

PERSPECTIVES

**LABOUR MOBILITY: AN AUSTRALIAN
SEASONAL WORK VISA SCHEME FOR PACIFIC
ISLANDS LABOUR**

OUTCOMES REPORT

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J U N E 2 0 0 8

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Labour Mobility
An Australian seasonal work visa scheme for Pacific Islands Labour

Outcomes Report

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Executive Summary

A Lowy Institute conference on labour mobility held on 12 and 13 June examined a potential seasonal labour scheme for Pacific Islanders in the Australian horticulture sector.

The Conference agreed that the benefits of the introduction of a seasonal labour scheme – to the Australian horticulture sector from increased production, to the Australian economy from increased taxation revenue, to Pacific Island economies from increased incomes, and to Australia's relations with its Pacific Island neighbours from the government's inclusive approach – far outweighed the social and economic costs of administering a scheme.

The National Farmers' Federation's 2008 Labour Shortage Action Plan estimated that 20,000 workers would be required in the horticulture sector as it recovered from drought and production approached pre 2002 levels again. Australian farm sector research estimates the cost to Australia of not establishing a seasonal labour scheme for foreign workers in the horticulture sector could exceed \$1.1 billion in foregone taxation revenue.

Pilot programs could be established in 2008 in regions in New South Wales, Victoria, Queensland and the Northern Territory already assessed by peak body research to be ready to employ Pacific Island workers.

The appropriate design of a pilot program would be critical in proving the value of a seasonal labour scheme. The administrative costs to industry and governments, airfares, transport, accommodation, taxation, health care, superannuation payments, remittance fees, compliance, integration and duty of care responsibilities were all essential issues to be considered in design.

Pacific Island countries would need to bear responsibility for effective recruitment processes, preliminary training and appropriate screening procedures of workers. Australia and New Zealand could cooperate in accessing the available labour pool in Pacific Island countries to maximise opportunities for workers and reduce administrative costs for sending countries.

The conference agreed that all Pacific Island countries should be offered opportunities to participate in a seasonal labour scheme in Australia. There could be foreign policy benefits to giving priority to Australia's nearest neighbours in Melanesia in the extension of employment opportunities to the region. The establishment of a seasonal labour scheme was expected to contribute to regional security, stability, cultural harmony, understanding and goodwill in the Pacific Islands region.

Introduction

The Lowy Institute hosted a conference on 12 and 13 June to examine the questions associated with the possible introduction of a seasonal work visa scheme for Pacific Islands labour in the Australian horticultural sector. The Australian Government has been studying the demand for a pilot seasonal labour scheme for Pacific Islanders, with a view to discussing the issue further at the Pacific Islands Forum Leaders' Summit in Niue in August 2008.

The conference brought together a number of stakeholders with an interest in the establishment of a seasonal labour scheme in the horticulture sector, including horticultural producers from New South Wales, Victoria, Queensland and the Northern Territory, exporters, recruitment agents, economists and government representatives. The conference was held under the Chatham House rule to ensure frank discussion. Speakers included Cawley Hennings from the National Farmers' Federation, Kris Newton from the Horticulture Australia Council, Dr Manjula Luthria from the World Bank, Lionel Kaluat, Vanuatu Commissioner of Labour and Employment Services, representatives from New Zealand Horticulture and Government, and representatives of the Tongan government in Australia and New Zealand.

The conference identified requirements for significant numbers of additional workers in the Australian horticulture sector. There was broad support from the conference for the introduction of a seasonal labour scheme in the horticulture sector for Pacific Island workers. Australian horticulture needed a reliable, stable workforce to meet current production schedules and future growth. Participants agreed that it would be important to ensure the design of a pilot program for Pacific Island labourers was appropriate for the industry, individual growers and Pacific Island workers.

The demand in the Pacific Islands for access to the Australian labour market has steadily increased over recent years, as employment opportunities in the Pacific have not kept pace with population growth. New Zealand's ten months of experience with implementation of its Recognised Seasonal Employer (RSE) scheme provided some valuable lessons for Australian policy-makers and growers.

Labour requirements in the Australian horticulture sector

The horticulture sector currently depended on a small labour force of Australian citizens and residents and young Europeans and North Americans travelling on working holiday visas. Illegal immigrants also played a role in the sector's labour force. The current available labour force was insufficient to meet the requirements of horticultural producers. The National Farmers' Federation's 2008 Labour Shortage Action Plan estimated that the Australian agricultural sector was short of 100,000 workers and 20,000 workers were needed in the horticultural industry as it recovered from drought and production approached pre 2002 levels again.¹

¹ National Farmers' Federation Ltd, *2008 Labour Shortage Action Plan*, March 2008, p.83.

The industry currently relied heavily on backpackers to fill the gaps between growing productivity on the one hand and declining numbers of willing Australian workers on the other. While the small workforce of retired Australians, known as “grey nomads” who travelled around rural areas and worked on farms, was reliable, there were insufficient numbers of them to sustain production schedules. Backpackers from Europe or North America worked on farms as part of their working holiday visa arrangements. As they were not inclined to stay in one place for more than a few days or weeks at a time, they were not considered to be a reliable or stable workforce.

The current lack of an adequate reliable workforce created significant costs for the horticulture industry. The industry relied on an adequate number of seasonal workers picking fruit and vegetables in time to meet shipping and product optimisation schedules. Failures to meet deadlines in the industry destroyed reputations.

Labour input costs comprised 30-50 per cent of total costs for horticultural enterprises. The administration costs to producers of registering and paying employees who stayed in the job for only a few days or weeks were considerable. The cost of re-training new workers cost one farm approximately \$2000 a week. Another farm required a workforce of 34 pickers but had to train 250 individuals over a year because of high turnover as backpackers moved on to their next destination. One small farm lost \$150,000 at the farm gate from the loss of packers for mandarins in one season.

The poor reputation of a number of contracting companies supplying workers to the horticulture sector was a common concern for growers. As the majority of growers in Australia were small operations, many lacked capacity and resources to undertake recruitment themselves and relied on contractors.

The New Zealand experience

The New Zealand Recognised Seasonal Employer scheme was announced in October 2006 and has been operating in New Zealand’s horticulture and viticulture industries since June 2007. Prior to the introduction of the RSE scheme, the problems in New Zealand’s horticulture sector revolved around low numbers of available workers, high turnover, lack of staff development, poor employer practices, and perceptions of labour as a high cost input. New Zealand employers took some time to adjust to the new scheme.

While it was acknowledged that there were differences in the structure of the horticulture sectors and rural communities in Australia and New Zealand, a number of lessons learned from the New Zealand experience were relevant in Australia. The importance of simplifying the design of the program was emphasised. Appropriate awareness-raising and preparation in both sending and receiving countries was crucial in managing expectations. It was important to be realistic about the capacity and capability of all parties.

In New Zealand, employers had to make a commitment to pay half of the workers’ travel costs, provide evidence that employees would be paid at least market rates and that there would be enough work, show evidence of arrangements for pastoral care,

and make a commitment to pay any costs associated with removing workers from New Zealand if they became illegal.

The results from the RSE scheme so far demonstrated that transformational change was occurring in the New Zealand horticulture industry. Tax avoidance and use of illegal workers was diminishing, RSE employers have been reporting large productivity improvements, and employers were recognising RSE's potential as a social sustainability brand. Labour requirements for kiwifruit (picking, packing) and wine (pruning) have been met in the first ten months of the implementation of the RSE scheme.

Overstaying by RSE workers has been managed through early intervention and swift responses to problems. Only one RSE worker has remained illegally in New Zealand to date.

The New Zealand government and horticulture industry were still learning from its implementation of the RSE scheme and regular tweaking of the scheme was ongoing.

It was proposed that Australia and New Zealand could cooperate in accessing the labour pool in Pacific Island countries. Cooperation could assist by:

- opening employment opportunities in Australia and New Zealand to more Pacific Island countries than currently participate in the New Zealand scheme;
- encouraging a fair recruitment process that did not draw too many workers from one area and thereby lessening the social impact on Pacific Island communities;
- sharing ideas and learning from successes and concerns in both countries, and
- reducing administrative costs for sending countries.

Pilot seasonal labour programs

Peak bodies representing the Australian horticulture sector have undertaken research into possible locations for pilot seasonal labour programs. Participants agreed that given the potential for exploitation of workers, any pilot seasonal labour program should be trialled in areas researched by peak industry bodies assessed by responsible authorities to be ready, willing and capable of employing Pacific Island workers.

Some participants suggested regional or district steering committees of stakeholders and other community representatives could be established. These committees could coordinate practical arrangements such as accommodation facilities and the provision of advice on services and liaison with church and community support organisations. Some participants believed a government-appointed authority should assess employers, monitor working conditions and wages and contractual issues to avoid the potential for poor employer practices to emerge.

Growers expressed interest in investing in capacity building and skills training for a more reliable, stable workforce. They emphasised that the industry did not want cheap labour. Employers should make training opportunities available to workers with an interest in developing new skills. These opportunities could be provided in the non-picking aspects of horticultural business management, such as packing and book-keeping.

Duty of care responsibilities were considered to be extremely important. Some unscrupulous farmers had damaged the reputation of horticulture employers in Australia. It was vital that appropriate good quality accommodation in regional towns or on farms and sufficient transport was available to Pacific Island workers and that workers be treated fairly under the law.

As poor employment practices or poor treatment of employees had the potential to damage Australia's bilateral relations with Pacific Island countries, the conference considered it would be incumbent on growers to meet agreed employment standards and to be accredited before employing Pacific Island workers. If the New Zealand model was followed in Australia, growers would need to:

- provide evidence of a commitment to recruiting and training Australians first;
- demonstrate the ability to pay their workers at market rates;
- demonstrate compliance with immigration, employment, tax, and health and safety law;
- have a credible record in the industry;
- cover or share costs of airfares and transport for workers;
- provide or locate suitable, quality accommodation for workers, and
- show a commitment to provide sufficient pastoral care.

It was proposed that one method of managing a scheme could be to establish sister city-style relationships, where Australian regional towns could form links with districts and communities in individual Pacific Island countries. This could enable the building of long-term links between sending and receiving communities and could facilitate integration and the provision of pastoral support to workers during their time in Australia.

Costs

The experience of New Zealand suggests that the administrative costs of establishing a seasonal labour scheme in Australia would be relatively significant. Assuming that a labour scheme would be driven by and largely funded by the private sector, government administrative costs would include at the very least dedicated staff in the Department of Immigration and Citizenship and the Department of Employment, Education and Workplace Relations and other federal, state and local government departments to manage the implementation, monitoring and compliance of the scheme, legislative or statutory amendments, travel to the Pacific Islands, domestic travel, and establishment costs of processing and monitoring units and any regional steering committees.

However, Australian farm sector estimates have predicted that the cost to the Australian government of not establishing a seasonal labour scheme for workers from abroad could be in excess of \$1.1 billion in foregone company taxation alone. These estimates were based on a conservative extension of an analysis of current productivity, growth capacity and the portion of the growth threatened by lack of a reliable workforce in three growing areas in New South Wales and Victoria, which accounted for 7 per cent of total national horticultural output. The cost to the Australian economy of not establishing a labour mobility scheme was therefore estimated to be greater than that of establishing it.

Some representatives of the horticultural industry had concerns about high initial outlay obligations involved in employing labour from the Pacific Islands. It was considered that outlay costs would be covered by the profits of increased productivity and some growers may need to access loans to support the initial investment in a foreign workforce. It was also anticipated that costs like airfares and transport for workers would be shared between employers and workers. Employers should provide the initial outlay for the cost of airfares and arrange accommodation, with provision for some cost-sharing with employees, after they commenced work.

Participants agreed that it would be vital for employers who proposed employing Pacific Island workers to have adequate insurance to cover the costs of paying employees in the event of adverse weather conditions or other unexpected circumstances, which prevented them from working.

Regulatory issues

Horticultural representatives believed that the federal government, in consultation with industry, needed to address a number of regulatory issues in the establishment of a labour mobility scheme including:

- establishment of an accreditation scheme for employers and recruitment contractors;
- provision of access for Pacific Island seasonal labourers to medical care in Australia, either through private health insurance or Medicare;
- establishment of an appropriate visa category for seasonal labourers, that did not preclude re-entry in subsequent years to undertake work for the same employers;
- compliance and enforcement mechanisms;
- examination of the equalisation of taxation rates and the horticultural withholding rate between Australian and foreign workers, to bolster the disposable income of foreign workers and reduce compliance costs for industry through uniform requirements; and
- negotiation of agreements on superannuation payments with partner countries.

The introduction of a reliable seasonal labour force from the Pacific Islands in New Zealand had worked to crowd out illegal workers. The federal government should consider resolving the status of illegal workers who have been involved in the horticulture industry while developing new labour schemes in the Australian horticulture sector.

Workforce planning

Participants agreed that the introduction of a seasonal labour scheme would not be the panacea for the production problems experienced by the horticultural sector. The horticulture industry has suffered from the absence of a comprehensive national workforce plan and skills assessment. Labour requirements were dynamic and subject to a number of internal and external influences, many of which were beyond the control of small-scale growers. Like many other industries, horticulture also faced stiff competition from the Australian mining industry for available labour.

Horticulture was a labour intensive industry. Australian consumers preferred hand-picked produce, and much produce is not suitable for mechanical harvesting, which

limited the industry's capacity to mechanise production. Growers had varying requirements for labour, with some large farms employing 500 workers at a time, while some smallholders needed less than ten workers.

The Australian horticultural sector is currently undertaking long-term workforce and skills assessment planning to determine future labour requirements. Workforce management and risk management needed to be considered a much more integral part of farm management.

Social implications of labour mobility

The social implications of workers leaving their families and communities in the Pacific Islands were considered by the conference. There were concerns about the potential disruption to the family unit and village structure caused by the absence of a number of individuals working in Australia. The New Zealand RSE scheme did not permit families to accompany the workers but allowed for partners to work at the same farm.

Pacific Island representatives believed the possible negative impact on communities at home could be ameliorated by consultation within villages. It was not unusual for Pacific Islanders to move from rural environments to urban centres for employment purposes and continue to manage family and social responsibilities in the village. Long-established extended family and village networks provided social safety nets for families affected by the departure of some of their members for work purposes. Limiting the duration of employment periods abroad to about five months would assist in minimising the impact of key individual absences from their home environment.

Pacific Islanders were thought to be particularly well suited to work in the Australian horticulture sector. Pacific Island communities had extensive experience in sustainable agriculture, English language abilities, familiarity with living in remote environments, a strong work ethic, a good general understanding of Australia and shared similar government structures to those in Australia. The majority of Pacific Islanders were church-goers and were interested in contributing to rural communities.

A degree of cultural shock, however, was inevitable. This could be mitigated through awareness-raising programs in the sending countries prior to the commencement of a recruitment process, pre-departure orientation programs, induction training on arrival and pastoral care for workers in Australia. Pastoral care responsibilities should be shared amongst employers, churches and other community organisations, including through regional steering committees where possible. Efforts by employers and rural communities to encourage social interaction would also help to avoid the risk of the development of an underclass of temporary workers.

Concerns that workers from abroad would displace Australian workers were not supported by research and evidence produced by participating economists. The lessons from other labour mobility schemes suggested that incoming labour created more employment opportunities for locals. Detailed research undertaken in some Australian regional areas suggested there were not sufficient numbers of available workers that could be vulnerable to displacement. A controlled scheme, moreover,

was likely to minimise this risk considerably. Furthermore, seasonal workers in regional Australia have the potential to create jobs as they will inject demand into these communities.

An assessment of indigenous employment strategies in horticulture found that successful schemes relied on the relationship of indigenous workers with the land and cultural and personal relationships. Mismatched expectations on behalf of employers and indigenous people had resulted in the failure of many indigenous employment schemes in the horticultural industry. Short-term seasonal work that was not on Aboriginal land had not met the cultural and social expectations of indigenous people. Regional development that provided long-term economic and employment opportunities for indigenous people was vital. The experience of Northern Territory strategies suggested that there was not an untapped pool of indigenous labour ready to take up seasonal work.

Labour mobility as an instrument of development

Pacific Island representatives emphasised that a seasonal labour scheme offering opportunities to Pacific Islanders to work in Australia should not be regarded as a charitable program. Pacific Island youth were starved of employment opportunities at home. Melanesian countries, which did not have the same immigration outlets as Polynesian countries, were in dire need of an employment safety valve. Harnessing the energy of youth, particularly in Melanesia, for employment purposes reduced the risk that youth would be enticed into criminal and other non-productive endeavours.

The debate about labour mobility in Australia to date had revealed interest in encouraging the investment of remittances into development projects benefiting Pacific Island communities rather than individuals. Proposals to withhold elements of wages or impose conditions on consumption were fraught with problems. Remittances contributed to increased family incomes, which assisted in lifting people out of poverty. This outcome alone was an important contribution to development. Australians needed to be cautious about adopting didactic approaches to this issue.

The contribution of income from remittances to a developing economy could be considered in a similar light to the contribution of export incomes. Breaking down international barriers to free movement of people was much more difficult than negotiating the removal of barriers to trade in goods. It was more likely that restrictions on barriers on labour movement would be negotiated on a bilateral basis. Arrangements for seasonal labour programs in Australia would be best negotiated between Australia and individual Pacific Island countries.

Labour mobility was not a panacea for developing country economies. It should not serve as an excuse for Pacific Island governments to avoid their own investment in education, skills development, and support for private sector development.

It was important that a seasonal labour scheme targeted the poor in sending countries. Providing these opportunities to individuals already gainfully employed in Pacific Islands or to highly educated and skilled individuals would not achieve the same economic impact as a pro-poor strategy. Opportunities for skills training for seasonal labourers in Australia should also be considered to be a development outcome.

Participants in a seasonal labour scheme had the potential to act as agents for change in Melanesia. In addition to increased incomes, one of the principal benefits from the participation of Tonga and Vanuatu in the New Zealand RSE scheme was the increased demand from returned RSE workers for better government services and improvements to enabling environment for business at home.

World Bank research has identified significant disparity in the cost of remitting money to the Pacific Islands region in comparison with other developing regions. Countries with a long history of sending workers abroad such as the Philippines and India imposed very low transaction costs on remittances. The Australian financial services industry could be encouraged to help resolve this situation.

Interests of Pacific Islands

Pacific Island countries were very interested in participating in the Australian labour market and particularly in the horticulture sector. They welcomed the New Zealand RSE scheme and looked forward to the establishment of a seasonal labour scheme in Australia.

Vanuatu suffered from a critical lack of employment opportunities at home. The opportunities provided by the New Zealand RSE scheme would see 1,300 ni-Vanuatu workers in New Zealand by the end of 2008 with workers remitting from NZD3000-NZD8000 per season. It was estimated that remittances could become the second most significant source of national income after tourism within a year. Remittances were valuable because they increased family incomes and benefited wider traditional village family networks.

The establishment of a seasonal labour scheme for Pacific Islanders in New Zealand had put pressure on Pacific Island governments to improve their delivery of administrative services such as providing briefings to workers, issuing passports, providing medical screening facilities and either recruiting directly or monitoring private recruitment activities. Vanuatu and Tonga both experienced difficulties with processing paperwork for workers outside capital cities.

The introduction of the New Zealand RSE scheme in New Zealand had also burdened health services in Kiribati, Tonga and Vanuatu, which all had difficulties in providing medical checks for their workers in the timeframe required by New Zealand employers. Participants suggested that the Australian aid program could be utilised to assist Pacific Island governments cope with the increased demand on already strained services from workers seeking to meet their conditions of entry to Australia. Essential services, however, should not be directed away from those in greatest need in Pacific Island countries.

Vanuatu used local private recruitment companies to recruit workers for the New Zealand RSE scheme. New Zealand employers were also permitted to recruit directly in Vanuatu. Recruitment agents were not permitted to charge Vanuatu workers for their services and instead charged fees to New Zealand employers. In Tonga, the government undertook recruitment services. Both countries required better resources and technology in order to assist recruitment processes.

Some participants argued that the entry of Pacific Island workers to the Australian labour market would give Pacific Island countries an opportunity to build strong international reputations as sending states. This reputation would depend on the productivity value and behaviour of workers as well as on effective management from sending states. The Pacific region could use the opportunity to develop its own labour market and invest in further skills development.

The conference was in broad agreement that a seasonal labour scheme in Australia for Pacific Islanders should not expressly exclude any Pacific Island country. New Zealand had allocated special “kick-start” resources at the commencement of the RSE scheme to five Pacific Island countries (Kiribati, Samoa, Tonga, Tuvalu and Vanuatu). These countries were chosen because of their historical or other close links with New Zealand.

As Australia had special responsibilities in Melanesia, some participants believed there would be foreign policy benefits to giving priority to Melanesian countries in extending opportunities to the region. It was noted that extending opportunities to Fiji in the current political climate would be difficult for the Australian government but there was an acknowledgment that the people of Fiji deserved to be offered the same opportunities as other Pacific Islanders.

Challenges

The establishment of a seasonal labour scheme for Pacific Islanders in Australia posed challenges for the horticulture industry, federal, state and local governments in Australia, and Pacific Island governments and communities.

Negative reactions to the introduction of temporary workers to the Australian labour market focused on fears about exploitation and the risk of the creation of an underclass in Australia. The conference considered that these risks could be mitigated by appropriate design and implementation of a labour scheme with accompanying compliance and enforcement mechanisms.

The potential administrative costs to Australia of a labour mobility arrangement for Pacific Islanders would be significant but these needed to be considered against the potential costs to the Australian economy and to Australia’s relations with its Pacific neighbours of failing to introduce such an arrangement. The benefits of the introduction of a seasonal labour scheme – to the Australian horticulture sector from increased production, to the Australian economy from increased taxation revenue, to Pacific Island economies from increased incomes, and to Australia’s relations with its Pacific Island neighbours from the government’s inclusive approach – far outweighed the social and economic costs of administering a scheme.