

AUSTRALIA'S SEASONAL WORKER PROGRAM DEMAND-SIDE CONSTRAINTS AND SUGGESTED REFORMS

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ECONOMICS OF LOW-SKILLED LABOUR MOBILITY

- Large returns are possible if unskilled workers are able to move from poor countries where they are abundant to rich countries where they are relatively scarce.
- The migrants themselves gain from the much higher wages they receive, the sending countries benefit from the remittances the migrants send home, and the receiving countries benefit from the injection of low-skilled labour.



BRACERO PROGRAM- UNITED STATES 1942





SEASONAL AGRICULTURAL WORKER SCHEME – UK 1950





GASTARBEITER PROGRAM – GERMANY 1955



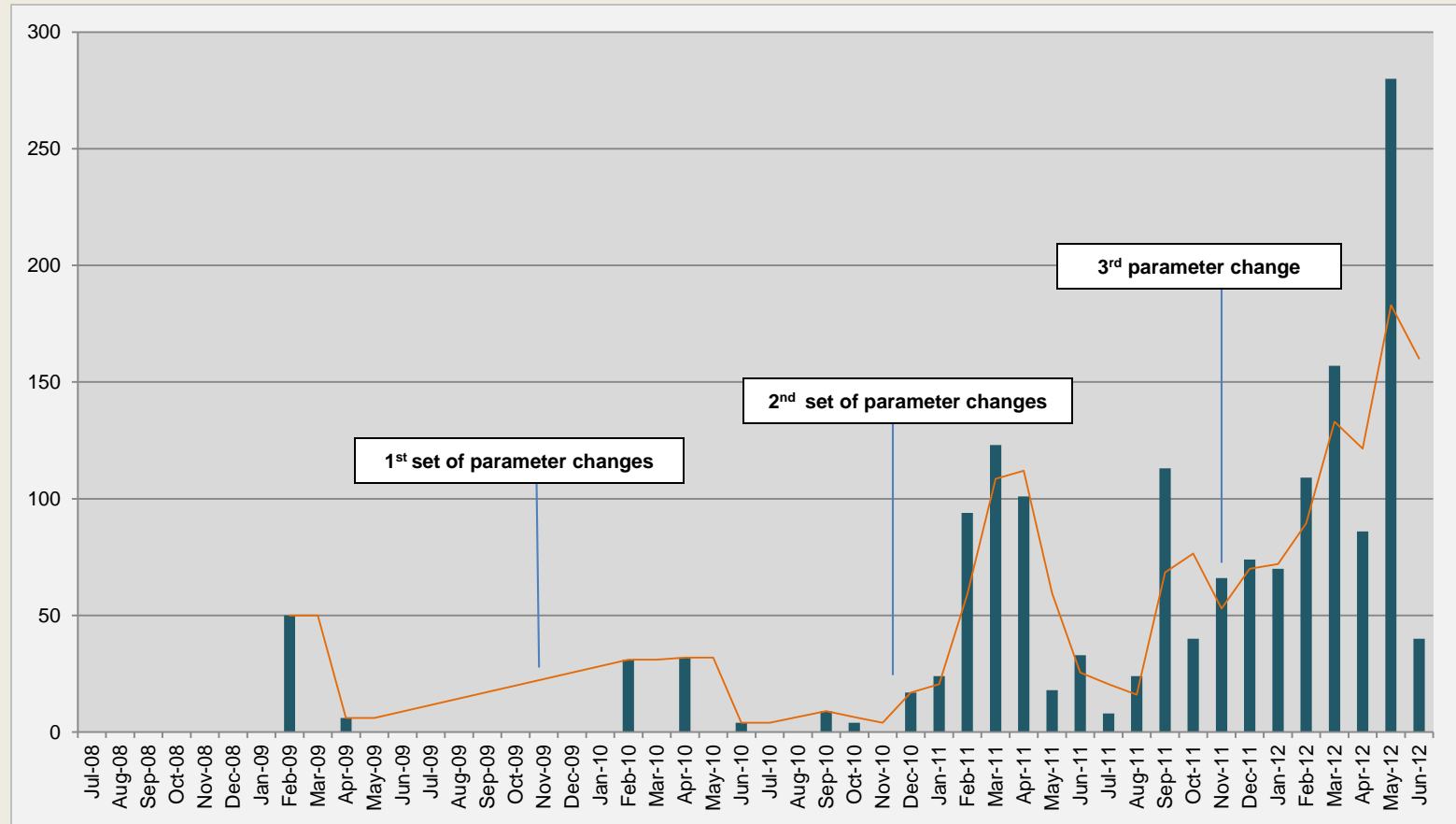


PACIFIC SEASONAL WORKER PILOT SCHEME (PSWPS)



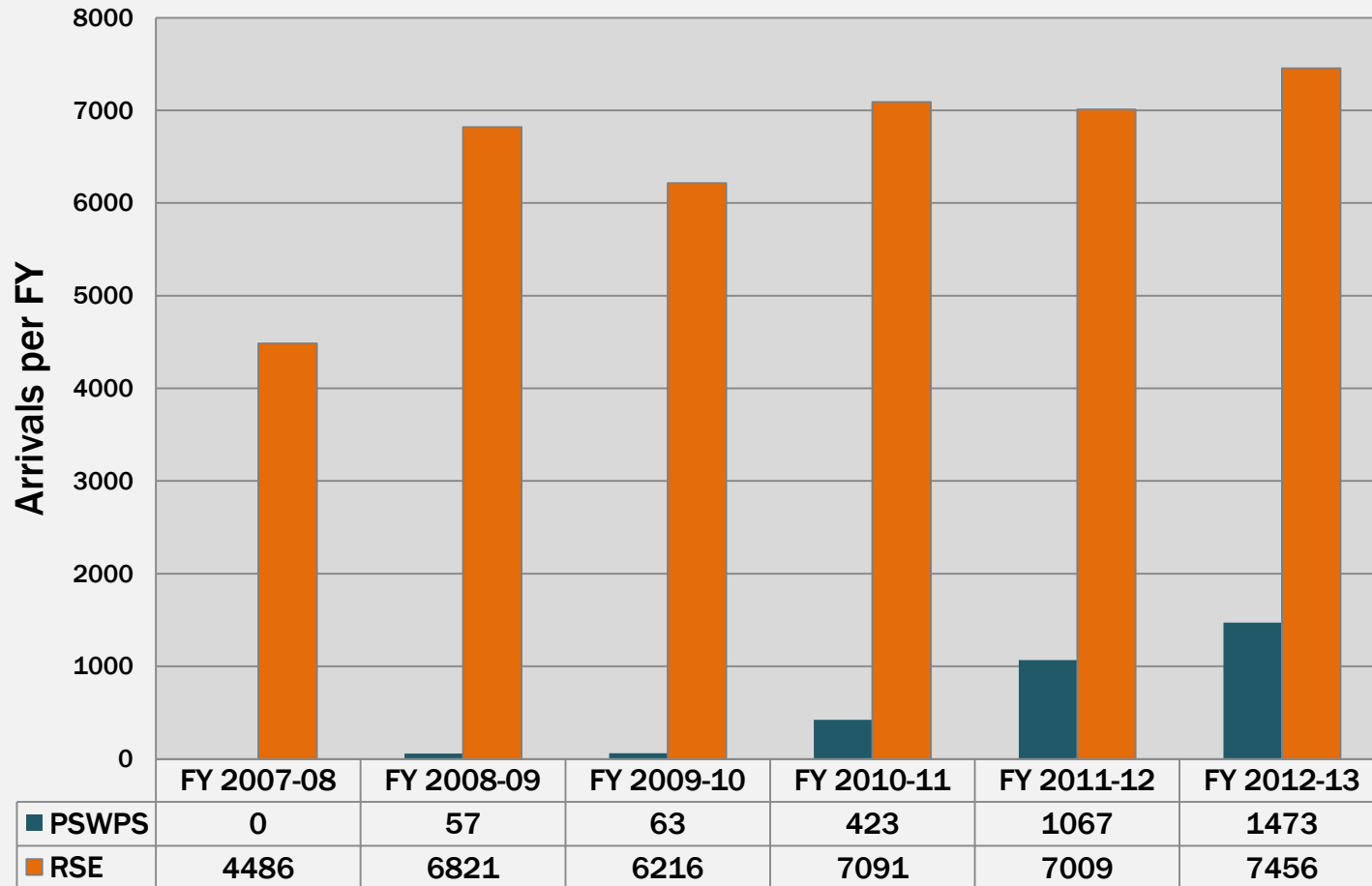


PACIFIC SEASONAL WORKER PILOT SCHEME (2008-12)





PSWPS VS. RSE





HAY & HOWES (2012)

The three major constraints:

1. The lack of an aggregate labour shortage
2. The lack of information about the scheme
3. The significant level of risk and cost



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Australia's Pacific Seasonal Worker Pilot Scheme: why has take-up been so low?

Danielle Hay and Stephen Howes

Abstract

The Australian Government introduced the Pacific Seasonal Worker Pilot Scheme (PSWPS) in 2008 to allow Pacific Islanders to fill seasonal labour shortages in the horticulture industry, and announced in December 2011 that the scheme would be made permanent. Take-up of the scheme is increasing but has been very low. As of the end of March 2012, only 1,100 PSWPS workers have arrived since the scheme's commencement. This study tries to explain why the PSWPS has not employed more Pacific workers. It distinguishes between different hypotheses that could explain the poor outcome, and uses quantitative and qualitative analysis to test each hypothesis, including a survey of growers. The study finds a number of reasons for the low take-up. Growers are largely satisfied with their current labour supply, in terms of both quantity and quality: 93 percent of growers interviewed said they had no trouble finding labour, and 81 percent were satisfied with the quality of their existing labour force. The scheme is not well known: half the growers surveyed had simply not heard of the scheme, and most of those who had lacked information about it. The scheme also suffers from perceptions of high levels of risk and costs, including excessive red tape. Despite its slow start, PSWPS might still succeed on the basis of the productivity gains it has already shown it can deliver. But this is by no means assured: even growers who are unhappy with their current labour supply arrangements are reluctant to try the PSWPS. For the scheme to expand, the Australian Government will need to promote the scheme much more vigorously, and reduce the scheme's financial and compliance costs. The Government also needs to attend to illegal horticultural labour practices, and tackle the booming working holiday visa category. Most growers now rely mainly on backpackers, and their numbers have increased rapidly in recent years: we estimate the number of backpackers working on farms increased from 13,000 in 2001-02 to 37,000 in 2007-08. In particular, the special preference which horticulture receives under the working holiday visa category should be removed. The policy challenges involved in making the PSWPS work should not be underestimated. Other avenues should also be explored for promoting Pacific migration, including adoption of New Zealand's quota-based Pacific permanent migration schemes.

Discussion Paper 17

APRIL 2012



SEASONAL WORKER PROGRAM (2012-16)



HORTICULTURE SECTOR

Trial
Sectors

Accommodation sector

Aquaculture sector

Cotton sector

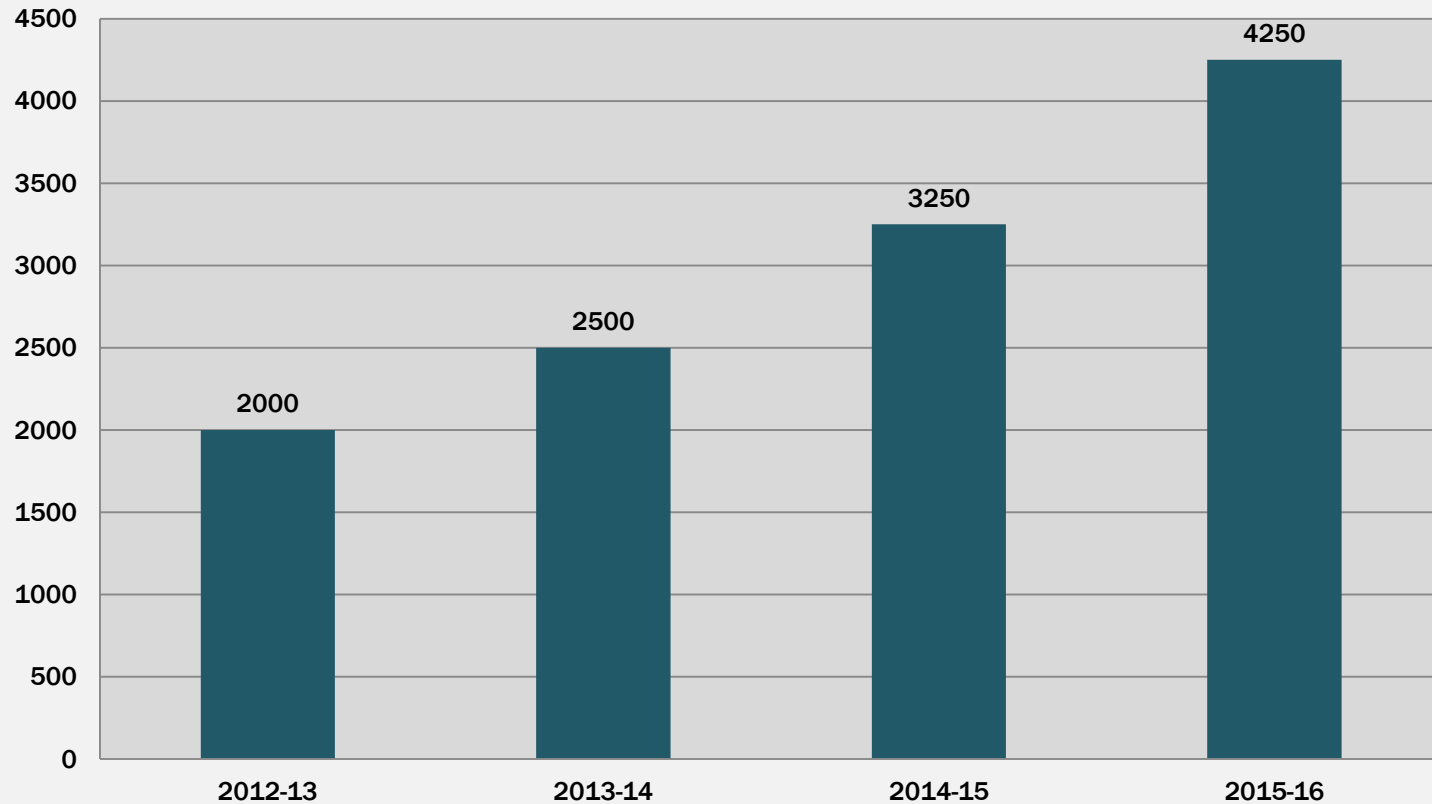
Sugar cane sector



SEASONAL WORKER PROGRAM (2012-16)



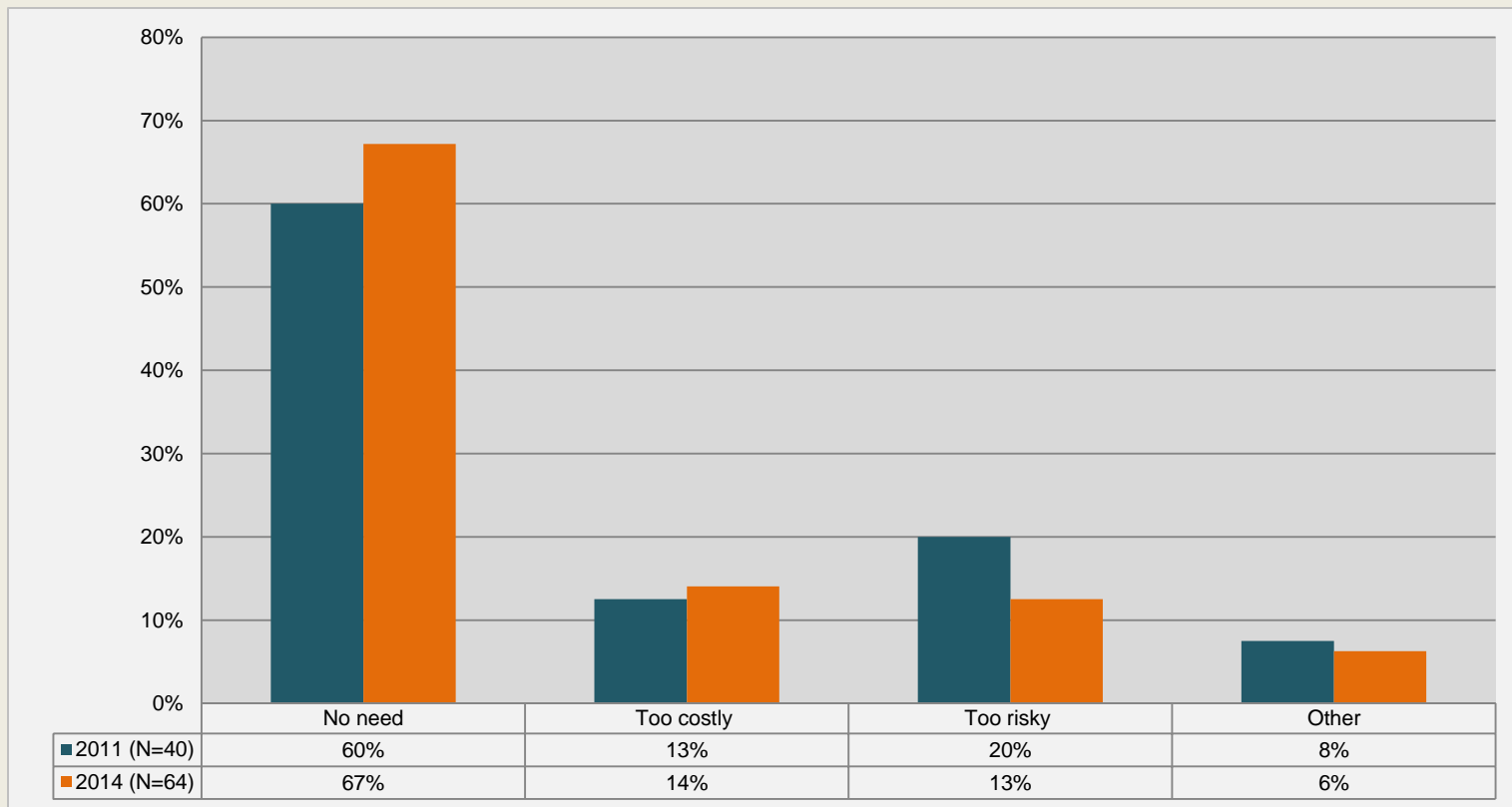
Cap on Seasonal Worker Program





LACK OF AN AGGREGATE LABOUR SHORTAGE

Main reason for not participating (growers aware of the scheme)





LACK OF AN AGGREGATE LABOUR SHORTAGE

Main category of worker employed (primary sample)

N=101	Backpackers	Locals	Students	Grey Nomads	Unspecified or unknown	Contractors (Non-local Australians)
2011	65.8%	13.4%	7.4%	3%	5%	5.4%
2014	54%	31.2%	2.5%	0.5%	1%	10.9%





LACK OF AN AGGREGATE LABOUR SHORTAGE

Prevalence of illegal workers in Australia

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Unlawful non-citizens located	10,722	11,428	14,169	13,831	15,477	15,077
Notices issued to employers of illegal workers	750	597	609	515	397	302
Removals and assisted departures	8,404	6,818	8,825	10,175	10,785	13,486

Source: Department of Immigration and Border Protection (2008-13)



ADDITIONAL COSTS

Cost differential for growers hiring through a labour hire company

	Local / backpacker	Pacific seasonal worker
Horticulture award rate	\$16.37	\$16.37
Casual loading (25%)	\$4.09	\$4.09
Statutory costs*	\$4.09	\$4.09
Additional premium	\$1	\$3.50
Total	\$25.55	\$28.05

*Statutory costs include superannuation, payroll tax and work cover



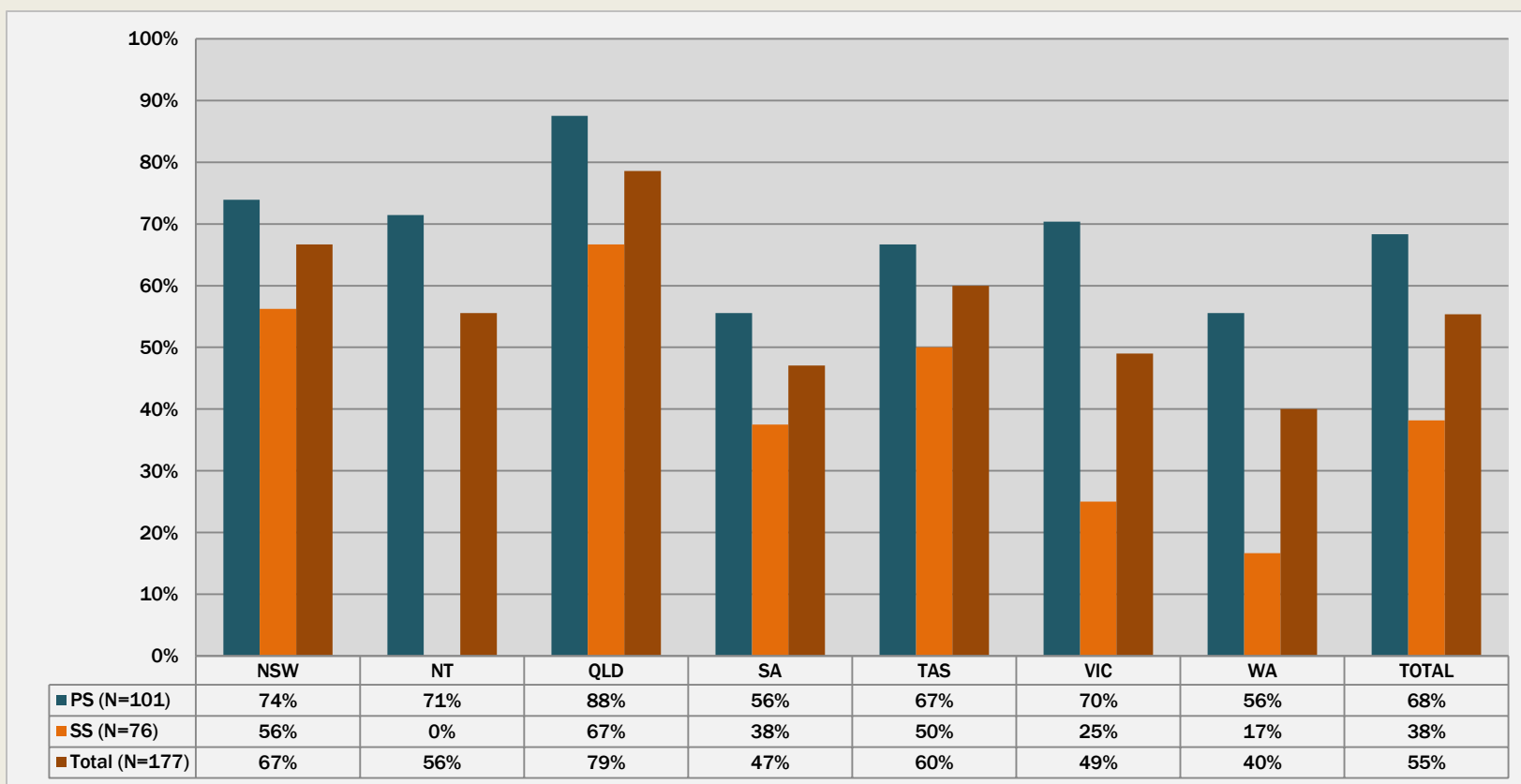
EXCESSIVE RISK

- **Needing to guarantee Pacific seasonal workers a minimum of 14 weeks work**
- **Less control over the selection of workers**
- **Paying upfront costs for untested workers**
- **Risk of absconding**



LACK OF AWARENESS

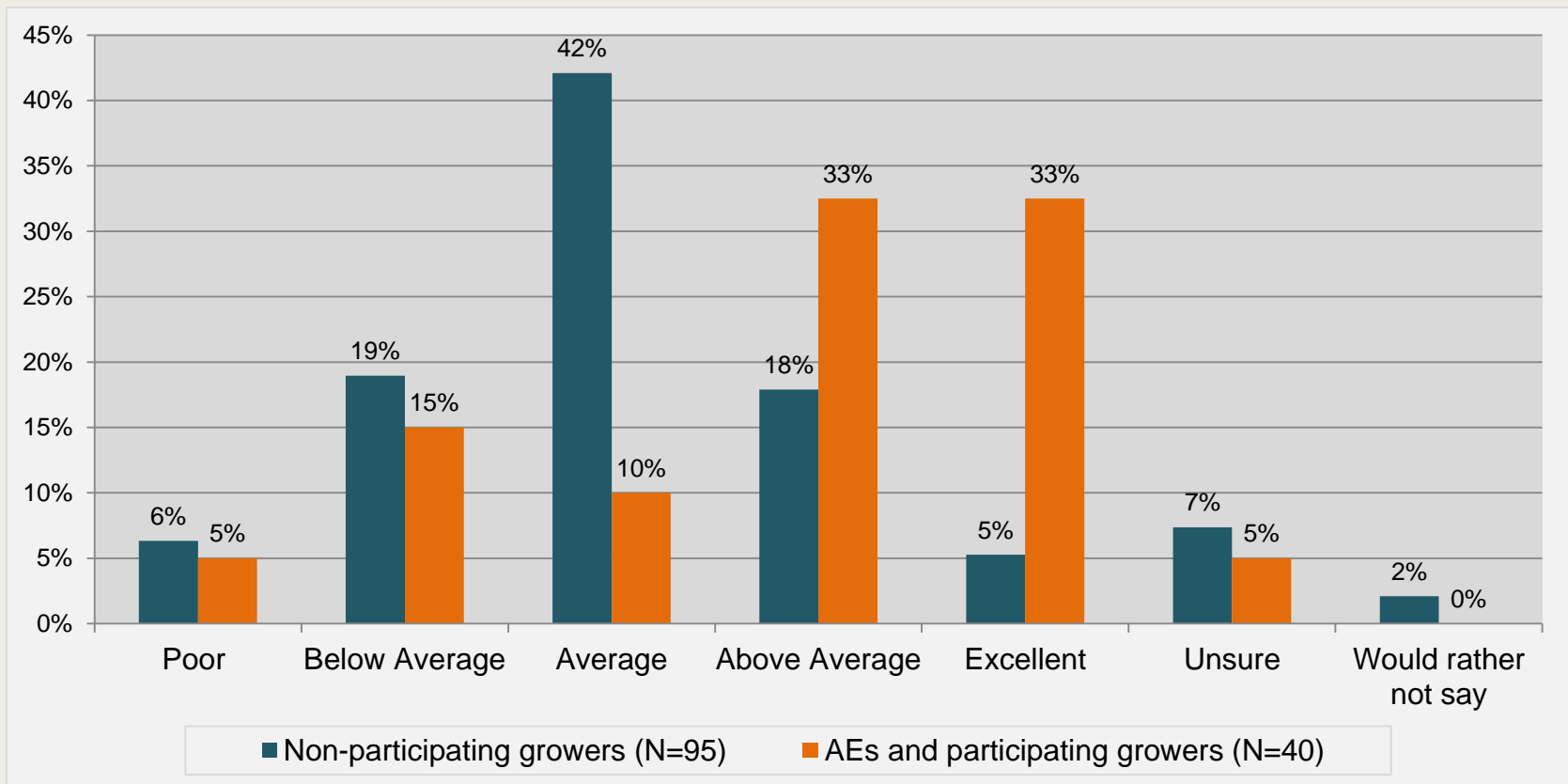
Percentage of growers who have heard of the Seasonal Worker Program





REPUTATION OF THE SCHEME

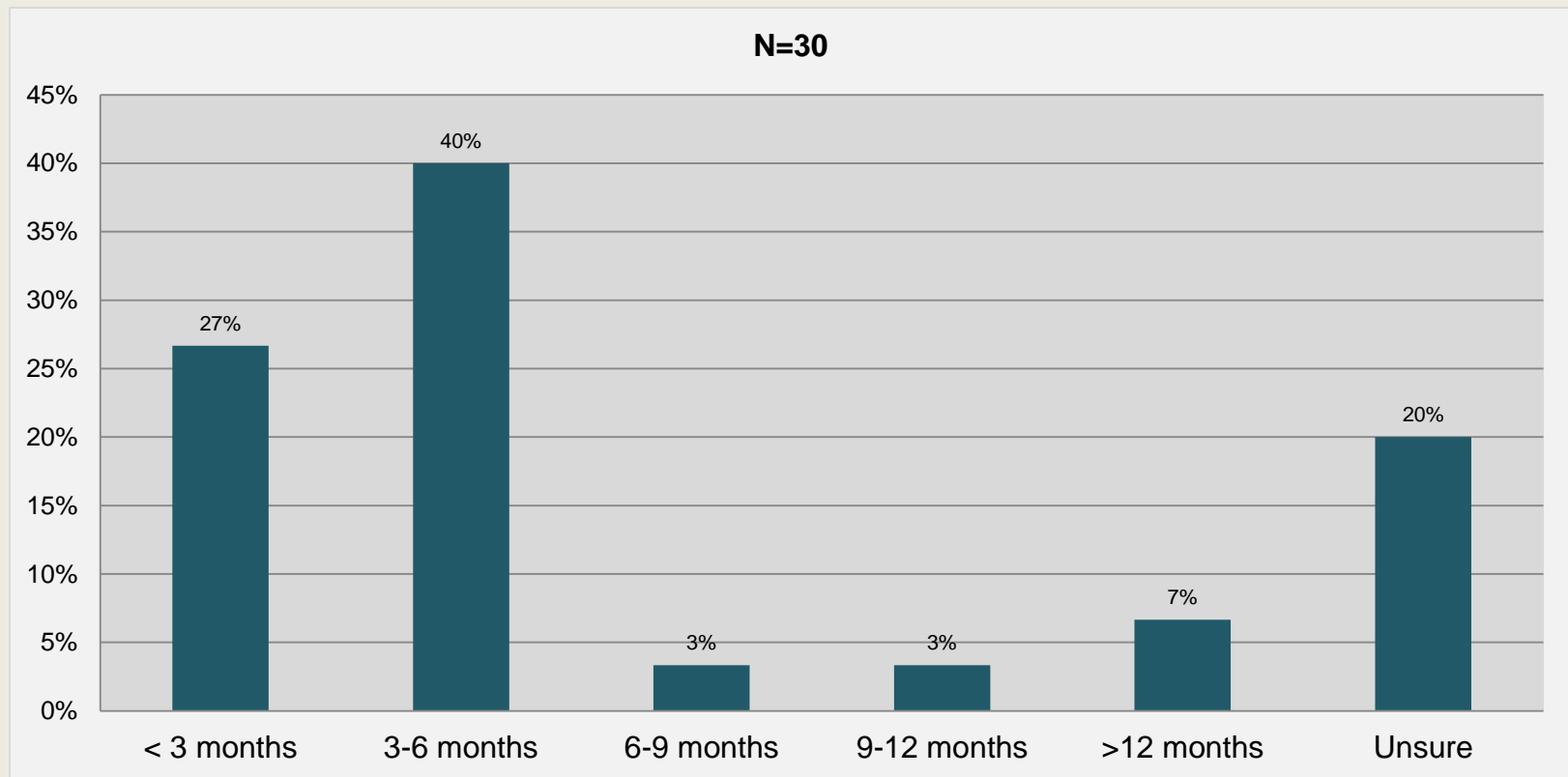
Reputation of the SWP (all growers aware of the scheme)





ADMINISTRATIVE COSTS

Time take to become an Approved Employer





ADMINISTRATIVE COSTS

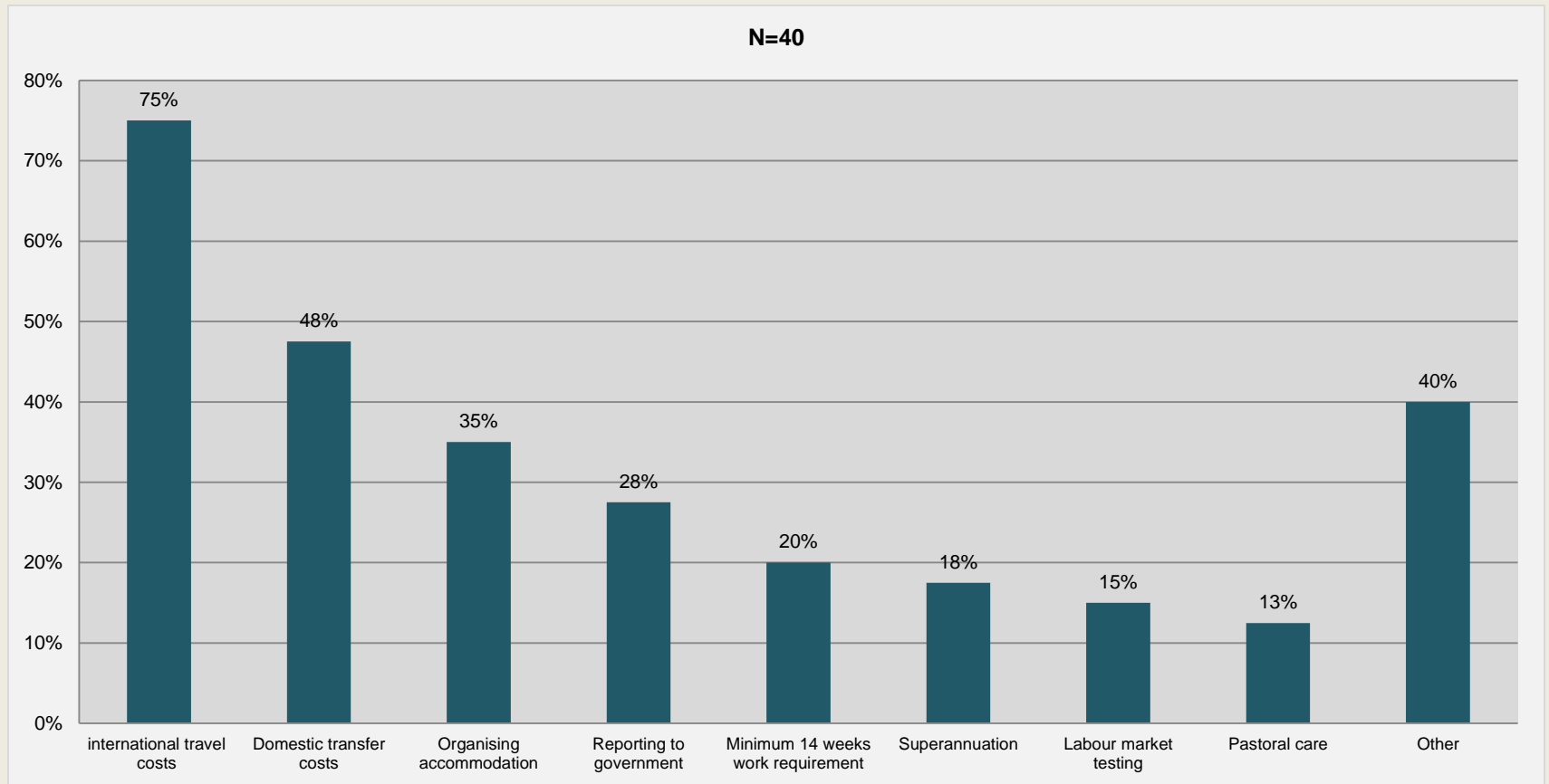
- Labour market testing
- Reporting to Government
 - Process of applying to become an AE
 - Recruitment plans
 - On-arrival and pre-departure briefing
- Paperwork associated with superannuation





SUGGESTED REFORMS

Key changes that growers thought would make the scheme more attractive





SUGGESTED REFORMS

Key reform that would transform the scheme:

- **Removing the second-year visa extension for Working Holiday (subclass 417) visa holders or expanding the second-year visa extension to other sectors beyond agriculture, mining and construction**

Industry body survey suggests that this reform would not be politically feasible. Horticulture has become so dependent on backpackers that any reform restricting their supply would not pass.



SUGGESTED REFORMS

Some of the key feasible reforms:

1. Reforming cost-sharing arrangements
2. Sharing the risk burden
3. Advertising the scheme more broadly
4. Improving the reputation amongst non-participating growers
5. Minimizing the administrative requirements

THANK YOU

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