

# Chapter 12

## Workforce

12.1 Throughout the report so far, the committee has identified serious gaps in much needed skills across all sectors of the economies of Pacific island countries. Improvements in educational achievements in Pacific island countries would certainly allow them to use this valuable workforce resource to develop their economies. The committee has noted, however, that some of the smaller islands lack substantial renewable resources and have limited opportunities to expand their economies. With a growing population already putting a strain on these resources, education, although critical, may not be the complete answer to achieving a more productive workforce and economy. Some Pacific island countries, including Fiji, Samoa, Tonga, Kiribati and Tuvalu, use remittances to help support their economies. In this chapter, the committee considers the nature of the workforce in Pacific island countries with a particular focus on unemployment, job opportunities and labour mobility.

### *Statistics*

12.2 The available data on workforce participation in the Pacific region is not accurate, nor is it comparable across the region due in part to the different measurements used. The United Nations Economic and Social Commission for Asia and the Pacific's (ESCAP) 2008 economic and social survey explained that some Pacific island countries 'include all people engaged in subsistence activities as economically active, while others only include those who indicate that they are working for cash'.<sup>1</sup> Statistics on unemployment suffer from the same problem as each country has 'its own criteria for determining who counts as unemployed'. ESCAP's survey explained:

In Fiji, Papua New Guinea, Samoa and Solomon Islands, the unemployed are people in the labour force who are currently not working but are actively seeking work. In Tonga, the unemployed also include people not actively looking for a job.

12.3 ESCAP suggested that because unemployment is hard to define in the rural areas of Pacific island countries, the region 'needs some agreed definitions in order to reflect the realities of rural life'.<sup>2</sup> Because of the poor quality of the data, the statistics used in this chapter should be regarded as indicative.

### **Employment in Pacific island countries**

12.4 Labour force participation rates in the region vary from 83.5 per cent in Vanuatu to 59.2 per cent in Fiji and Samoa.<sup>3</sup> A high proportion of employment in the

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1 ESCAP, *Economic and Social Survey of Asia and the Pacific 2008*, p. 76.

2 ESCAP, *Economic and Social Survey of Asia and the Pacific 2008*, p. 77.

3 DEEWR, *Submission 64*, p. 6.

Pacific island countries is in the informal or subsistence economy, where agriculture, fisheries and forestry generate approximately 80 per cent of employment.<sup>4</sup>

### *Informal economy*

12.5 The extent to which Pacific Islanders are engaged in the subsistence economy differs between countries. For example, according to ESCAP's 2008 survey, about 90 per cent of the 2.3 million workers in PNG were employed in rural areas.<sup>5</sup> Fiji does not fit this pattern of employment, with more than half of its workers employed in urban areas.<sup>6</sup> A Lowy Institute policy paper provided an example of the division of labour between the formal and informal sectors in various Pacific island countries. It found that by 2015, only 5.8 per cent of PNG's working age population is expected to be in formal sector employment; 10.4 per cent in Solomon Islands; and 12 per cent in Vanuatu.<sup>7</sup>

12.6 Clearly, traditional and informal sectors are by far the dominant components in most Pacific island countries, with the formal sector forming only a minor part of the economy.<sup>8</sup>

### *Formal economy*

12.7 The public sector accounts for most employment in the formal economies of Pacific island countries—on average 30–40 per cent, with the exception of Kiribati where it makes up 70 per cent.<sup>9</sup> Employment opportunities, therefore, are limited in the narrow and weak private sector in many Pacific island countries.<sup>10</sup> For example, manufacturing and construction provide only a small fraction of the available work, with manufacturing having a large informal component. More workers are employed

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4 DEEWR, *Submission 64*, pp. 6–7; Dr Simon Hearn, *FADT Committee Hansard*, 20 November 2008, p. 38. See also Foundation for Development Cooperation, *Submission 53*, p. 5 and Asian Development Bank, *Skilling the Pacific: Technical and Vocational Education and Training*, Executive Summary, 2008, p. 8.

5 Professor Satish Chand, Papua New Guinea Policy Forum, organised by the Crawford School, Australian National University, at the National Portrait Gallery, 23 June 2009.

6 ESCAP, *Economic and Social Survey of Asia and the Pacific 2008*, p. 77.

7 Jenny Hayward-Jones, *Beyond Good Governance: Shifting the Paradigm for Australian Aid to the Pacific Islands Region*, Lowy Institute for International Policy, Policy brief, September 2008, p. 8.

8 AusAID, *Submission 65*, p. 10.

9 Hughes and Sodhi, *Submission 11*, attachment, p. 15. The *Asian Development Outlook 2009* noted that Kiribati's large public sector provides two-thirds of all paid employment, p. 281 and Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, pp. 96–97.

10 AusAID, *Submission 65*, p. 10.

in the services sector than in the manufacturing sector.<sup>11</sup> Tourism and maritime industries are considerable sources of employment in the private sector.

### Unemployment and underemployment

12.8 Labour market data for Pacific island countries is particularly unreliable.<sup>12</sup> Even so, available indicators show that unemployment poses a significant challenge.<sup>13</sup>

12.9 According to Mr John Millett, 1.25–1.5 million of PNG's population of 6–7 million is unemployed, and '7 out of 10 new entrants to the work force [are] excluded from the monetised economy'. He pointed out that 'over the period 1980 to 2006 some 13 million person-years of labour resource—almost two-thirds of the available increase—were not availed for development, despite land abundance'.<sup>14</sup> Unemployment rates, however, vary considerably across the region, from Kiribati's and Vanuatu's 1.6 per cent to Solomon Islands' 32.1 per cent.<sup>15</sup>

12.10 Even though statistics are unreliable, evidence indicates that the rates of underemployment are also high in most countries, where many work in the subsistence and small-scale cash cropping sectors.<sup>16</sup> Professor Helen Hughes and Mr Gaurav Sodhi, Centre for Independent Studies, suggested that in stagnated economies, mainly the large countries in the Pacific, underemployment and unemployment can be as high as 80 per cent of the male population.<sup>17</sup> They observed:

More than two million men—four out of five—are unemployed in towns or underemployed in villages. More than 100,000 men join the labour force annually. Most of these will never work and never earn an income. Every day, men and boys can be seen languishing in villages and towns, and by the roadside.<sup>18</sup>

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11 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24 Number 1, 2009, pp. 96–97.

12 Professor Ron Duncan, Papua New Guinea Policy Forum, organised by the Crawford School, Australian National University, at the National Portrait Gallery, 23 June 2009. Also see Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, Crawford School of Economics and Government, Australian National University, p. 98.

13 An Institute for International Trade study noted that unemployment is 'possibly the greatest economic, social and development challenge' facing Pacific island countries. Institute for International Trade, *Research study on the benefits, challenges and ways forward for Pacer Plus*, Final Report, June 2008, p. 39.

14 Mr John Millett, *Submission 21*, pp. 5–6. Mr Millett lived and worked in PNG for some 30 years in various professional capacities.

15 DEEWR, *Submission 64*, p. 6.

16 ESCAP, *Improving Employment Opportunities in Pacific Island Developing Countries*, 2007, p. 4.

17 Hughes and Sodhi, *Submission 11*, attachment, p. 12.

18 Hughes and Sodhi, *Submission 11*, p. 1 and attachment, p. 16.

12.11 In most Pacific island countries, women and youth have a higher unemployment rate than men; and the unemployment is higher in rural areas than in the urban environment.<sup>19</sup>

### **Youth**

12.12 The labour force in most Pacific island countries is very young: on average, 45 per cent of the population is in the 15–24 years age group.<sup>20</sup> Unemployment of young males is a significant problem in the region with a high percentage of them having 'little chance of gaining formal sector employment', largely because they are new entrants to the labour market with little work experience.<sup>21</sup> According to an ESCAP study, the rate of population growth creates difficulties finding employment 'for the growing number of young and relatively better-educated people with aspirations beyond village-based and family-oriented agricultural and fishing activities'. It noted:

This is of particular concern in the more populous countries of Melanesia which, unlike Micronesia and Polynesian countries and territories, do not enjoy historical migration outlets to developed countries particularly Australia, New Zealand and the United States.<sup>22</sup>

12.13 Professor Helen Ware, University of New England, noted that there are 'some one million unemployed and underemployed young men' in the region, of which approximately 700,000 are in PNG alone.<sup>23</sup> The PNG economy absorbs only 30 per cent of people coming of working age.<sup>24</sup> Mr Youn informed the committee that in Fiji, 'It is conservatively estimated that there are 12,000 school leavers a year coming out of the education system...and job creation at the moment is nil'.<sup>25</sup> The Australia Fiji Business Council suggested that the number of young people leaving the education system and joining the economy exceeds by many times the number of new jobs being created in the economy.<sup>26</sup>

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19 See for example AusAID, *Pacific Economic Survey 2008: Connecting the region*, 2008, p. 3; Pacific Islands Forum Secretariat, *Employer Employee Survey Report*, p. 19, [http://www.forumsec.org.fj/UserFiles/File/Employer\\_Employee\\_Survey\\_Report.pdf](http://www.forumsec.org.fj/UserFiles/File/Employer_Employee_Survey_Report.pdf) (accessed 23 February 2009).

20 ESCAP, *Improving Employment Opportunities in Pacific Island Developing Countries*, 2007, p. 6.

21 AusAID, *Pacific 2020—Background paper: Employment and labour markets*, May 2006, pp. 4–5. Australia Pacific Islands Business Council noted that high population growth aggravates the situation, with more people entering the labour market every year without an equivalent increase in employment opportunities, *Submission 60*, p. 2.

22 ESCAP, *Improving Employment Opportunities in Pacific Island Developing Countries*, 2007, p. 9.

23 *Submission 48*, p. 1.

24 Mr John Millett, *Submission 21*, p. 3.

25 *Committee Hansard*, 25 March 2009, p. 60.

26 *Submission 58*, p. 2.

12.14 According to an ESCAP study, unemployment figures may 'understate the magnitude' of youth unemployment as 'many youths drop out of the labour force and give up actively seeking work when it becomes clear that few opportunities exist'.<sup>27</sup> They are 'the least employable group in the formal sector' and thus remain in the subsistence economy or in the informal sector.<sup>28</sup>

12.15 Furthermore, high youth unemployment constitutes one of the highest risks to stability in the region.<sup>29</sup> The Australia Pacific Islands Business Council observed that the youth bulge was 'rapidly approaching adulthood, with little clear prospect of being able to enter the mainstream economy'. In its view:

There is across the region a tsunami of youth unable to find meaningful employment and providing a real social, economic and security challenge.<sup>30</sup>

12.16 AusAID acknowledged that youth unemployment is 'a major challenge'.<sup>31</sup> World Vision Australia called for support programs to address youth unemployment and concerns in general.<sup>32</sup>

### **Women**

12.17 In addition to youth, women, who constitute nearly half of the labour force, are another disadvantaged group in the labour market. As with employment figures in general, there is a shortage of data regarding women's participation in the work force.

12.18 Studies indicate that gender has implications for employment prospects, particularly where 'strong historical and cultural traditions have assigned gendered roles and these have produced gender differentiated skills sets'.<sup>33</sup> For example, the UN found that in developing regions, women are 'more likely than men to be in vulnerable employment situations', the difference being ten percentage points or more in a number of regions, including Oceania.<sup>34</sup> It noted that more jobs need to be created for

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27 ESCAP, *Improving Employment Opportunities in Pacific Island Developing Countries*, 2007, p. 7.

28 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 103.

29 Australia Pacific Islands Business Council, *Submission 60*, p. 2.

30 *Submission 60*, p. 2. ESCAP, *Economic and Social Survey of Asia and the Pacific 2009*, p. 14, also made the connection between economic growth and youth unemployment. It stated 'In the Pacific, where economic growth has not kept pace with high rates of population growth, large youth populations combined with school dropouts make youth employment a major concern for this subregion'.

31 AusAID, *Submission 65*, p. 10; also see AusAID, *Pacific 2020—Background paper: Employment and labour markets*, May 2006, pp. 4–5.

32 *Submission 47*, p. 6; also see Oxfam, *Submission 26*, p. 3.

33 AusAID, *Pacific 2020—Background paper: Employment and labour markets*, May 2006, p. 10.

34 United Nations, Millennium Development Goals Report 2008, p. 10, [http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG\\_Report\\_2008\\_En.pdf#page=10](http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG_Report_2008_En.pdf#page=10) (accessed 12 May 2009).

women, and institutions need to help them combine work and family responsibilities.<sup>35</sup>

12.19 In the Pacific region, a significant majority of women are self-employed especially in the informal sector and have a large role in caring for children and livestock.<sup>36</sup> They also face problems with 'low wages in agriculture and industry compared to the male counterparts, and the "glass ceiling syndrome" across all sectors of the economy'.<sup>37</sup> They have difficulties accessing credit, and ageing women, who have not worked in formal employment, rely on financial support from working children and often provide unpaid childcare.<sup>38</sup>

12.20 The *Pacific Economic Survey 2008* stated that the available data indicated that 'further improvements are needed to achieve equity in terms of employment outcomes'.<sup>39</sup>

### ***Implications for the region***

12.21 Unemployment affects economic and human development. It is also the breeding ground for social instability and, if the unemployed turn to crime and violence, a situation may escalate into a security concern, both domestically and regionally. The Australia Pacific Islands Business Council argued that 'if increasing numbers of young people find themselves economically deprived the problem [of law and order] is likely to grow'.<sup>40</sup> The Australian Federal Police (AFP) agreed:

...as a result of demographic factors such as the youth bulge and urban drift; the breakdown of traditional justice mechanisms particularly within urban areas large numbers of unemployed youth are now vulnerable to the lure of criminal entities promising to alleviate their poverty and boredom...<sup>41</sup>

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- 35 United Nations, Millennium Development Goals Report 2008, p. 8, [http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG\\_Report\\_2008\\_En.pdf#page=10](http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG_Report_2008_En.pdf#page=10) (accessed 12 May 2009).
- 36 Pacific Islands Forum Secretariat, *A Vision for Private Sector Development in Forum Island Countries*, May 2004, p. 10. According to an ESCAP study, women tend to be 'under-represented in formal employment categories except those regarded as "traditional" occupations for women'. ESCAP, *Improving Employment Opportunities in Pacific Island Developing Countries*, 2007, p. 18. AusAID, *Pacific 2020—Background Paper: Employment and labour markets*, May 2006, p. 10.
- 37 Pacific Islands Forum Secretariat, *A Vision for Private Sector Development in Forum Island Countries*, May 2004, p. 10.
- 38 Nic Maclellan and Peter Mares, *Labour mobility in the Pacific: creating seasonal work programs in Australia*, Paper for conference on Globalisation, Governance and the Pacific Islands, State, Society and Governance in Melanesia Project, Australian National University, 25–27 October 2005, pp. 10–11.
- 39 Pacific Performance and Outlook, Background Paper for *Pacific Economic Survey 2008*, p. 29.
- 40 *Submission 60*, p. 2.
- 41 *Submission 62*, p. 3.

12.22 The committee discusses these concerns in its second volume on security issues.

### **Opportunities for job creation**

12.23 Governments can shape labour markets by removing barriers and creating incentives for sustainable economic growth.<sup>42</sup>

#### ***Labour markets***

12.24 The Pacific Islands Forum Secretariat suggested there was a need for labour market reforms and policy development, including harmonisation of labour market legislation and regulation, and a regional framework including skills development.<sup>43</sup> It commented that labour markets could be improved by increasing stakeholder consultation and gender equality, among other things.<sup>44</sup>

12.25 Along similar lines, Dr Benedict Imbun, senior lecturer at the University of Western Sydney, argued that in order to achieve economic development, governments will need to 'acknowledge the significance of the labour force and formulate policies to efficiently and effectively manage' it.<sup>45</sup> In his view, they need to address the difficulty and costs of hiring and the flexibility of working hours as labour market operations are said to be unnecessarily restricted.<sup>46</sup>

12.26 A *Pacific 2020* background paper suggested that addressing the issue of gender-based unemployment and underemployment would remove barriers to employment for a large group of people.<sup>47</sup> Some of the means to do so include policy review; introduction of quotas, especially in training; training of decision makers 'to better understand and deal with gender based employment issues'; and development of family-friendly employment policies, including in the private sector.<sup>48</sup>

12.27 The paper found that 'labour market regulation appears to have had only minor effects on employment because it has not been binding'.<sup>49</sup> It was also of the view that policies are likely to have little impact without overall employment

42 AusAID, *Pacific 2020—Background Paper: Employment and labour markets*, May 2006, pp. 12–13.

43 *Submission 69*, p. 19.

44 *Submission 69*, p. 6.

45 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 96.

46 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 106. Benedict Imbun is a senior lecturer in Management at the University of Western Sydney and studied PNG mining extensively from the perspective of employment relations and human resource management dimensions.

47 AusAID, *Pacific 2020—Background Paper: Employment and labour markets*, May 2006, p. 10.

48 AusAID, *Pacific 2020—Background Paper: Employment and labour markets*, May 2006, p. 15.

49 AusAID, *Pacific 2020—Background Paper: Employment and labour markets*, May 2006, p. 12.

growth.<sup>50</sup> Likewise, Dr Imbun suggested that 'simply reforming labour legislation is not sufficient to ensure improved labour market outcomes'. He noted that other factors such as 'birth, death and migration rates; education policies; the domestic investment climate; the impact of globalisation; and attitudes towards gender roles' affect 'the supply of and/or demand for labour in the region, and thus affect labour market outcomes'.<sup>51</sup>

12.28 The lack of accurate and reliable data on the workforce and unemployment in Pacific island countries complicates policy making. One commentator noted that 'More often than not, politicians develop policies in ignorance of available labour market data'.<sup>52</sup> In their joint submission, Australian Services Union (ASU), Community and Public Sector Union (CPSU) and Communications, Electrical and Plumbing Union (CEPU) called for data and analysis to map women's contribution to economies.<sup>53</sup>

### ***Economic activity***

12.29 Education and training is another way of addressing unemployment especially in light of the skills shortage in the region. This was considered at length in the two previous chapters. But even improvements in the delivery of education services will not of themselves solve the region's unemployment problem and must be accompanied by economic activity that creates jobs. For example, an ADB report noted that youth unemployment:

...reflects the economy failing to generate enough decent jobs in relation to growth in the labor market. Attempts at training youth in crash, sometimes massive, programs have failing records the world over.<sup>54</sup>

12.30 Thus, if employment opportunities are to grow in Pacific island countries, economic activity in the region will have to pick up.

12.31 In its earlier chapters, the committee noted the potential for Pacific island countries to boost economic activity through raising productivity, value-adding, improving economic infrastructure, marketing, education and training. It looked at both the formal and informal sectors with the emphasis on the private sector. Indeed, this sector has the potential to grow and open up job opportunities.

### ***Private sector***

12.32 The OECD pointed out the critical role of the private sector in creating jobs and suggested that 'fostering entrepreneurship—including women's

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50 AusAID, *Pacific 2020—Background Paper: Employment and labour markets*, May 2006, p. 10.

51 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 109.

52 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 101.

53 ASU, CPSU and CEPU, *Submission 10*, pp. 8–9.

54 Asian Development Bank, *Skilling the Pacific: Technical and Vocational Education and Training*, 2008, p. 66.



entrepreneurship—and developing small and medium-sized enterprises are key drivers of economic growth [and] job creation' and constitute 'a major source of employment'.<sup>55</sup> A number of witnesses agreed with this view. The Australia Fiji Business Council submitted that the key to employment growth would 'be the development of a vibrant and sustainable SME sector'.<sup>56</sup> The ANZ stated that 'over the medium-to-long term, promoting the domestic private sector and attracting foreign investment will be crucial...in generating employment opportunities and income'.<sup>57</sup>

12.33 Dr Imbun argued, however, that there had been 'little emphasis on sectors that drive' economic growth due to the dominance of the public sector.<sup>58</sup> The OECD also noted that in developing countries and the donor community, 'employment creation outside the public sector has not featured prominently in sector policies'.<sup>59</sup>

12.34 The committee has noted two particular industries that offer enormous potential for job creation: tourism and mining. They promise not only to absorb workers for their specific industry but to encourage the growth of local supply chains—businesses and cottage industries to provide, for example, fresh foods, building materials, transport, health, education and ICT services. Tourism, in particular, has become a major driver of economic growth in the region and offers job opportunities, particularly for women and young people, including the unskilled, as the industry has good training and education components.<sup>60</sup>

12.35 The operations of multinational companies harnessing petroleum, gas and other natural resources offer employment in resource-rich countries such as PNG and Solomon Islands. Esso Australia submitted that the company's gas project in PNG would create employment opportunities to the extent of 15,000 during the construction phase and 850 during the operation phase. Of these positions, 3,500 to 5,000 could be filled by Papua New Guineans, the rest, usually with higher-level skills, need to be brought in from overseas.<sup>61</sup>

12.36 Despite the potential for the private sector to grow and create jobs, this sector faces major impediments. The committee has already considered some of these constraints such as the poor state of economic infrastructure and skills shortage, and deals with others, including the business environment, access to land and finance, later in this report.

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55 OECD, *Making Poverty Reduction Work: OECD's Role in Development Partnership*, 2005, p. 47.

56 *Submission 58*, p. 5.

57 *Submission 51*, p. 7.

58 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 97.

59 OECD, DAC Network on Poverty Reduction, Povnet task team on employment and labour markets—terms of reference, 2007–08, p. 2.

60 Pacific Asia Tourism Pty Ltd, *Submission 31*, pp. 3–4.

61 Esso Australia Pty Ltd, *Submission 34*, p. 2; *Committee Hansard*, 26 March 2009, p. 41.

12.37 While Papua New Guinea is said to have 'the economic size and opportunities to generate its own employment', smaller island countries may require continued access to external labour markets.<sup>62</sup> An ADB Paper found that for the smaller island countries, with their limited resources to create formal employment opportunities outside government, the export of labour services to higher-income countries 'will be a significant activity' for many years.<sup>63</sup>

12.38 The committee now turns to labour mobility as a means of addressing employment issues in Pacific island countries.

### ***Labour mobility***

12.39 It is generally accepted that overseas employment benefits both individuals and countries in the region through remittances and developing 'a wider skills base thereby assisting regional economic development'.<sup>64</sup> Research shows that migrant workers have increased their productivity, which is said to compensate for their absence.<sup>65</sup> Work experience overseas is considered valuable:

Such industry mentoring, placements, internships and other short-term on-the-job opportunities will provide longer-lasting professional relationships and create regional networks of practitioners and mentors that can offer ongoing support. The opportunity to participate in an Australian workplace will also build capacity in a range of other professional skills beyond climate change adaptation.<sup>66</sup>

12.40 Thus, labour mobility is considered by many to be 'crucial' for the economies of the smaller Pacific island countries in dealing with the demographic pressures, high levels of unemployment and underemployment particularly of young people.<sup>67</sup> Labour mobility not only provides an opportunity for finding employment but also for contributing to family finances through remittances. For example, through maritime employment, many families receive regular remittances that in some countries constitute more than a quarter of GNP.<sup>68</sup> In 2003, 'an estimated 4000 Pacific island seafarers engaged in international shipping remitted approximately US\$19 million in

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62 Institute for International Trade, *Research study on the benefits, challenges and ways forward for Pacer Plus*, Final Report, June 2008, pp. 47–48.

63 Asian Development Bank Pacific Department, *Background Paper: Small Pacific States*, September 2007, p. 2.

64 See for example Australian Chamber of Commerce and Industry, *Submission 29*, p. 7.

65 Terrie Walmsley, S. Amer Ahmed and Christopher Parsons, *The Impact of Liberalizing Labour Markets in the Pacific Region*, GTAP working paper no 31, revised 2009, p. 10.

66 National Climate Change Adaptation Research Facility, *Submission 29*, p. 4, Senate Standing Committee on Education, Employment and Workplace Relations, *Inquiry into Effects of Climate Change on Training and Employment Needs*.

67 Institute for International Trade, *Research study on the benefits, challenges and ways forward for Pacer Plus*, Final Report, June 2008, p. 40.

68 Department of Infrastructure, Transport, Regional Development and Local Government, *Submission 43*, p. 4; AusAID, *Pacific Economic Survey 2008: Connecting the region*, p. 78.

foreign exchange to their countries'.<sup>69</sup> Indeed, labour mobility in the Pacific islands region has increased over the last two decades.<sup>70</sup>

### **Migration**

12.41 The Australia Pacific Islands Business Council argued that the private sector 'will never' absorb all school leavers in some of these countries, which is why labour migration and returned remittances 'will be of increasing importance'.<sup>71</sup> In this way, migration is seen as a 'means of relieving population pressure on the already scarce resources' of some Pacific Island countries 'whilst increasing both the earning potential of the migrant abroad' through higher salaries and remittances. Therefore, as argued by a number of researchers:

Migration in the region should be viewed neither as merely a response to ailing economies nor simply a development strategy, but more as an intrinsic part of life that many islanders take almost for granted.<sup>72</sup>

12.42 Fiji's Acting High Commissioner submitted that migrant workers have also become 'an invaluable development partner in improving living standards of individuals, households and even for the community at large'.<sup>73</sup> Emigration has also 'encouraged educational achievement and returned remittances to the islands. These have often been used for further investment in education'.<sup>74</sup>

12.43 Permanent migration, however, may have adverse consequences. The emigration rates of tertiary qualified people are high, with Tonga, Samoa and Fiji 'in the top ten tertiary emigration rates for middle income countries'.<sup>75</sup> The flight of skilled workers has left a deficit in both the public and private sectors and generated a demand for substitute labour.<sup>76</sup> This, in turn, has created problems in relation to wages in the form of a dual pay system: expatriates doing the same job as locals are paid salaries many times higher.<sup>77</sup> Big oil and gas projects have to recruit foreign workers,

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69 AusAID, *Pacific Economic Survey 2008: Connecting the region*, p. 78. See also paragraphs 2.10–2.11.

70 Foundation for Development Cooperation, *Submission 53*, p. 7.

71 *Submission 60*, p. 4.

72 Terrie Walmsley, S. Amer Ahmed and Christopher Parsons, *The Impact of Liberalizing Labour Markets in the Pacific Region*, GTAP working paper no 31, revised 2009, p. 7.

73 *Submission 28*, p. 9.

74 Hughes and Sodhi, *Submission 11*, attachment, p. 3.

75 DEEWR, *Submission 64*, p. 7.

76 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, pp. 102–103.

77 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 105.

which might cost up to four times as much as that of employing a local worker.<sup>78</sup> Another study concluded that 'The outflow of skilled workers does tend to both widen wage gaps and lower average levels of skill, reducing outputs and already dwindling tax bases'.<sup>79</sup> Further:

If the country has had to endure an extended period with few or virtually no skilled workers, a 'transitory brain drain' a worsening of living standards and of both the quality of education, and health care, together with dramatic reductions in wages and output.<sup>80</sup>

12.44 Some countries are also concerned that 'scarce public expenditures' on higher education may be lost through emigration.<sup>81</sup>

12.45 Although there is demand for labour in Australia and New Zealand, one study found employment options favour skilled workers.<sup>82</sup> Another represented current Australian and New Zealand migration policies allowing permanent migration of skilled workers as the "'worst case" scenario', which contributed to an exodus of the skilled workforce from Pacific island countries.<sup>83</sup> The OECD observed:

Greater coherence is needed between migration policies and development policies...Attention should also be focused on the implications of OECD country policies that actively recruit doctors, nurses, scientists and other skilled professionals to migrate to the developed world without any compensation for the investment in those skills made by the low income countries.<sup>84</sup>

12.46 Fiji noted that the 'Brain drain for a small developing economy like Fiji is unavoidable but...the best option open to us under the circumstances, is to see how best we can re-engineer the situation to bear some positive spin for our own

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78 Terrie Walmsley, S. Amer Ahmed and Christopher Parsons, *The Impact of Liberalizing Labour Markets in the Pacific Region*, GTAP working paper no 31, revised 2009, pp. 4–5.

79 Terrie Walmsley, S. Amer Ahmed and Christopher Parsons, *The Impact of Liberalizing Labour Markets in the Pacific Region*, GTAP working paper no 31, revised 2009, p. 4.

80 Terrie Walmsley, S. Amer Ahmed and Christopher Parsons, *The Impact of Liberalizing Labour Markets in the Pacific Region*, GTAP working paper no 31, revised 2009, p. 5.

81 Devesh Kapur and Megan Crowley, *Beyond the ABCs: Higher Education and Developing Countries*, Working Paper 139, Center for Global Development, 2008, p. 48.

82 Benedict Y. Imbun, 'Is the potential of labour's contribution to development acknowledged in the Pacific island countries?', *Pacific Economic Bulletin*, Volume 24, Number 1, 2009, p. 103.

83 Institute for International Trade, *Research study on the benefits, challenges and ways forward for Pacer Plus*, Final Report, June 2008, pp. 40–41.

84 OECD, *Making Poverty Reduction Work: OECD's Role in Development Partnership*, 2005, p. 40.

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economy'.<sup>85</sup> One method proposed to recapture these public expenditures is 'through an appropriately administered exit tax'.<sup>86</sup>

### **Conclusion**

12.47 Unemployment, particularly youth unemployment, is a growing problem in many Pacific island countries. While temporary and permanent migration of workers is a way of relieving the unemployment situation, it also has a downside particularly with regard to brain drain. As noted earlier, migration and remittances are vital to the economic viability of some of the smaller Pacific island countries. For others, however, the loss of skilled workers may create problems.

12.48 In the following chapter, the committee considers the ways in which Australia is providing assistance to Pacific island countries to help them tackle the problem of unemployment in the region.

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85 Government of Fiji, *Submission 28*, p. 8.

86 Devesh Kapur and Megan Crowley, *Beyond the ABCs: Higher Education and Developing Countries*, Working Paper 139, Center for Global Development, 2008, p. 48.

