pacific Island Countries. Where a limited amount of quality or comparable data is available estimates of labour market statistics, such as ILO estimates discussed here, often rely on manipulation of original statistics to improve reliability. The ILO's methodology included use of an econometric model to substitute missing data and make projections, however the value of these estimates is limited where a small proportion of original data was available or it was of low quality.

Caution should be exercised in the comparison of ILO estimates to standard labour market participation rates reported by many countries. In the *Labour market scenarios for the Asian Decent Work Decade in the Pacific Island Countries* "the labour force is defined to include all employed persons (those who have worked for pay, profit, or family income for at least one hour in the past week) and all unemployed persons (those who were not employed and who were available for work and actively seeking work during the reference period)". Consistent with the resolution of the Thirteenth International Conference of Labour Statisticians, the ILO labour force estimates include workers in the informal economy, such as village workers.

The inclusion of informal work in labour force participation estimates is inconsistent with labour force statistics reported by many developed countries such as Australia, which exclude informal work from the employed population. Workers in the informal economy may also be excluded from the unemployed population where they are not actively looking for, and available to commence, paid employment. Further, unlike many developed countries, in PICs a mix of paid and subsistence work is often undertaken by a large proportion of the population and this work may meet the ILO's labour force definition. This may explain the participation rates reported in PIC countries "despite the minor role of formal employment in these economies"¹.


Noting the above limitations, a comparison of the labour force participation rate estimates in PICs and other developing countries as reported in the ILO's *Economically Active Population Estimates and Projections* database – the original source of the estimates presented in *Labour market scenarios for the Asian Decent Work Decade in the Pacific Island Countries* – are provided below.

ILO: Economically Active Population Estimates and Projections (2006) (age 15 plus) – selected countries and regions

Country/region	Labour force participation rate (per cent)
Bahamas	72.42
Jamaica	65.32
Maldives	65.12
Africa (total)	66.03
South East Asia (total)	69.23
Polynesia ²	60.12
Micronesia ³	67.11
Melanesia	70.24
Less developed regions (total) ⁴	66.4

Further questions should be directed to AusAID which is the Australian Government agency responsible for the funding and monitoring of research into overseas development challenges.

Yours sincerely



Louise McSorley
Branch Manager
Migration Branch
DEEWR National Office

18 December 2008

¹ ILO: *Labour market scenarios for the Asian Decent Work Decade in the Pacific Island Countries* (2007).

² American Samoa, Cook Islands, Niue, Pitcairn, Tokelau, Tuvalu, and Wallis and Futuna Islands.

³ Kiribati, Marshall Islands, Nauru, Northern Mariana Islands, and Palau.

⁴ All regions of Africa, Asia (excluding Japan), Latin America and the Caribbean plus Melanesia, Micronesia and Polynesia.

Attachment A: Labour-hire company selection criteria

To be involved in the Pacific Seasonal Worker Pilot Scheme a labour-hire company must:

- be an employer incorporated in Australia;
- be in a sound financial position;
- have human resource policies and practices which are of a high standard and promote the welfare of Pacific seasonal workers;
- have a demonstrated commitment to employing and training Australians;
- be a member of the Recruitment and Consulting Services Association Ltd (RCSA) or another Australian peak recruitment body or be willing to comply with the RCSA Code of Conduct or similar industry standard;
- have good workplace practices including a history of compliance with all immigration and employment legislation such as the Migration Act 1958, the Workplace Relations Act 1996 and the Occupational Health and Safety legislation of relevant States;
- have an operational presence (e.g. office, storefront) or capacity to establish an operational presence in the region(s) where it is seeking to operate as an approved labour hire company for the purposes of the Pacific Seasonal Worker Pilot Scheme or be able to demonstrate to the Australian Government and the local advisory body that they have appropriate arrangements in place in the region for the pastoral care of the workers without such a presence;
- identify the pay arrangements for the workers;
- identify their proposed contractual arrangements with growers;
- identify the accommodation arrangements proposed for workers;
- identify the transport arrangements;
- identify the pastoral care arrangements;
- identify arrangements for liaison with the advisory body; and
- identify a dispute resolution process for workers and growers.