

Submission to the Inquiry into the Seasonal Worker Program

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Annexes

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

By Stephen Howes and Danielle Hay on April 4, 2012



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

The Australian Government introduced the Pacific Seasonal Worker Pilot Scheme (PSWPS) in 2008 to allow Pacific Islanders to work in Australia as fruit and vegetable-pickers for periods of up to six months. Take-up of the scheme has been low; as of the end of March 2012, only 1,100 PSWPS workers have arrived since the scheme's commencement. This is well below the cap of 2,500 put in place for the Pilot's duration which runs up to June 2012. It is far below the 7,000 Pacific workers New Zealand attracts every year through its Pacific seasonal worker program, and it is miniscule compared to the estimated 37,000 backpackers who work on Australian farms every year.

The Australian Government announced in December of last year that the PSWPS will become permanent, and changed its name to the simpler Seasonal Worker Program (SWP). Will SWP grow into something much bigger, or will it stay a tiny program? It's an important question. Both the Australian and NZ seasonal worker schemes have been intensively evaluated. There is no doubt that the PSWPS is a great scheme *per participating worker*, but if the number of workers stays small, so will its total impact.

The [study](#) on the PSWPS which we have just released is the first comprehensive attempt to try to understand why the PSWPS has not taken off. The scheme is demand-driven: if employers don't want to use Pacific workers, they won't. So we went out and asked 183 growers (by phone) half way through last year if

they had heard of the scheme, if they were using it, whether they would consider using it, and why or why not.

The first very simple finding is that the scheme is not well known. Half the growers surveyed had simply not heard of the PSWPS, and half of those who had said they lacked information about it.

But unfortunately the answer is not simply more publicity. Only 2% of our growers who had heard of the scheme were using it, and only another 2% were thinking of using it. Most (about 70%) said that they just had no need for it. The rest were worried about risks with the scheme and with costs.

No need for the scheme? In fact, according to our survey, only 7% of growers said they had difficulty finding sufficient seasonal workers. What about those [claims](#) made at the time of the scheme's introduction, and still being made [today](#), that Australian horticulture is short of 22,000 workers? And those headlines about Australia's "[ag-labour crisis](#)"? Most growers (73% according to our survey) now rely mainly on backpackers, and the number of backpackers working in agriculture has exploded over time, from, we estimate, about 13,000 in 2001-02 to 37,000 in 2007-08. This seems to have largely solved the horticultural labour shortage problem.

There's a bit of interesting history to all this. In the mid-2000s, the Howard government was coming under a lot of pressure to deal with labour shortages in relation to horticulture, but didn't want to start up a Pacific seasonal worker program. So it relaxed the backpacker visa conditions in relation to agriculture, and said that, if you worked for 3 months in your first year on a farm, you could get a visa for a second year. Since then, the number of backpackers visiting Australia has soared, and many more are working on farms. In 2010, some 25,000 backpackers applied for a second-year visa on the basis of agricultural work.

It's not that there is no hope for the PSWPS. Most of the growers who have used it like it, the numbers participating are growing, and some 19% of growers we surveyed said they were unhappy not necessarily with the quantity but the quality of the workers they currently employed – the backpackers who are up and off to the next city or party. These are the growers the PSWPS should appeal to: Pacific seasonal workers are a lot more reliable and productive than backpackers.

But even among this group of growers, the picture isn't too rosy, with half of them saying that the PSWPS is either too risky or too expensive to use. More generally, only just over a quarter of the growers surveyed who had heard of the PSWPS thought that it had a good reputation – the rest either didn't know enough to say (about a half), or thought it had a poor reputation (another quarter). Participating growers complained about compliance costs – it has been *ahighly* regulated scheme to date.

It is good that the Government hasn't given up on the PSWPS but reforms will be needed to help it expand. In the paper we suggest five.

First, a lot more publicity is needed to reach the 75% of the growers who either hadn't heard of the scheme mid-way through last year or didn't know enough to reach a judgment on it.

Second, compliance costs are too high, and the scheme needs to be streamlined and its red tape reduced. For example, to engage Pacific workers, growers must first demonstrate that they can't fill the jobs using Australian labour. Yet every grower we surveyed uses foreign labour. Pacific workers are competing with other foreign workers, not Australians. The labour market tests and other onerous compliance requirements, including monthly reporting, should be dropped.

Third, the financial costs of the scheme to growers could also be reduced. The very strong Australian dollar has made the scheme even more profitable for Pacific workers. Perhaps they could be made to bear more of their international travel costs than the roughly 50% they currently cover.

Fourth, if the Government is serious about the Seasonal Worker Program, then at some point the incentive currently provided for backpackers to work on farms by offering them a second year in Australia in return needs to be removed.

Fifth, there needs to be a crackdown on illegal labour. This is obviously a sensitive subject, but only 12% of the growers we surveyed were prepared to say that there was no use of illegal labour in the horticultural sector. The routing out of illegal labour arrangements – not only employment of illegal migrants, but the use of cash payments – is said to have been an important part of the success of the NZ scheme.

These reforms won't be politically easy. The troubles faced by the PSWPS scheme have a broader lesson as well. Seasonal labour schemes are prescriptive by nature. The government has to step in and put in place all sorts of conditions and regulations around any such program. Picking winners is always a risky policy path, as the PSWPS experience itself shows.

An alternative or complementary strategy would be to approach the twin goals of alleviating our labour shortages and increasing migration from the Pacific more directly, by creating a Pacific window in our permanent migration regime. This is something NZ has long [had](#) (through a system of visa lotteries for the Pacific), but which has never been considered seriously here. Yet think of aged care. You don't find many backpackers in aged care, and you wouldn't want to. It's not a job for seasonal labour, but it could be an occupation for Pacific islander migrants.

Fixing the PSWPS is important. But it is only part of the story. Australia has shortages in low-skill labour and the Pacific needs more opportunities for labour mobility. As the World Bank has recently [advised](#) us, we need to reduce barriers to both short-term and permanent migration from the Pacific region.

Stephen Howes is the Director of the [Development Policy Centre](#). Danielle Hay is a Research Associate at the Centre. Other papers and presentations discussed at the [Making Pacific Migration Work](#) conference will be made available shortly. This blog is a part of a series on the Pacific Seasonal Worker Program. Other blogs in the series can be found [here](#).

Where are all the seasonal workers? The most comprehensive survey of employers yet

By Jesse Doyle and Stephen Howes on February 18, 2015



The Seasonal Worker Program (SWP) continues to grow, but remains a tiny scheme. This year there might be some 2,600 Pacific islanders picking fruit and vegetables in Australia under the scheme. That's a small number. The sector employs over 75,000 horticultural workers every year.

Some 40,000 or more backpackers pick fruit every year. The parallel New Zealand scheme went almost straight to 8,000, and is now capped at 9,000. So why is the SWP so small and what can be done to expand it?

Last year, the two of us conducted a survey of Australian employers to find out their views on the Seasonal Worker Program. One of us carried out a similar [survey](#) with Danielle Hay back in 2011. That survey was good, but this one is better, and bigger, and more recent. We interviewed more growers. We spoke to industry associations. And, this time, there was a larger body of employers with experience of seasonal workers to talk to.

Some of our findings confirmed what we learnt in 2011. Only slightly more than half the growers had heard of the SWP. Given that it has been running since 2009, when the scheme was first introduced as a pilot, that is depressing. Of those growers who had heard of it, two-thirds said that they didn't use it simply because they had "no need" for it. 14% said it was too costly, and 13% said too risky. Those are very similar numbers to the ones we obtained in 2011. There are also problems with the reputation of the scheme. Among employers in the horticulture sector in general, 62% say that the reputation of the scheme is average or below average.

It's not all doom and gloom. One quarter of growers say that they would be open to taking on Pacific workers in the next 12 months. Among growers who have used the scheme, two-thirds rate the scheme as above average or excellent.

And those who have used the scheme rate Pacific seasonal workers as much more dependable, enthusiastic and productive than either backpackers or locals. We also learnt a lot from the survey about which employers are more likely to use the SWP: much larger ones; from Queensland, WA or Victoria; and those harvesting crops with longer growing seasons.

The other good news is that a scheme introduced by Labor now has bipartisan backing. Foreign Minister Julie Bishop has [committed](#) to removing bottlenecks that might be impeding the scheme.

So what can be done to save the SWP from irrelevance? Relying on growth in the increments of several hundred a year is not enough. As the World Bank has [set out](#) [pdf], a reasonable expectation for the size of the SWP is 40,000 workers every year. Not 2,000, 3,000 or 4,000, but 40,000. In this survey, we asked employers who used the scheme what they thought would make the SWP more attractive. The most common answers provide a good reform menu.

Employers want to shift travel costs (international and domestic) to employees. They don't want the responsibility of organising accommodation. They would like reporting requirements relaxed, the minimum work requirement reduced, and the farcical superannuation arrangements changed. (At the moment, super accounts need to be set up at the start of the season, and are then drawn down at the end.) They want labour market testing obligations (which tend to flood employers with applications sent purely to satisfy dole requirements) reduced, and pastoral care requirements relaxed.

Essentially, what employers are telling us is that the SWP is not only over-regulated but too generous. That's consistent with the Pacific experience: it is well-known most islanders want to work in Australia rather than New Zealand. We pay them much more, with a far higher minimum wage. Essentially, there needs to be a trade-off. The scheme has to be made cheaper to employers to get them to use it. There's room to do that, and still keep the scheme at least as profitable to Pacific workers as its New Zealand counterpart. Not everything on the employers' wish list might be actionable, but most items are.

The other reform challenge the survey clearly points to is the need to level the playing field for seasonal workers. Four out of five employers think that illegal labour is used in the sector. And the number of backpackers in the sector has grown astronomically since the 2006 reform that gave backpackers a second

year visa if they worked on a farm. The competition is not between seasonal workers and Australians for jobs. It is between seasonal workers and backpackers, or seasonal workers and illegal workers. Australians get an automatic preference over seasonal workers, but there is no market testing for backpackers or illegal labourers. The reforms that would do most to expand the SWP are : (a) changing the second-year backpacker visa condition (for example, making it a consequence of three months of any work, not just those currently specified, namely agriculture, forestry, fishing, mining and construction); and (b) cracking down on illegal labour, as New Zealand did prior to the introduction of its scheme.

We'll be discussing our report – *Seasonal Worker Program: demand-side constraints and suggested reforms* [pdf] – [today at ANU](#). We are grateful to the World Bank Vice President for East Asia and the Pacific, Axel van Trotsenburg, for agreeing to launch the report, and also to the government and growers' representatives who will be offering their perspectives.

The SWP is a worthwhile scheme, but the biggest risk it faces is that of irrelevance. The implementation of the reforms outlined in our report, based as they are on the views of employers across the horticultural sector, would remove the Seasonal Worker Program from the periphery, and make it central both to the future of horticulture in Australia and to the development of the Pacific.

Jesse Doyle is a Labour Migration Specialist with the World Bank and Professor Stephen Howes is Director of the ANU Development Policy Centre. Click [here](#) for more detail about the launch, and [here](#) [pdf] for the report.

Benefits of the Seasonal Worker Program: an employer's perspective

By Susan Jenkin on March 5, 2015



Ironbark Citrus is a family owned and operated business based in Mundubbera in the Central Burnett District of Queensland. It was established by me and my husband Allen in 1990. We currently produce, pack, market and export about 5,000 tonnes of mandarins per year. Our orchard area spans two farms and

consists of over 60,000 producing mandarin trees, with a further 15,000 trees coming into full production in 2016–17.

We have our own packing facility and a 260 pallet cool room complex. Ironbark has been successfully exporting mandarins for over 20 years, predominantly into Asia. We have been employing seasonal workers since the second year of the Seasonal Worker Pilot Program in 2009, and have some workers who have now completed five seasons with us. I am a great supporter of this program, and firmly believe that, despite its slow start, it provides an excellent solution to the problem of access to labour that the horticultural industry faces, especially in more remote areas.

Finding workers for a labour intensive industry

Our mandarin harvest season runs from mid-April until mid-August, with our labour needs peaking during the first eight weeks of our harvest. Mandarin growing, like most horticulture, is a very labour intensive industry, with all pruning, thinning, harvesting and packing activities done by hand. At the peak of our season we require at least 100 extra employees to complete our harvest. In fact, the management of labour is a huge part of our business, taking up 50% of our expenses budget.

Mundubbera is a small rural community with a population of around 2,000 people in the district. The size of the community, and the fact that there are a

number of large horticultural operations in our area, means that there is a shortage of available labour for our business, and that our peak seasonal labour demands must be met from outside the district. In fact, our labour demands can only be met by using labour from outside Australia.

Prior to the start of the Seasonal Worker Program in Australia, (and the pilot program) we were totally reliant on working holiday visa holders (backpackers) for the majority of our labour requirements. Now, about 45% of our labour force consists of seasonal workers from Timor-Leste and the Pacific. Of the remainder, 45% are backpackers and 10% are Australians, with the majority of the Australians being part of our permanent workforce.

Seasonal workers recruited under this program are now an integral part of our workforce. We source over 70 workers annually in a series of four recruitments – in April, September, December and March – overlapping groups at times of peak labour demand. We have employed workers from Tonga, Papua New Guinea, Timor-Leste and Samoa.

Seasonal workers are good for business

Our seasonal workers are more productive and efficient than our other workers. In 2013, the Australian Department of Agriculture, Fisheries and Forestry funded a [small survey](#) of the efficiency and productivity of our seasonal workers compared to our backpacker workers.

The survey found that our seasonal workers were significantly more efficient than the backpackers, earning an average of \$4.50/hour more while working on piece rates. They also found, as you would expect, that returning Pacific seasonal workers were more efficient than first time Pacific seasonal workers, earning on average \$2.80/hour more.

These figures are backed up by data I have extracted from our own payroll records. Because of productivity gains, which strongly correlate with our involvement in the SWP over the past five years, our cost per bin of fruit picked has decreased, despite the significant wage rises that farm workers have received over this time.

Additionally, our total number of workers employed has actually declined, despite our increased production. I believe that this reflects the stability of our seasonal worker labour force. In a three month period during our 2013 season, we found that our seasonal workers earned an average monthly wage of \$4,387.16, compared with an average of \$836.07 for our Australian and backpacker workforce. These numbers clearly demonstrate the huge turnover of our Australian and backpacker workforce, with no one staying long enough to earn the wages the seasonal workers do.

Apart from such productivity gains, there are additional benefits of reduced recruitment, training and administrative costs for these seasonal workers because of their vastly reduced turnover. Our seasonal workers stay for five to six months, and turn up every day for work. We also have a return rate of more than 75% for our seasonal workers, compared with less than 5% for backpackers. We now have a core harvest workforce of experienced, productive workers, and are not totally reliant on the whims of backpackers who are, after all, in Australia primarily to have a holiday.

And these are only the benefits to our business. There also all of the benefits for the seasonal workers and their families and communities, plus the benefits to our own communities as well – a “win-win-win” or a “win-win-win-win” situation when you include the whole issue of government to government engagement with the Pacific!

Susan Jenkin is the owner of Ironbark Citrus in Mundubbera, Queensland. Her business has participated in the Seasonal Worker Program since it was piloted. This post is the first in a series based on a presentation that Susan gave at the launch of the report [Australia's Seasonal Worker Program: demand-side constraints and suggested reforms](#) on 18 February at ANU.

Issues with the Seasonal Worker Program: an employer's perspective

By Susan Jenkin on March 5, 2015



The research report launched on 18 February at ANU, *Australia's Seasonal Worker Program: demand-side constraints and suggested reforms*, identified three main factors inhibiting a more rapid uptake of the Seasonal Worker Program (SWP): an over-supply of labour; concern about

the perceived costs and risks of participation in the program; and a lack of awareness about, or negative impression of, the program.

In this post, the second in a three-part series based on my presentation at the launch (read part one [here](#)), I will consider these factors from an employer's perspective.

An over- and under-supply of labour

There are two sides to the matter of over-supply. In the Central Burnett District of Queensland, where we are, there is both an under-supply and an over-supply of labour. We have an under-supply of reliable, fit, experienced Australian labour and an over-supply of unreliable and inexperienced backpacker labour.

During the height of our season, we have hundreds of backpackers knocking on our door and ringing us up asking for work. They, like the few Australians who apply, are often unused to manual labour and unfit mentally and physically for the hard physical work we have on offer, hence their very low retention rates. The expansion of the working holiday visa has also had the unintended effect of increasing the number of backpackers who work solely for my signature on their second visa application, often with no concern for productivity. In my [first post](#) I discussed the relative productivity figures of Australian and backpacker workers as opposed to seasonal workers: these numbers tell the story.

On top of this situation, there can be the additional problem of the illegal labour industry, which offers cut price labour. Our remoteness from major cities seems to mitigate against illegal labour, and may partly explain the spike in the use of the seasonal worker program in our relatively small area.

The costs and risks of using the SWP

Concerns about the costs and risks of using the program are very real. Farming in Australia is a pretty tough business. Our costs of production are very high, which makes it particularly difficult for businesses like ours because we are competing in a world market, and our major competitors have vastly lower costs of production.

Combine this with the fact that we are generally not price setters but price takers – although we try very hard not to be – as well as the influence of the value of the Australian dollar, and it can get very tricky to balance the books. Also, in horticulture we now have the wages component of our costs rising as high as 50%.

Using workers from the SWP is more expensive than local or backpacker labour, in both direct and indirect ways. These include:

- The “one off” cost in the approvals process to become an Approved Employer (AE).
- The compliance costs of ongoing reporting to the Department of Employment, particularly the labour market testing requirements and the preparation of recruitment and pastoral care plans.
- The employer contribution of \$500 towards the airfare costs of each seasonal worker, and the costs of getting the workers from their port of entry to the workplace, which is nowhere near covered by the \$100/worker contribution.
- The costs associated with paying upfront costs of about \$2,000 for each seasonal worker, and the associated risks of not being repaid should the worker abscond, or is unable to travel after this expense has been incurred.
- The costs of organising and providing accommodation and transport for seasonal workers.
- The costs of providing pastoral care, and of dealing with the inevitable health and welfare problems. For example, for us, any need for a seasonal worker to see a specialist involves the cost of a 400km round car trip and driver.

Most of these costs have never been quantified – an area warranting further research. I suspect some of them are greater than we all imagine and most AEs just put them in the “labour of love” category. But a lot of farmers are not willing, or just not able, to take on any extra cost burden.

When you combine these costs with the risks involved, and the commitment to provide work over a relatively extended period of time, balanced against the natural disasters that are part and parcel of farming, it all starts to look a bit less attractive.

A lack of awareness, and the reputation of the SWP

Promotion of the SWP has been a bit schizophrenic. There was initially a great reluctance to actively promote it because of the fear of appearing to promote the use of foreign workers over Australians. Should the Australian Department of Employment, charged with dealing with policy and issues surrounding the employment of Australians, be actively promoting the employment of foreign workers? Promotion was initially very “softly, softly”, to the extent that no one really knew it existed. I found out about the program when approached by a member of our local Tongan community who wanted to help people back home.

I really believe this fear of promoting foreign workers is still constraining effective promotion of the scheme. Yes, there is backlash in local communities. We had a couple of local contractors who had been using our chronic shortage of skilled workers to price themselves out of the market. They were most disgruntled when there was suddenly no longer a shortage, and actually tried to stir up dissent in our community. Such attitudes do exist, and do need to be addressed – you can’t avoid them.

Successful promotion of the program is essential. There are thousands of people from the Pacific and Timor-Leste ready, able and willing to come and work on Australian farms. All the participating countries are actively promoting their workers to the existing AEs, but there is no real point to this until you have got the Australian demand situation sorted out.

As to the reputation of the program, I unreservedly recommend the SWP for its ability to supply productive, experienced workers for our business. I do not ever want to go back to the situation where we were totally reliant on backpackers as

our labour source. I also don't know of anyone in our area who has tried using the scheme and not gone back the next year with a request for more workers. That is why the numbers are increasing to the point that, just recently, a limit on the number of workers that we can employ has been put in place.

Susan Jenkin is the owner of Ironbark Citrus in Munduberra, Queensland. Her business has participated in the Seasonal Worker Program since it was piloted. This post is the second in a series based on a presentation that Susan gave at the launch of the report, [Australia's Seasonal Worker Program: demand-side constraints and suggested reforms](#) on 18 February at ANU. The first is [here](#).

Reforming the Seasonal Worker Program: suggestions from an employer

By Susan Jenkin on March 10, 2015



In the previous two posts in this three-part series on the Seasonal Worker Program, I have discussed [my support for it as an employer](#), and outlined how the SWP has benefitted my business, [despite the costs and risks involved](#).

In this post I will outline some ways that the program could be reformed to more effectively meet the labour needs of participating employers, to reduce the costs, risks and administrative burden for approved employers, and to promote the program more successfully within Australia.

Meeting labour needs

Though it was unfortunate that the expansion of the working holiday class visa coincided with the introduction of the SWP, any radical change to the current visa system would be vigorously opposed by growers in our area.

- **The SWP needs to be expanded commensurate to the expansion of the working holiday visa.** Without this farmers will be left with less labour options.
- **Government resources are needed to stamp out illegal labour.** Illegal labour remains a significant problem in our industry as a whole. Everyone likes to pay less, and, because of the difficult economics of our industry, some people see it as their only viable option. While grower organisations are actively working to discourage the use of illegal labour, they need government assistance to stamp it out.

Reducing the costs, risks and administrative burden of participation

The SWP will be more popular if it is cheaper. Reducing the costs to growers of participating in the program will also reduce their financial risk. As a grower, I support the following reforms:

Remove the employer contribution towards all travel costs. While I know this is not the case for all seasonal workers, our workers earn very good money, in the vicinity of \$20,000 over five to six months, and get to claim all of their superannuation back on top of that. They have the capacity to pay for their travel costs, especially returning workers. Maybe sending countries could organise for returning workers to deposit their superannuation payout into a fund to set aside money for visa and travel for succeeding years?

The financial risk to employers of workers absconding should not be borne by the employers. Absconding workers are a result of a fault in recruiting, and the associated risk should be borne by those doing the recruiting.

Employers should be free to move workers as long as the workers agree. Farming is an inexact science. We cannot predict our labour needs to the day, and should have this flexibility to incorporate into our planning. This way we can ensure maximum work is offered to our workers.

Reduce the administrative burden on employers, in ways too numerous to list, but which include:

1. **Eliminate labour market testing.** This scheme was introduced because of a lack of suitable labour. If we could access suitable Australian labour, do you really think we would be going for a much more complicated and expensive option? If backpackers are allowed to gain a second year visa working in our area, doesn't this mean that someone in government has already made the decision that there is a labour shortage? Why are we forced to prove it over and over again?
2. **Standardise paperwork.** Forms should be designed so that basic information can be copied and pasted in one format. Forms should be brief and should not require information that is not actually going to be used! Recruitment plans should be submitted once per employer, and only resubmitted if information has changed. It would be nice to store our files in some form of cloud technology where we could directly input information as required.
3. **On-arrival briefings should be standardised.** There should be standardised and pre-prepared information provided to employers. Any

4. information that can be delivered before departure should be delivered then, in the workers' own language. Employers should be responsible for community and work-related briefings only.
5. **Dealings with government departments should be simplified.** Because of the number of government departments it would be nice to be able to source all our information in one place. Government departments do not like to speak on each other's behalf, leaving us to do the run-around. At a minimum, have a Department of Immigration staff member seconded to the Department of Employment to deal with all visa-related issues.
6. **Improve the approval process.** There is no excuse for this process to drag on for more than three months. Staff the program adequately to make this happen, and keep employers informed of the progress of their application.
7. **Remove the requirement to pay superannuation.** This whole process is a nightmare. It is not actually superannuation that we are paying, as the workers claim it back every year. It is an anomaly, and should be removed as a payment. It would be much easier to pay the workers directly or to put the money into a fund to cover the cost of airfares and visas for returning workers, thus lowering the employer's upfront payment costs.

Engage Australian employers and understand their priorities

The Seasonal Worker Program was not initially an employer-focussed program, despite the fact that employers are critical to its success! Sometimes I felt like an “essential evil”, someone to be audited, checked up on or “dealt with”, rather than a partner. If you want to promote to Australian employers, you need to truly engage with them – you need to understand their pressures and priorities.

- **An understanding, personal touch goes a long way.** We run our businesses very differently to the way a government runs its departments and rightly so, as we have very different priorities. It is very interesting though that some of the most engaging and effective promotion of the SWP that I saw was carried out by Ismenio Da Silva, former labour attaché from the Timor-Leste Embassy. Mr Da Silva travelled the length and breadth of Australia, talking with farmers about their issues.
- **Get more good, hard evidence on productivity gains.** The [only survey](#) that has been done is far too small to be relied upon. Use the more extensive [RSE data from New Zealand](#) [pdf], it tells the same story. It is much easier to convince farmers with hard economic evidence.
- **Get out into the regions and talk to employers.** Forget the seasonal worker conference, such conferences are basically preaching to the converted. Use those funds to get out into the regions and talk to employers. Ease off on endless capacity building in sending countries until you have better up-take

- in Australia. Otherwise you end up, for example, with situations where the few participating employers are constantly bombarded with promotions from sending countries. We need more employers, not more promotional activities. Similarly with the reports on increasing the participation of individual sending countries: the major constraint on their participation is a lack of Australian employers.

I think the Seasonal Worker Program is a great piece of policy that has huge potential. It already provides real benefits to businesses and our communities, as well as to workers and their communities and countries. I believe it can do even better in the future if it is expanded to meet the labour needs of the industries that use it, the costs and risks to employers are reduced and it is promoted more effectively among employers in Australia.

Susan Jenkin is the owner of Ironbark Citrus in Munduberra, Queensland. Her business has participated in the Seasonal Worker Program since it was piloted. This post is based on a presentation that Susan gave at the launch of the report, [Australia's Seasonal Worker Program: demand-side constraints and suggested reforms](#) on 18 February at ANU. You can see the other posts in the series [here](#) and [here](#), as well as perspectives from a recruiter for the program [here](#).

Information on the Seasonal Worker Program, including type of work and how to recruit, is available [here](#).

Benefits of the Seasonal Worker Program: a recruiter's perspective

By Grant Owen on February 26, 2015



My name is Grant Owen. I spent 25 years in HR before redundancy led me to start Owen Pacific Workforce to service the horticulture sector with professional seasonal worker harvesters. I currently have 160 workers on the ground in Australia.

People frequently ask my workers why they are in Australia. I tell them, “Do not say ‘I am here to pick fruit’, answer by saying, ‘I am part of a professional harvest crew’”, because there is a world of difference between the two.

Australians not familiar with the horticulture sector have very little understanding of the working conditions and operation of horticulture enterprises. Employment in this sector is often casual in the award sense, but it is by no means casual in the attitude sense.

Typically my clients will get orders from the big supermarkets several weeks in advance. An order for 2,000 trays of berries for 14 days hence requires a confluence of many favourable factors:

- Is there enough green fruit that is exactly 14 days from maturity?
- Will the weather over the next 14 days bring the fruit to maturity on that day? A day after or a day before might as well be a month.
- Is the watering and nutrition program correctly set to ensure the fruit will be ready on that day?
- Are there enough punnets, cartons, picking trollies?
- Will there be space in the cool rooms for 2,000 trays?
- Are the logistics set up to get the packaged fruit to the client within the required time frame?
- And finally, **the issue we have an interest in here**, will there be enough skilled pickers to collect the fruit, in the allowed time frame, at a cost that

- will enable the predicted profit margin to be made within the price agreed for the order?

The reality of life as a professional harvester

The image of grey nomads and foreign backpackers chatting amicably while lazily picking fruit in the sun between extended coffee breaks on the days when they are not sight-seeing or surfing, is not the true picture of piece rate work, at least not on any commercially viable farm I have worked on.

The professional seasonal worker harvesters that comprise my crews:

- Turn up on time, every day, rain, hail or shine.
- Reliably pick the right fruit. Their quality is consistent and dependable.
- Pack their fruit in accordance with the specifications of the current order, with the required number, orientation and weight of fruit in the punnet. If a punnet sampled by the supermarket upon delivery is outside specs, the entire order may be rejected, the fruit sold at a loss at the markets, and further penalties by the supermarket will certainly follow repeated rejections.
- Clean off damaged and second quality fruit to maintain the health and viability of the bush.
- Set a steady pace and maintain it hour after hour, week after week, delivering a predictable result for the farm.

Last season I stood by a chariot (which is a big covered trailer out in the field where the picker brings the fruit to be weighed, checked and recorded) and listened while a worker (not one of our seasonal workers) starting that day tried to tell the supervisor about his upcoming dental appointment and driving test and which days he would be available to come to work. His attitude was “this is when I can get to work and you will just have to work around that”. Multiply that by 800 workers and you get a glimpse of what a harvest manager’s life is like!

Then consider this scenario. One morning I awoke at 4.30am to hear heavy rain drumming down on the roof. After getting my crew of 40 seasonal workers onto the bus I observed, “Today you will prove how valuable you are because many of the backpackers working on this farm will hear the rain on the roof when they wake up this morning and they will go back to sleep!”

Sure enough, the next morning at 6am I asked the harvest manager about the previous day, and he said, “Your seasonal worker crew saved us yesterday. Only about one third of the backpackers turned up for work because of the rain. Without your workers we could not have filled our orders.”

No farmer wants to ring any of the major supermarkets and report they cannot fill an order. The supermarket will not be interested. They will just tell the farmer to fill the order or be penalised. That means making up the shortfall by buying fruit at market prices and filling the order at cost, or even at a loss.

Please note that I have no issue with backpackers. They fill a very important role in harvest. However, NZ research has found their average length of stay on any one farm is 5.2 weeks, so they never develop into professional harvesters. A sensible harvest labour strategy is to determine the absolute minimum requirement for the season, fill that space with reliable locals and seasonal workers who can be depended upon to turn up every day, and then meet the fluctuations above that, resulting from the ebb and flow of the crop, with backpackers.

The benefits of the SWP

In my experience, once a farm tries seasonal workers they like the results and increase their order next season. The reasons are both financial and operational.

From an operational perspective farmers quickly discover that having a professional harvest crew means that instead of spending every day scavenging hostels for backpackers, they are able to spend time developing their business because the harvest crews turn up reliably every day, get better as each week passes, and are there for the whole season.

From a financial perspective, if your best pickers are getting better, your piece rate is dropping. My experienced workers are picking at piece rates my clients never anticipated achieving two years ago, and as each year passes those rates are built into each succeeding budget. So, the seasonal workers become an essential part of the farm’s strategy to deliver the result.

Let me also say that whilst they are very important, speed and productivity are not the only measures of the success of seasonal workers. Seasonal workers are

also optimistic and cheerful. They appreciate the opportunity that has been given to them. They arrive at work in a good mood. They sing sometimes when they are working. They lift the spirits of everyone in the harvest team.

But the thing that makes a seasonal worker so successful is reliability and consistency. These are the “game changing” qualities that set them apart.

Let me observe here that the SWP must first and foremost run as a business. If the program is not commercially viable, it won't matter what else it is because it won't be sustainable. Some farmers get too close to their seasonal workers and lose sight of the commercial reasons for the program.

That is not to say I don't enjoy my role in the lives of my seasonal workers and try to help them when I can. I subsidise their purchases of computers, I assist them to start businesses at home and loan them money against wages to pay school fees. I have worked hard to set up a relationship with my bank in Tonga and Vanuatu to ensure that someone who knows about statutory declarations is available to help my workers fill out their super claim form when they go home, and to mail the completed documents to Australia. I bargain hard to get the best airfares and insurance deals for my workers, but I never lose sight of the fact that if my workers don't deliver a significantly better result than the other harvest workers, in six months I will be out of business, and they will be out of a job.

Grant Owen runs Owen Pacific Workforce. This post is based on his presentation at the launch on 18 February 2015 of the World Bank-Devpolicy [Australian Seasonal Worker Program: demand-side constraints and suggested reforms](#) report. In his next post, drawn from the same presentation, Grant turns to how the SWP should be reformed.

Reforming the SWP: a recruiter's perspective

By Grant Owen on February 27, 2015



I have read the report, *Australia's Seasonal Worker Program: demand-side constraints and suggested reforms*, of the research that has been done and I would like to endorse the findings and underline three changes

that, as an end user, I would particularly like to see made to the program.

First, **remove the requirement to pay superannuation** – the rationale for super just does not apply to seasonal workers, for the following reasons:

1. Super is a provision for retirement, which is entirely inappropriate for seasonal workers.
2. Super is a financial cost to the farm, an administrative burden to the Approved Employer (AE) (who now, with the advent of SuperStream, has to do all of the super fund's administration and pay fees to remit superannuation), and provides little benefit to the worker. The only real beneficiary is the government.
3. The prohibitive tax penalties that stop Australians accessing our super early also apply, perversely, to seasonal workers. So if they do collect their super they will find almost 60 per cent has gone to tax and fees. Super is often wasted, as seasonal workers are unable to collect it after they return home because they find the claim process onerous. For those who think I am exaggerating, I share the following text message, which I received just nine days ago. It is from a worker who accumulated a super balance of \$1,500 last season, of which around \$800 will have been taken by the government (15 per cent tax on deposit and 38 per cent tax at withdrawal) and fees, leaving about \$700 for the worker: *"Hi, Mr Grant happy new year (sic) to you and Mrs Owen, just to let you know that it's been 9 months now and I haven't received my super yet, no idea about it, Anyway it won't be possible because I still can't find my copy of my visa so it's very hard to claim my super. I just gave up hope, Regards (Signed)."* You will be pleased to know that we have since found the missing visa and forwarded it to the super fund, but I will not hold my breath waiting for the claim to be paid.

4. There are provisions in the Superannuation Guarantee Act that exempt employers from having to make super payments for certain employee groups. The principle is therefore established and needs only to be extended: either exclude seasonal workers from the requirement to pay super, as NZ has evidently done, or, at the very least, change the rules to allow all seasonal workers to accrue super in the payroll just like annual leave, which is then taxed as wages and paid out on termination. This will reduce compliance costs for the AE, deliver a fair tax to the government and deliver a fair share to the employee.

Second, remove the requirement for the AE to pay the first \$500 of the seasonal worker's airfares and internal travel costs.

1. This greatly inflates the cost of seasonal workers.
2. I was told these provisions were to "be fair to SWs". The focus of this program should be on making it commercially viable, not on trying to decide what is fair. In any case, the AE is already bearing a huge risk by paying for the airfares and visa costs up front without any guarantee of repayment. The crop might fail, or the worker might abscond and the investment will be lost. I have no protection against these perils. Surely that is sufficient share of the "fairness" burden?
3. The internal travel can be hundreds of dollars per person, often much more than the international flights.
4. The rules around domestic and international airfares can lead to different outcomes for the same journey. Consider this example of how these rules interact. Assume I recruit a worker from Tonga to work at a client's farm in Perth, and the international return flight from Tonga to Perth is \$2,000. If the flight's only stop-over is Auckland, the AE pays \$500 and the worker pays \$1,500. However, if that particular flight stops in Melbourne on its way to Perth, Melbourne becomes the end of the international leg and the beginning of the domestic leg, so the calculation of liability changes. Now the AE must pay \$1,500 and the worker only \$500.
5. From the start it has been a guiding principle that the Seasonal Worker Program (SWP) has to pay its own way, with no subsidy from the government. Let the seasonal worker also pay his or her own way, with no subsidy from the AE.

Finally, remove the requirement for the AE to undertake market testing.

1. Market testing is an insult to the farmer who requests seasonal workers. The farmer's request should be sufficient evidence that a genuine need exists and that there are an insufficient amount of reliable workers to fill the need.
2. If there is insufficient political will to remove market testing, at least reduce it to the first year. It is absurd to continue this onerous and time-consuming process after the first year for a "repeat" client. Having to do market testing in the second and subsequent seasons places a perpetual question mark over the scheme. The biggest selling point of the program is continuity of labour supply and accumulation of skill in the workforce. Yet the program rules require the AE to try each year to recruit Australians and put an end to the SWP! At the very least, market testing should be only required for the first recruitment plan. Subsequent recruitment plans for the same client should not require market testing.

The SWP is a success. Every farm that tries it embraces it after seeing the results. The barriers I have described mean that the scheme has begun to succeed in spite of those barriers, and removing them would open the floodgates.

And let us be realistic: if Australians wanted these jobs, and could do these jobs, they would be filled with Australians and we wouldn't need a SWP. But Australians don't want these jobs and they need to be done by someone. Seasonal workers are the answer.

Grant Owen runs Owen Pacific Workforce. This post, the second in a two-part series, is based on his presentation at the launch on 18 February 2015 of the [Seasonal Worker Program: demand-side constraints and suggested reforms](#) report. In his first post, published [here](#), Grant outlines the benefits of the SWP.

Too many backpackers: working holiday makers and the Australian horticultural industry

By Jesse Doyle and Darragh McDonnell on December 17, 2013



In our analysis of the Government's Pacific Seasonal Worker Program (SWP), we have been closely following [developments relating to labour shortages](#) (or lack thereof) in the horticulture industry. The scarcity of unskilled labour in horticulture was a key factor in the Howard Government's decision to allow

Working Holiday Maker (WHM) Visa holders to extend their stay conditional on spending three months working in a rural area.

This amendment has since flooded the rural labour market with backpackers keen on extending their visa and unintentionally weakened demand for SWP workers. In [an interview with the Devpolicy Blog](#) last year, the State Manager of MADEC Rob Hayes said, "the legislative change has pretty much rectified the issue of labour shortages in horticulture for unskilled workers."

In order to better understand what is happening in this industry, we've interviewed a backpacker from Ireland who has moved to rural Queensland in hope of extending his WHM Visa. Initially he moved with his Chilean girlfriend, but she has since relocated to Canberra for study. Darragh McDonnell shares his experiences of the difficulties involved with pursuing a visa extension in rural Australia.

Jesse: What initially made you want to get a WHM Visa for Australia?

Darragh: I wanted to come because there are a lot more opportunities in Australia than there are currently in Ireland or Europe in general. Australia has a lot going for it economically and there's a very high standard of living. I was

living in New Zealand last year and I spent the year there. I wanted to continue that, so when it expired Australia was the obvious next step.

Jesse: At what point did you decide that you wanted undertake rural work?

Darragh: I figured before our arrival that if we enjoyed it, we'd want to do a second year. I factored in pretty early that if I didn't manage to obtain some form of sponsorship, then we'd end up doing rural work. We hadn't really been travelling, so I wanted to make use of the obligation to do my three months of rural work.

Jesse: Why did you choose Queensland?

Darragh: I thought if I'm going to do this, I might as well see a bit of Australia at the same time. Queensland seemed like the obvious choice, being the most popular spot in Australia for backpackers. I would assume that it's probably got the highest volume of backpackers in Australia for regional work from Bundaberg to Brisbane and all the way up to Cairns. We ended up choosing Ayr.

Jesse: What was your initial experience upon moving up to Ayr?

Darragh: When we arrived, we moved into a hostel and we picked the one that was probably the most fun, but unfortunately the worst for obtaining employment. There was a capacity for 120 people at that hostel and there were about 120-130 people while we were there. The system they had there is that you typically go on a waiting list when you arrive, then as work comes you move up that list.

When I first arrived, I would have been no. 25 on the waiting list on day one. A week later, I went down to no. 17 and then a week after that I went down to no. 8. A few days after that I was no. 3 on the list. A few days later again, I checked the list and I was back to about no. 15 or 16. At that point, I thought this is the final straw. Eventually I left feeling very frustrated with them because they'll take on as many people as they can. It's pretty much a business. They're just happy to take people's money on a false promise.

Jesse: So, how much work were you offered over that entire period?

Darragh: In a period of four weeks, I got a total of nine hours work. I worked six hours planting rock melon and watermelon seedlings, and then did a similar day on the same farm for about three hours. That was the entirety of the work that that hostel provided to me.

Jesse: Was this in part due to the overabundance of backpackers in that region?

Darragh: There's definitely an overload of backpackers in that region. The absolute abundance means that they're considered extremely disposable. If a farmer decides he wants five people to work tomorrow and when they arrive that he only needs three, he can just get rid of them, knowing that he's got an unlimited list of backpackers that he can pick and choose from. It can certainly be disheartening.

Jesse: Did you get the impression that the hostels were knowingly taking advantage of backpackers?

Darragh: Yeah, I would say that. That's my experience, but there are other people there that were extremely lucky and they'd arrived a farm opened up and they actually got work immediately. It's certainly luck of the draw. However, I don't think that this particular hostel had a good reputation with the farmers and I think that the better the reputation obviously the more likely you are to get work. This hostel was well aware that it was consciously taking in people on a weekly basis with a very low likelihood of giving any of the work for an extensive period. They were also happy to do so because they had somewhat of a monopoly.

Jesse: If you were frustrated with the system, what made you stay for such a long period?

Darragh: When you've invested time and money in a place that's offered the opportunity of work, it's hard to leave. It's like going into debt and gambling, if you've spent a week's wages now then in another week you should have work, so you invest another week's wages. If you spend two week's wages then it's an investment in time and money and food and you kind of get the sense that if you leave now, then that's all been for waste because if you go somewhere else you'll be back at the bottom of the list

Jesse: Overall, has it been a difficult experience having to move to a rural area and work in horticulture in order to extend your WHM Visa?

Darragh: For me, I'm just doing it to extend my visa. It was difficult for us, because we were well established in Manly and had our friends and work there, but at the same time it's not the end of the world. I'm happy to get out of the city and see a bit of the country as well.

I think most people can find that it can be a bit of a burden at the end of their time. After three months you are pretty knackered because it is quite tiring and it is quite physical jobs and you're out in the heat often working seven days a week. Up here, there were some people that just finished their three months and you can tell that they're absolutely delighted to be done. I think for anyone if they were living in some of these towns, where you're extremely isolated, then after any period of time you're going to want to pack up and go.

Jesse: How important is the second-year visa as an incentive for backpackers to work on farms?

Darragh: In my opinion, the second-year visa is an essential incentive for the majority of backpackers to work on farms or even to work in more rural locations in Australia. From my experience, about 80 – 90 % of travellers working on farms are doing so simply to achieve the required number of days necessary to acquire their second year visa. That being said, there are also those who do it simply as a means to support their income and thus continue their travels, those who have already completed the required days but wish to continue due to their fondness for this type of working environment (over say working in a city-based bar or office) and also those who simply do not intend to make use of the second year visa, but are happy to pursue this type of employment as it can be considered unskilled and therefore does not require previous experience.

Jesse: In your opinion, what would be the implications of removing this incentive for backpackers?

Darragh: If this 'reward system' were to be removed I believe it would greatly reduce the number of backpackers actively searching for rural farm work but I do not believe that this would have an entirely negative effect on the

agricultural system. It would increase the demand for reliable farm-workers by shorting the supply and therefore it may allow those who genuinely wish to work on farms to do so, free of obligation. It is possible that the average backpacker may receive better working conditions, higher pay, avoid potential exploitation from hostel owners and in turn the farmer might benefit from having only the most eager and hardworking employees.

Jesse: Would moving to rural Australia to extend your WHM Visa be more attractive if you were able to undertake professional work?

Darragh: It could do. That would at least provide a lot more opportunities for both employers and backpackers, because you have a lot of people in these hostels that simply want to work. You're sitting around with qualified, intelligent people doing nothing all day. They want to work and they can't get work when they want it, so opening these types of opportunities would certainly spread the work more evenly.

Darragh has since moved to an area in the far north of Queensland and is receiving a full-time workload. His initial experiences whilst in Ayr aren't those of all backpackers, but they certainly provide an insight into how the WHM Visa amendment has impacted the horticulture industry.

Jesse Doyle is a Research Officer at the Development Policy Centre.

Why there isn't a labour shortage in horticulture: an industry perspective on backpackers and the Pacific Seasonal Worker Program

By Stephen Howes on October 16, 2012



Rob Hayes is a State Manager with MADEC, a large not-for-profit employment services company. In this interview, he talks with me about the prospects for the [Pacific Seasonal Worker Program](#), and what reforms are needed for it to expand.

Stephen: What does MADEC do in horticulture?

Rob: MADEC provides the National Harvest Labour Information Service. That's an Australia-wide service which informs people who are out there looking to obtain seasonal work where their best chances are of getting work. Anyone looking for work can contact us and we endeavor to find them work. We would probably forward them onto some of the regions that have their own government-funded harvest offices, or we deal directly with growers outside those areas.

In addition, MADEC is what's referred to as a sponsor under the Pacific Seasonal Worker Program. MADEC is probably the biggest sponsor in terms of the number of people that they have brought into Australia to work.

Stephen: A sponsor is an approved employer?

Rob: That's the new term.

Stephen: *How long have you been with MADEC?*

Rob: 4 years.

Stephen: *It's often said that the horticultural sector suffers from a shortage of labour. That was one of the justifications for introducing the Seasonal Workers Program. Is there a labour shortage in horticulture?*

Rob: Well, I would say categorically that there isn't a labour shortage per se. I could pretty much guarantee that we could find workers for anyone who is looking for them. Growers are saying that they have some issues with the quality of some of the workers that they can get. But on a strict definition I would say that there is not a shortage of seasonal workers for horticulture.

Stephen: *You said that if you're a grower you can find workers. If you're a backpacker, are you pretty much guaranteed being able to find a job as a fruit picker?*

Rob: It is more difficult than that. There's a lot of people out there. Demand, especially for the working holiday visa extension is large. So the environment now is fairly competitive. Certainly at the moment we would have an excess number of people contacting our call center looking for work than the jobs that we could place them into.

Stephen: *You mentioned that second year visa. In 2005, the government said that if you were a backpacker (or working holiday maker) and you worked for three months on a farm you could get a visa for a second year. What sort of impact you think that has had in terms of pushing backpackers towards the horticultural sector?*

Rob: Massive. I'd go as far as to say that almost single handedly that legislative change has pretty much rectified the issue of labor shortages in horticulture for unskilled workers. When I came on board about 4 years ago, we were just starting to see the impact of the visa. It was gaining momentum and the market was moving at that stage from an under- supply of seasonal workers to an over-supply. Around about 4 years ago when I started, that's when the market pretty much changed.

Today, we've got more backpackers than ever coming to the country and more of those backpackers are staying for the extra year.

Stephen: *What about in relation to quality? Is that second year visa encouraging backpackers to stick at the job so that they can do their three months and get the visa for a second year? Or is unreliability still a big issue with backpackers?*

Rob: Well, we've certainly found that there is more motivation for backpackers when they get some work to keep it, to get their three months or as much of the three months as they can. So we believe that as a whole they are more motivated and reliable than perhaps they would have been 4 or 5 years ago. But we certainly do hear from growers that still aren't happy with the productivity and the quality of the backpacker workforce that they have.

Stephen: *What scope do you think there is for the Pacific Seasonal Worker Program?*

Rob: I believe it will fill a niche in the market. There's a pretty well developed market through backpacker hostels where the hostels have a strong relationship, an individual relationship with particular growers. They service their needs. They provide accommodation. They provide transport. So that sits there as a separate segment of the market.

In a lot of the bigger horticultural areas there's quite an extensive range of contract labor providers. They provide labor sometimes based on ethnic groups, sometimes providing a mix of maybe backpackers or Australian residents. That's pretty attractive to growers as well. They come in, they supply all the labor. They look after work, cover super and all those sort of things. They can just pay one cheque and they depart.

It's a multifaceted labour market. The Pacific Seasonal Worker Program I think will fill a niche market that isn't addressed adequately by any of those other means of finding workers. It's not a cheap option. That probably rules a number of growers out to start with. We tend to place larger numbers of people into some of the bigger corporate farmers. Perhaps the dollar issue isn't as high on their list as productivity is.

Pacific workers will also do well in semi-skilled areas where you can get the real benefit of a returning workforce because you don't have to train them again. Where you're doing selective pick of apples or you're doing pruning – where you need to teach people – is where I think the Seasonal Worker program will really gain some traction.

I don't see in absolute terms the numbers really growing strongly. I think they'll just be a very slow, steady increase in numbers. That's probably what we saw during the later part of the pilot.

Stephen: *Are you noticing increased interest in demand?*

Rob: Yes we are. It's steady, not spectacular.

Stephen: *Some claim that a lot of illegal labour is being used in horticulture. Is that something you'd be in a position to comment on?*

Rob: The National Harvest Labour Information Service provides a feedback mechanism where people can both compliment and complain about issues associated with their employment. Certainly through that mechanism we hear regularly from workers. A lot of these workers are reasonably vulnerable because they don't have particularly good English skills. They're desperate to get their 3 months' work to get their visa extension. There is potential for them to be preyed upon by unscrupulous operators through underpayment of wages. It is possible that they're being offered pay rates that make it extremely difficult to earn a reasonable wage. There are other areas where it is likely or entirely possible that both workers and growers are operating illegally. I have no doubt that that is the case.

Stephen: *What does the government need to do to promote the seasonal worker program?*

Rob: We strongly believe that more enforcement, particularly of contractors and some growers in terms of just making sure that they agree to pay according to award conditions will make the seasonal worker program a lot more competitive on a dollar basis. At the moment with underpayment of wages, there's a significant differential if you source people through certain contractors compared to the Pacific scheme.

That would be my number one suggestion. That would certainly assist the scheme to get some traction. If they wanted the scheme to grow further, they probably need to have a look at the number of working holiday visas or the ability for people to get an extension which I think would have some pretty dramatic impact on growers.

You've got in horticulture a labour market with a number of different options. If you want to grow one part of the business, you probably have to look at curtailing or changing all the sectors of the market.

Stephen: *What should the government do with that second-year visa option for backpackers?*

Rob: You need to be very careful, because once you start expanding the work categories for your visa extension, any sort of horticultural work is pretty much going to be at the bottom of peoples' choice. If you can get a visa extension by working in hospitality or retail or any of those other businesses, the vast majority of people will choose those before they go out into the paddock to pick and pack crops. So you do need to be careful. But I think there is some merit given the number of people that are out there looking for work at the moment in maybe increasing the visa extension to regional hospitality and tourism. I think that would probably be a reasonable outcome. I don't think that would diminish the workers to such an extent that agricultural growers couldn't find people to do their work.

Stephen: *Is the Seasonal Worker Program flexible enough?*

Rob: Right now, there is more flexibility in terms of the duration that the workers have to be in the country. It used to be 4 months, now it's 14 weeks. That certainly is an improvement, but it is still a major issue. Most agricultural crops that require picking have a fairly defined, relatively short season. There are some fairly high costs in getting people into and out of relatively remote parts of Australia. Even with the changes to the scheme, it's still a challenge to service some segments when your workers have to basically have three months of pretty solid work.

People say, "You can ship them and move them," and that's theoretically correct. But when you look at the issues of doing that, it's never that easy. You

need to book some accommodation. If you're moving them somewhere, you need to say, "What time are you going to start?" They're not quite sure. And where they're working already will determine when they're going to finish, and they don't quite know that. From a logistical point of view it's difficult. Unless we're really forced to, we probably wouldn't take people on the basis of having to move them from job to job while they're here. It's just too difficult.

The [Pacific Seasonal Worker Program \(SWP\)](#) allows growers and labour-hire companies to bring Pacific Islanders to Australia on a temporary basis to work in the horticultural sector. For more analysis of the low take-up under the SWP pilot, see this [Devpolicy post](#) and [discussion paper](#). Other blogs in the series can be found [here](#).

Stephen Howes is Director of the [Development Policy Centre](#).

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.

Australia's Pacific Seasonal Worker Pilot Scheme: why has take-up been so low?¹

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

1. Introduction

International labour mobility is increasingly recognised as central to the debate on international development and poverty alleviation (Clemens 2008). The economics of labour mobility are simple. 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 (Winters et al. 2005). The migrants themselves will gain from the much higher wages they will receive, the sending countries will benefit from the remittances the migrants send home, and the receiving countries will benefit from the injection of low-skill labour. International labour mobility is especially important for the Pacific island countries, many of whom have few alternative economic opportunities (World Bank 2011).

Seasonal migration programs involving unskilled or low-skill labour have been recommended as one of the most promising ways to enhance the development benefits of migration by international organisations (UN 2004; GCIM 2005; World Bank 2006), national governments (House of Commons International Development Committee 2004) and academics (Amin 2005; Koettl 2006; Pritchett 2006; Rodrik 2007; Winters et al. 2005). Such programs are widely used in the developed world and are increasingly seen as offering a potential “triple-win” – benefiting the receiving country, the migrant and their country of origin (McKenzie and Gibson 2010).

New Zealand's seasonal migration program, known as the Recognised Seasonal Employer (RSE) program, is considered best practice. It was introduced in April 2007 to solve the long-standing seasonal labour shortage in New Zealand's horticulture industry and to boost the economic growth and productivity of this sector, while contributing to New Zealand's broad development objectives in the Pacific region (McKenzie 2010; Ramasamy 2008). The policy has successfully addressed seasonal labour shortages with roughly 7,000 RSE workers employed annually. Employers are reaping the benefits associated with having reliable and more productive workers (IMSEAD Research 2010), and the financial gains of the transient workers are making a positive difference for their families and communities (McKenzie 2010).

By contrast, Australia's Pacific Seasonal Worker Pilot Scheme (PSWPS), which began in August 2008, has had a limited uptake despite prior claims of acute worker shortages. In the first year (2008-2009) only 56 visas were issued compared to the 100 visa cap for that year. Numbers increased to 67 in 2009-10 and, more dramatically, to 392 in 2010-2011. As of March 2012, another about 590 had arrived. Although the pace of arrivals is increasing, the cumulative total of just under 1,100 Pacific arrivals under the Pilot Scheme up to March 2012 is well below the 2,500 cap which covers the period up to June 2012.

Nearly all the arrivals so far – over 80 percent – have been from Tonga. Other countries sending workers into the scheme – PNG, Vanuatu and Kiribati – have between them sent just over 200 workers.

On December 19, 2011, the Australian Government announced that PSWPS would be made permanent. However, no changes in the scheme or in any other regulations were announced. Unless we understand why the take up of the scheme has not been higher, the risk is that its positive impact will continue to be tiny.

This study represents the first attempt to understand the low take up of the Pilot Scheme. Both quantitative and qualitative information is used, including interviews with stakeholders and participants, and a survey of growers. The focus is mainly on Australia. While the NZ experience is a useful reference point, a full comparison between the two schemes would be a separate research project.

The paper is organised into six sections. The next section discusses the evidence for the benefits of migration, and outlines Australia's PSWPS. Section 3 outlines the methodology of the research, and illustrates the research problem within a demand and supply framework. Section 4 contains the key results of the growers' survey. Section 5 discusses the results in relation to the hypotheses of Section 3. Finally, Section 6 concludes and provides some policy recommendations.

2. Literature Review and Background

2.1 Labour Mobility

There is strong evidence showing that labour market restrictions are one of the largest distortions in the global economy, imposing a greater burden than all remaining trade restrictions (Bank 2006; Clemens 2008; Winters et al. 2005). Hamilton and Whalley (1984) were one of the first to estimate the large potential gains from increasing labour mobility. They used a general equilibrium model to estimate the output gains from the removal of immigration controls in high-wage countries, resulting in the equalisation of the marginal value of labour across countries. The estimated annual global gains were in the range of 60 to 200 percent of World GDP in 1977. Klein and Ventura (2004) estimated complete labour liberalisation in OECD countries would increase world output by up to 172 percent. Iregui (2003) distinguished between skilled and unskilled workers, estimating large worldwide efficiency gains with full liberalisation of both skilled and unskilled labour markets, ranging from 15 to 67 percent of world GDP.

More recent modeling has analysed the benefits of more realistic migration reforms. Walmsey et al. (2005) used a general equilibrium model to examine the effects of increasing temporary workers' permits by 3 percent of industrialised countries' current skilled and unskilled workforces. They estimated a US\$156 billion increase in economic welfare annually (at 1997 prices). As one would expect, the projected gains were much larger for movement of unskilled workers than skilled workers. More recently the World Bank (2006) estimated that the same 3 percent rise in rich countries' labour forces would deliver a benefit of US\$305 billion a year to citizens of developing countries and \$51 billion gain to rich-country residents (at 2001 prices). This was almost twice the combined annual benefit of full trade liberalisation (US\$86 billion), foreign aid (US\$70 billion) and debt relief (US\$ 3 billion in annual debt service savings).

Despite the caveats associated with general equilibrium estimates, it is widely accepted that the differences in productivity and wages across the world are so large that increasing international labour mobility offers huge rewards. In the words of Rodrik (2007), "If international policy makers were really interested in maximising worldwide efficiency, they would all be busy at work liberalising immigration restrictions."

For migrant-sending countries, the largest economic benefit from migration is remittances: aggregate remittances are more than twice the size of international aid flows (The World Bank 2006). There is increasing evidence that remittances have a positive impact on economic development and welfare (Rapoport & Docquier 2005; The World Bank 2006). Remittances may contribute to poverty alleviation (Adams 2006; International Monetary Fund 2005), the diversification of household income and consumption smoothing (Balli & Baili 2011; World Bank 2006; Yang 2007). Studies show that remittances help facilitate human capital formation by improving access to education (Cox-Edwards & Manuelita Ureta 2003; Lopez-Cordova 2006; Yang 2003) and health (Hildebrandt & McKenzie 2005). Remittances also lead to increased savings and investment (Osili 2007; Ozden & Schiff 2006) and stimulate entrepreneurial activity (Dustmann, C & Kirchkamp 2002; Mesnard 2004). Beyond the household, there is evidence that remittances provide a critical source of foreign exchange and improve macro-economic stability (Adams & Page 2004; Ratha 2003).

Remittances are the lifeblood of many Pacific families (World Bank 2006). The amount of remittances sent to the Pacific totaled US\$470 million in 2008, primarily from Australia, New Zealand and the US (Australian and New Zealand Government 2010). Some Pacific countries are the world's highest recipients of remittance flows relative to the size of their economies; remittances comprise 36 percent of Tonga's GDP and 26 percent of Samoa's GDP (OECD cited in Australian and New Zealand Government 2010). The World Bank has recently called for a reduction in the Pacific island region "in barriers to increased flows of short and eventually, longer-term or permanent migrant workers to large markets", such as Australia (World Bank 2011, p.16)

Despite mounting evidence that supports the benefits of at least unskilled migration from developing countries, relaxing restrictions on labour mobility remains highly controversial in developed countries. Migrant-receiving countries worry about the costs of assimilating workers and their families, with concerns that migration will exacerbate inequality, create a burden on the welfare state, change culture, and increase crime (Pritchett 2006; Ruhs 2006).

2.2 Temporary Migration Programs and Seasonal Agricultural Labour Schemes

Temporary migration programs (TMPs) appear to offer a way forward. TMPs are argued to be more politically palatable than permanent migration as they balance the benefits to the sending-countries with recipient-country concerns (Clemens 2008; Pritchett 2007). Since migrants are temporary, issues in relation to citizenship and culture are side-stepped, and, since they come to fill established vacancies, concerns about welfare-dependence and labour displacement can be set aside (Ruhs, 2005).

Seasonal agricultural labour schemes are unskilled TMPs. Almost all OECD countries have such seasonal schemes. See Table 1 below for a summary. Studies show contrasting experiences and some scholars remain skeptical. Critics of these programs raise concerns that workers will over-stay and/or reduce domestic wages (Borjas 1994; Dustmann 2000). Others raise concerns over possible exploitation of workers and the possibility that workers may not earn enough to make it worthwhile (Mayer 2005). These arguments are based on the fact that many of the past TMPs failed to meet their stated policy objectives, while generating a number of unanticipated consequences – most notably the *Bracero* program in the US (1942-64) and the German *Gastarbeiter* program (1955-73) (Ruhs 2006). Advocates, on the other hand, argue that the problems can be overcome and that the rewards for trying are large enough to make the effort worthwhile. It is accepted that a significant degree of government involvement is required (Luthria 2011; Ruhs 2006).

Table 1: Seasonal agricultural labour schemes

Scheme	UK: SAWS	US: H-2A	Germany	Canada: SAWP	NZ: RSE
Maximum stay	6 months	1 year (can be extended twice)	3 months	8 months	7 months
Annual number	16,250 (2005)	45,000 (2002)	260,000 (2001)	18,000 (2004)	7,1000 (2010)
Recruitment	Students from non-EU countries	No restriction on country of origin	12 bilateral agreements with Central and Eastern European countries	Bilateral agreements with Mexico and Caribbean	Bilateral agreements facilitate recruitment from a number of Pacific island countries
Workers tied to one employer?	Yes	Yes	Yes	Yes	No
Who pays transport costs?	Worker	Employer	Negotiable	Cost shared 50/50	Cost shared roughly 50/50
Free housing?	Yes	Yes	No	Yes	No
Comments	High overstay rate 4-10%	High reporting of abuse		High return rates	Seen as best practice

Source: World Bank 2006

New Zealand's Recognised Seasonal Employer (RSE) program was launched in 2007 with a focus both on development in the Pacific and on benefiting employers at home. Large numbers have participated in the scheme from the start (see Table 2), mainly from the Pacific though a portion of Asian workers are also recruited under this scheme.

New Zealand, and indeed the world more broadly, view the RSE as a success. An evaluation conducted by the New Zealand Department of Labour concluded that "overall, the RSE Policy has achieved what it set out to do" (Evaluate Research 2010). The policy is found to have provided employers in the horticultural industry with access to a reliable workforce, with productivity gains emerging as workers return for subsequent seasons. The problems which can sometimes afflict TMPs were avoided: "The evaluation finds little displacement of New Zealand workers; almost all workers have returned, with overstay rates below 1 percent; and concerns about worker exploitation have at most arisen in a couple of isolated cases" (Evaluate Research 2010).

Participating in the RSE has had positive outcomes for seasonal workers and their families. Gibson and McKenzie (2010) conducted a multi-year evaluation to measure the impact of participation in this program on households and communities in Tonga and Vanuatu. Using a matched difference-in-differences analysis based on surveys

conducted before, during, and after participation, the authors find that the RSE program had a large positive development impact. Specifically, they found that per capita incomes of RSE households increased over 30 percent relative to the comparison groups in both countries. RSE households accumulated more assets, doubled the rate of home improvement and increased savings. Participation in the RSE increased household's subjective standard of living and resulted in additional benefits at the community level such as increased child schooling. Community leaders are overwhelmingly positive about the policy (McKenzie 2010).

“These results make this seasonal migration program one of the most effective development interventions for which rigorous evaluations are available” (McKenzie 2010; see also Maclellan 2008). The program is now being heralded as international best practice, a model for other countries to follow (International Labour Organisation 2011).

2.3 Australia's PSWPS

The Pacific Seasonal Worker Pilot Scheme (PSWPS), announced in August 2008, runs until June 2012. In December 2011, the Government announced that the PSWPS would continue as an ongoing program, the Seasonal Worker Program. The potential for the scheme was seen as huge. A June 2008 conference of stakeholders organized by the Lowy Institute on the scope for “an Australian seasonal work visa scheme for Pacific islands labour” noted that “20,000 workers would be required in the horticulture sector” (Hayward-Jones 2008, p.2).

In the first two years, only 123 workers arrived. The scheme has gathered momentum since. Yet, the cumulative number of arrivals – 1,093 up to 28 March 2012 – is still a very small number whether judged by the cap set on total pilot numbers up to June 2012 (2,500), or by total employment in the horticultural sector,² or by the 7,000 mainly Pacific islanders now working every year in New Zealand under the RSE.³

² Estimates of the size of the Australian horticultural labour force vary, but a commonly-cited figure is 108,000.

³ The value of horticultural production is higher in Australia than in NZ: \$8.4 billion in 2009-10 (DAFF, 2012) versus about \$NZ4.7 billion in 2008 (Horticulture New Zealand 2012). Presumably, therefore, the total Australian horticultural labour force is also much larger.

Table 2: Annual number of seasonal workers in Australia and NZ

	2007-08	2008-09	2009-10	2010-11
New Zealand (RSE)	4,451	7,695	6,895	7,052
Australia (PSWPS)	-	56	67	392

Source: PSWPS information from DEEWR; RSE from Immigration New Zealand (2011)

Note: These are financial years from July to June. Another 591 workers arrived up to 28 March 2012.

There is a high degree of government oversight of the scheme. Two departments are involved in administering operational aspects of the scheme, the Department of Education, Employment and Workplace Relations (DEEWR) and the Department of Immigration and Citizenship (DIAC). Pacific workers work for Eligible Growers but are employed by Approved Employers (AEs), who might themselves be growers or otherwise labour-hire companies. When an organisation is found suitable as an AE, it is offered a Special Program Agreement from DIAC and a Deed of Agreement from DEEWR. Every time an AE wishes to hire workers, it needs to conduct labour market testing (by lodging vacancies with Australian government employment services for a period of two weeks) and submit recruitment and pastoral care plans. Eligible growers are inspected to ensure compliance with accommodation and other requirements.

AEs place workers with Eligible Growers and are responsible for: pastoral care; ensuring the appropriate accommodation is available; costs including wages, superannuation, worker compensation, state taxes, a portion of the workers' return airfare (see footnote 5 for details) and domestic travel; recruitment; monitoring; administration including submissions to recruit, pastoral care plans and monthly reports; and lastly complying with workplace relations, immigration and occupation health and safety laws.

AEs can recruit directly or can work with Pacific governments to recruit workers as per arrangements specified in Memoranda of Understanding (MoUs) between the Australian Government and other participating governments. About half the seasonal workers to date have been recruited from work-ready pools, which are organised by the sending-country government (DIAC 2011c). PSWPS workers are paid either an hourly rate and/or a piece rate depending on the AE contract.

Horticulture award rates set the minimum full time hourly wage at \$15.51 (as of July 2011) with a 25 percent casual loading rate bringing it to \$19.39 per hour. If workers are paid a piece rate, they are paid at least 15 percent more per hour than the minimum hourly rate (DEEWR 2010a).

Until recently, only Vanuatu, PNG, Tonga and Kiribati were approved as sending countries, and most workers have come from Tonga (607 out of 726 up to November 2011). In September 2011, Nauru, Samoa, Solomon Islands and Tuvalu were also approved as sending countries. From July 2012, when the PSWPS becomes permanent, Timor Leste will also become a sending country.⁴ Workers who participate in the RSE are not eligible for the PSWPS.

The rules around the PSWPS began to be revised in late 2009. The first changes were to allow any organization, including a grower, to apply to become an Approved Employer (initially only labour hire companies had been eligible to be AEs) and to remove the initial geographical restriction which limited the PSWPS to the Swan Hill–Robinvale and Griffith regions. Guidelines were further revised in December 2010 in response to an interim evaluation. Previously the guaranteed minimum amount of work required was 6 months work at 30 hours per week, but now AEs have an additional 2 options: 5 months work at 35 hours per week and 4 months work at 38 hours per week. Changes to cost sharing were also introduced. AEs are still required to pay the international return airfare upfront, but now recoup a variable amount of the cost from the worker depending on their nationality, rather than half for all workers.⁵ Lastly, AEs previously paid all domestic transport costs; now they can recover up to \$100 for domestic transport from each PSWPS worker (DEEWR 2010b).

There is a dearth of public information and research on the PSWPS. The Australian Government commissioned an interim evaluation, but only the Executive Summary has been made public (TNS Social Research 2010).⁶ An evaluation of the development impacts of the Australian PSWPS is positive (Gibson and McKenzie, 2011), as are most

⁴ Timor Leste already has access to a pilot program in relation to tourism in Broome, WA.

⁵ For example, 50% for Tongans, 80 percent for ni-Vanuatu, 35 percent for i-Kiribati, 55% for PNG workers. Employers pay a smaller ratio for workers from countries with higher airfares.

⁶ A final evaluation was to be completed in August 2011, but, if it has been done, it has not been released (TNS Social Research, 2010).

reports from farmers who have used the scheme. Ball et al (2011) assesses how the PSWPS manages the risks of exploitations, and is generally favourable. There is some commentary in the media and some initial analysis (Malaulau 2010; Mclellan 2010) as to why the scheme's recruitment has been disappointing, but there is no systematic analysis. In particular, there is no research on growers' perspectives or experiences. Given that the scheme is demand driven, appreciating the point of view of growers is critical to understanding the constraints on and problems with the PSWPS.

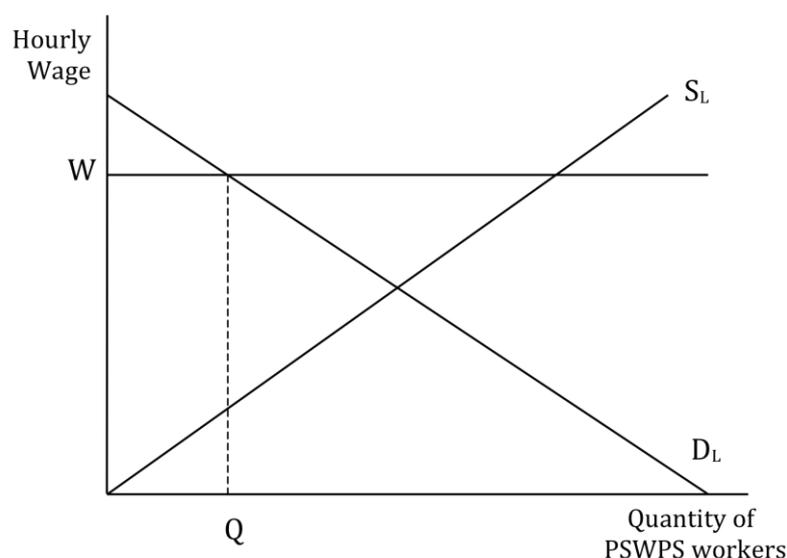
3. Methodology

3.1 Research Framework

The market for PSWPS labour can be situated in a simple supply and demand framework. As discussed above, the price of hiring a worker under the PSWPS is fixed. The way the scheme was anticipated to work is shown in Figure 2, which shows the envisioned annual demand for and supply of Pacific seasonal workers. Note that the demand curve is downward sloping, implying that seasonal and local workers are imperfect substitutes.⁷ The PSWPS wage is defined as the wage paid by employers. Thus it includes the wage provided to the employees (defined by minimum wage conditions), but also travel, pastoral care, co-ordination and compliance costs. At the prevailing "all-in" wage, it was expected that there would be excess supply of PSWPS workers – hence the reference to the scheme being demand driven. In an uncapped scheme, demand at the wage would determine take-up. With a cap, there is the possibility that demand would exceed the cap, in which case there would need to be some form of rationing. For simplicity, and consistent with what has happened, we assume no rationing. A pilot which indicated that there was large potential for a seasonal worker program in Australia would be one in which, among other things, Q was roughly equal to or above the scheme cap (or its annual equivalent). More generally, a successful pilot would be one in which Q was large.

⁷ This means that the employer does not regard PSWPS and other workers as perfect substitutes. If (s)he did, then the demand for PSWPS workers would be flat, as any increase in the wage above that paid to other workers would eliminate demand for PSWPS workers.

Figure 1: The envisioned market for PSWPS labour



However, in fact, at the fixed price there was either very little demand for Pacific seasonal labour or very little supply. Why?

The following sub-sections distinguish and explain the different demand- and supply-side hypotheses that could explain the low take-up of the scheme to date. Part of the value of this approach is to set out, in a rigorous manner, the different explanations that have been put forward casually from time to time, and categorise them. The hypotheses are then tested using a mixture of quantitative and qualitative information.

3.2 Hypotheses

A. The current labour supply for the horticultural sector is adequate and therefore there is no demand for PSWPS labour

(A.1) The horticultural sector is not facing a long-term labour shortage or labour quality problem

The PSWPS is just one of at least five different possible ways growers can meet seasonal labour demand. The PSWPS competes not only with domestic employment arrangements, but with other migrant categories, including Working Holiday Makers (subclass 417 and 462) to which Pacific Islanders do not have access,⁸ New Zealanders

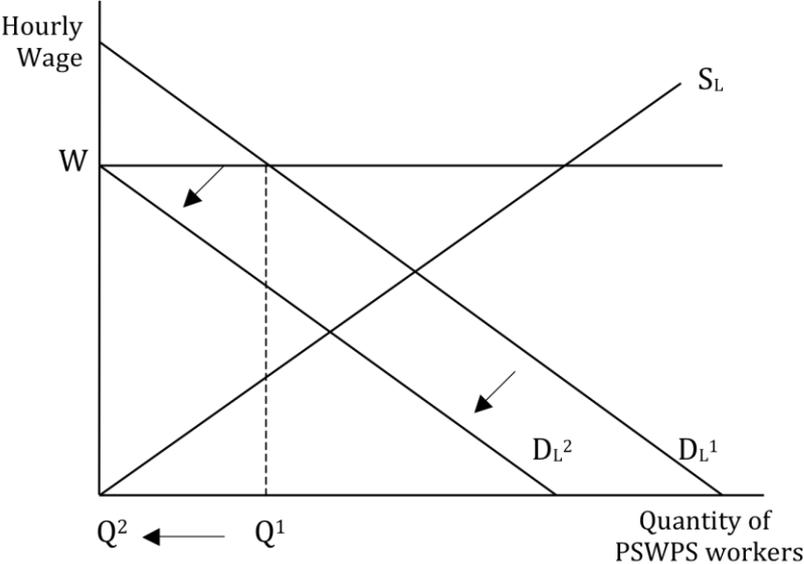
⁸ There is one minor exception to this generalization. See Appendix 2 for details.

under the Trans Tasman arrangement, international students (visa subclass 572, 573 and 574), and also undocumented workers. There is a large and growing presence of overseas workers and undocumented workers in the Australian horticulture industry (DIAC 2010, 2011a, 2011b).

Figure 2 shows what could happen with a smaller aggregate labour shortage than envisaged. With a much lower demand curve for Pacific workers, it is possible that, at the fixed wage, there would be little or no demand. Given that the scheme is demand driven, this would explain why so few PSWPS workers have been employed.

It is also often argued that an advantage of PSWPS workers is their higher quality. For example, unlike backpackers, they are reliable, and will stay till the job is done. However, if in fact employers are more satisfied with the quality of their labour supply than was envisaged, again the demand for PSWPS workers would be reduced, and the effect illustrated in Figure 2 could be observed.

Figure 2: The low take-up of the PSWPS explained through insufficient demand



(A.2) The global financial crisis (GFC) increased labour supply in horticulture

The PSWPS was announced in August 2008, in the midst of the global financial crisis. It has been argued that the subsequent economic downturn over 2008 and 2009 increased labour supply in the Australian horticulture industry and reduced demand. On the supply side, unemployment rates increased and it is possible that the availability of domestic workers meant growers were unable to demonstrate unmet local labour demand. Overseas Working Holiday Makers also increasingly entered the labour market due to unemployment (TNS Social Research 2010). The effect of this would again be as per Figure 2, the difference being now that this slump in demand should only be temporary as it was driven by the GFC.

B. Reputational factors have reduced PSWPS demand

(B.1) The scheme in general has a poor reputation

It has been suggested by some that the scheme has a poor reputation amongst growers, that insufficient information is available about it, and that it is perceived as being costly and onerous. Confusion over conditions and obligations, and uncertainty over the economic benefits and productivity gains may all contribute to the scheme's negative reputation (Malaulau 2010). Growers also remain uncertain over the continuation of the scheme. It was introduced as a pilot – involving a small number of workers over a finite period – so that the program could be evaluated before expansion. But then, if growers are not assured the program will continue, they may not invest in it. Finally, it has been argued that reservations and antipathy towards the scheme spring from the departure it represents from Australia's tradition of non-discriminatory and permanent migration (Millbank 2006).

If any of these factors were to hold, it would again reduce demand for Pacific labour, as per Figure 2, this time not because there is no aggregate shortage, but because of grower reluctance to respond to any shortage by turning to the PSWPS. Note that an extreme case of this hypothesis, and one which turns out to be important for the study, is that growers might simply not have heard of the scheme. Lack of a reputation will have the same demand-suppressing effect as a bad reputation.

(B.2) The forced use of labour hire companies is perceived as a risk

The PSWPS gives AEs the exclusive responsibility for recruiting, employing, and placing the Pacific seasonal workers. Growers have no discretion over the nature of employment arrangements, which are dictated by government (MacDermott & Opeskin 2010). Until the end of 2009, growers could not be AEs. Rather, they had to be labour hire companies. It has been argued that labour hire companies have a poor reputation in the eyes of the growers (Newton cited in Callick 2010) and that any scheme which mandated their use would be inflexible, costly and unresponsive to fluctuations in the demand for labour (Malaulau 2010). Thus, the argument runs, growers have been unwilling to use labour hire companies and demand for PSWPS workers has been reduced.

(B.3) Pacific Islanders have a poor reputation

It has been said that growers have antipathy towards engaging with the scheme due to reservations over Pacific workers. The work ethic and productivity levels of Pacific seasonal workers are unknown to Australian growers. Pacific seasonal workers are removed from their familial context, community responsibilities and obligations. This may create a greater vulnerability to inappropriate, disruptive behaviour such as alcohol abuse, which was initially a problem for New Zealand's RSE program (IMSEAD Research 2010). Therefore, it has been suggested, growers may be unwilling to risk contracting PSWPS labour.

These various reputational factors would have the same result, illustrated in Figure 2, of a downward shift in the demand curve for PSWPS labour, and therefore, at the fixed wage, a reduced take-up.

C. The costs of the scheme are too high

(C.1) Expensive conditions and excessive red tape make the scheme uncompetitive

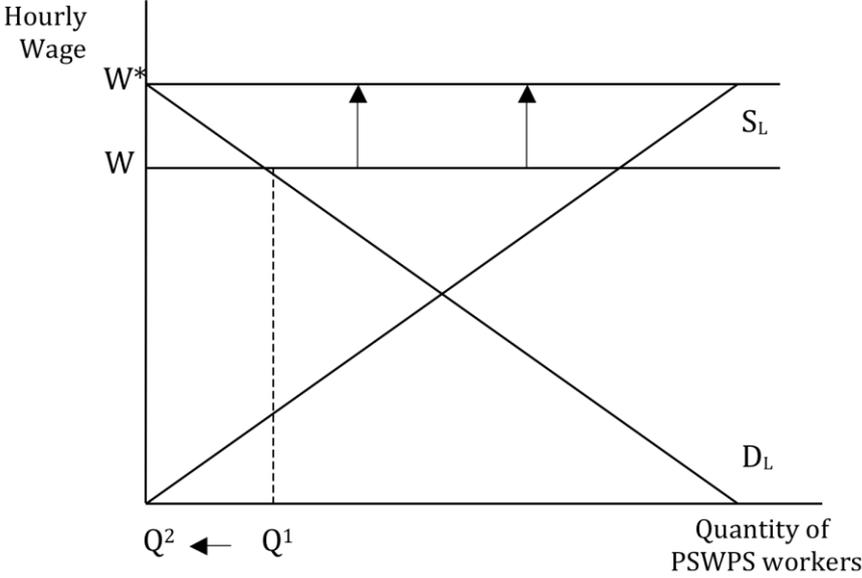
Traditionally the horticultural industry has been subject to limited regulation and has relied on a highly casual and transient workforce. However, the pilot scheme has a high degree of centralised government control and oversight to ensure minimum standards are met and the risk of adverse outcomes is minimised. Regulatory control comes from

intergovernmental agreements, government departments, local advisory bodies, and AEs (TNS Social Research 2010). As a result, it has been argued, the very web of regulation and micro-management to protect Pacific workers has made the employment of PSWPS workers unattractive. This argument has two aspects.

First, the minimum wage conditions, pastoral care requirements and travel costs may push the costs up of hiring seasonal workers relative to other types of labour, where travel costs do not need to be paid, and minimum wage conditions may be violated. These costs can be predicted, but if the demand is less than predicted (as in Figure 2), perhaps because the wage paid to other sources of labour is over-estimated, then the high wage would become the binding constraint, and the reason for sparse take-up.

Second, red tape (the costs involved in making applications and reporting to the government) creates high entry barriers and increases the cost of employing PSWPS workers. If compliance costs were higher than expected, as has been suggested, then the effective costs of the scheme would increase from W to W^* . This would reduce or even eliminate demand, as Figure 3 shows.

Figure 3: The low take-up of the PSWPS explained through high costs



Note: W is increased to W^ by red tape or coordination costs*

(C.2) Coordination costs are high due to fragmentation in the horticultural industry

The horticultural sector is fragmented and diverse. It comprises over 140 different horticultural products and market conditions and regulations vary substantially across states (Horticulture Australia Limited 2010; Maclellan 2010). It has been argued that this fragmentation has increased both the fixed set-up costs and the variable ongoing costs for labour hire companies, increasing the cost of Pacific seasonal workers. It has been also argued that the small size of the pilot schemes and the small number of workers employed over vast distances, with the required close management of workers and the absence of economies of scale, has increased coordination costs (Ball 2010). In a similar vein, it has been argued that the fragmentation within the horticulture industry reduced the cost effectiveness of the scheme and the labour hire companies' quality of service, reducing the commercial viability of the PSWPS and resulting in low demand for PSWPS labour (Malaulau 2010).

Again, this sort of argument can be understood with reference to Figure 3. Excluding coordination costs, there would be enough demand to fill the target visa quota. However, the coordination costs of using the PSWPS (having to move growers from one farm to another, and having to coordinate the picking seasons of several farmers) raise the effective hourly wage attached to PSWPS workers, again as per Figure 3, reducing or even eliminating the demand for PSWPS workers.

D. The scheme is not attractive enough to Pacific workers

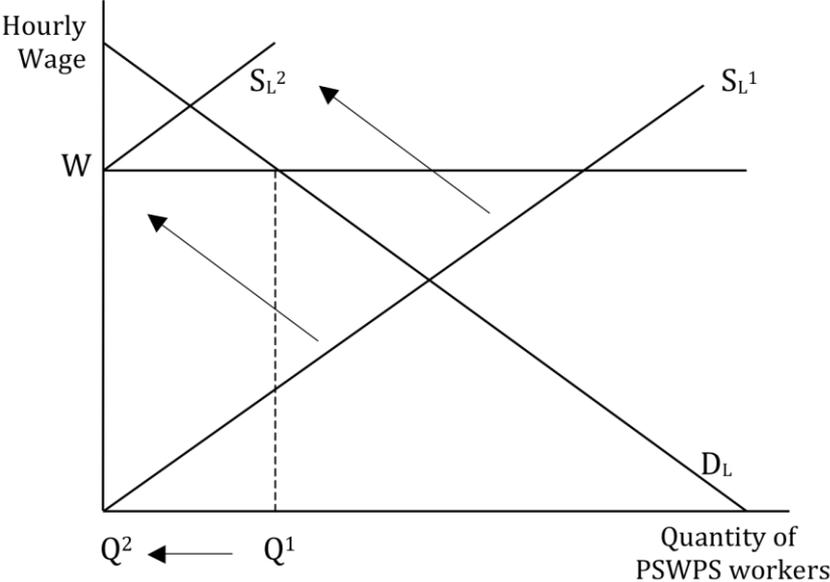
(D.1) Tax rules and the high cost of remittances have made the scheme uncompetitive for PSWPS workers

Until a change introduced very recently, which brought this rate down to 15 percent, Pacific seasonal workers fell into the non-resident category and were thus taxed at a flat rate of 29 percent. By contrast, a concessional tax rate of 13 percent is applied to Australian residents working as harvest labour (Australian National Audit Office 2005). Furthermore, workers who fail to work for 6 months during the seven-month visa period may fail to meet the tax criteria set for them, and be subject to a 45 percent tax penalty.

Additionally, the costs of remitting money from Australia to the Pacific are amongst the highest in the world. The average cost of remitting money from Australia, across all remittance corridors to the Pacific Island countries, according to one estimate, is 21.7 per cent of the amount remitted (DEEWR 2010). In comparison, the average cost of sending remittances from New Zealand is 15.2 percent. It has been argued that the higher tax rates and remittance fees in Australia contribute to the PSWPS being less attractive than the RSE. If workers cannot save enough in Australia to make it worthwhile for them to give up employment opportunities at home, they will not come.

High remittance costs and tax rates, if underestimated initially, can be understood as a shift upward in the supply curve relative to the hourly wage paid by the employer, as Figure 4 shows. If the supply curve is SL^2 rather than SL^1 , this would explain the minimal quantity of PSWPS workers employed.

Figure 4: The low take-up of the PSWSP explained through inadequate supply



3.3 Survey

A survey of growers and Approved Employers was carried out in May and June 2011. The survey consisted of telephone interviews with 183 growers and 8 AEs. In addition, face-to-face interviews were carried out with other stakeholders.⁹ The interviews were semi-structured. See Appendix 1 for the full questionnaires. The amount of information obtained depended on the growers contacted. The full questionnaire inquired into the grower's satisfaction with their workforce and current labour supply. It also inquired into growers' perceptions of, and attitude toward the PSWPS. AEs were questioned about their experiences and the costs and benefits involved in participation. Ethics approval was granted by the Australian National University on April 21, 2011.

Growers' contact details were sourced from the telephone directory. Growers were selected in order from 'A' to 'T' (due to time constraints 'U' to 'Z' were excluded). The owner/manager of the enterprise was invited to participate. The sample of growers included a broad cross-section of the horticultural industry, covering all states and territories of Australia, including producers in all major crop segments (pome fruits, stone fruits, dried fruits, citrus, berries, vegetables, wine grapes, table grapes and nuts) and various sized enterprises. A potential bias is under-coverage due to reliance on the telephone directory. Some growers may not have been listed in the white pages and smaller businesses may be more likely to have an unmanned telephone. The high non-response rate may have been a source of bias; the response rate was 18 percent. Non-response bias results if the respondents differ in meaningful ways from non-respondents. It is hard to quantify the bias introduced by the non-response rate, except that it probably biased the sample against small growers since they would more likely be out in the fields themselves. Overall, 183 growers were surveyed from across Australia.¹⁰ This is the only survey so far undertaken of employers' perspectives of the PSWPS. It compares well to other similar surveys,¹¹ and is sufficiently large and representative to draw confident conclusions from.

⁹ The Department of Education, Employment and Workplace Relations representative Darren Hooper and journalist Nic Maclellan were interviewed.

¹⁰ 46 from Victoria, 36 from NSW, 33 from SA, 22 from Queensland, 18 from WA, 15 from Tasmania, 9 from NT, and 4 from ACT.

¹¹ For example, Mares (2006) surveys 176 growers in relation to their labour needs and attitudes to labour shortages in Murray Valley.

Perhaps because the survey was undertaken by phone, it was often not possible to solicit answers on all or even most of the questions in the questionnaire. However, very high response rates were obtained on the key questions – which are the ones reported on in this paper.

Growers and AEs participating in the scheme were also sought out from the DEEWR website to ensure coverage; 4 out of 5 participating growers who were contacted responded and 8 out of 13 AEs responded.

4. Results

The key findings from the growers' survey are graphed below. The main results can be summarised as follows:

- About half of the growers had not heard of the scheme (Figure 5)
- Only a tiny minority (4 percent) of growers who had heard of the scheme were either participating in it already or planning to (Figure 6).
- Among growers who were aware of the scheme, the main reason for not participating (now or in the future) was because there was “no need” (70 percent). In other words, they were satisfied with their existing labour supply arrangements. Significant minorities viewed the scheme as too risky (16 percent) and too expensive (9 percent). The risks identified related to the need to commit to bringing in pickers ahead of time, for several months, but also to the need to work under a government-related scheme, and more generally to shift from a tried and tested to a new way of doing business (Figure 7).
- Half of those growers who had heard of the scheme were unsure of its reputation. About equal numbers (around a quarter each) think of it as having a good and a bad reputation (Figure 8).
- Most growers (73 percent) report that backpackers are their main source of labour (Figure 9).

- Most growers (93 percent) have no difficulty finding sufficient seasonal workers (Figure 10).
- Almost one fifth of the growers (19 percent) are dissatisfied with the quality of their current labour supply (Figure 11).
- 17 percent of growers who had heard of the scheme and were unhappy with existing labour supply arrangements (quantity or quality) were planning to use it. Others were not planning to use it because they still didn't perceive the need (21 percent), because the scheme was too risky (29 percent), or because the scheme was too expensive (33 percent) (Figure 12).
- Just over one third of the growers (36 percent) use contractors to source labour (Figure 13).

Figure 5: Percentage of growers who have heard of the Pacific Seasonal Worker Pilot scheme



Note: ACT is included with NSW in this and the graphs following.

Figure 6: Have you participated in the scheme (for growers who had heard of it)?

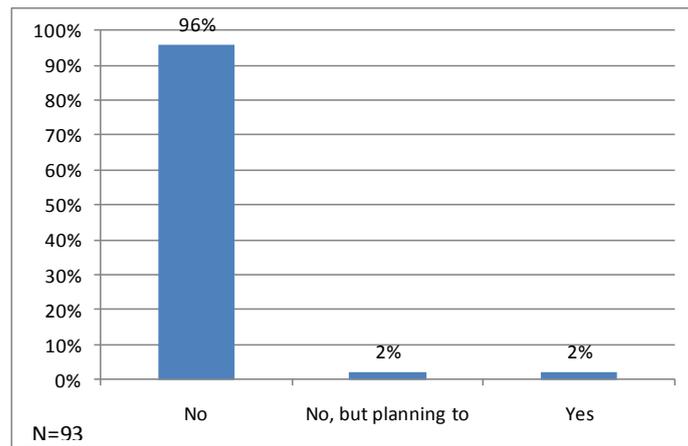
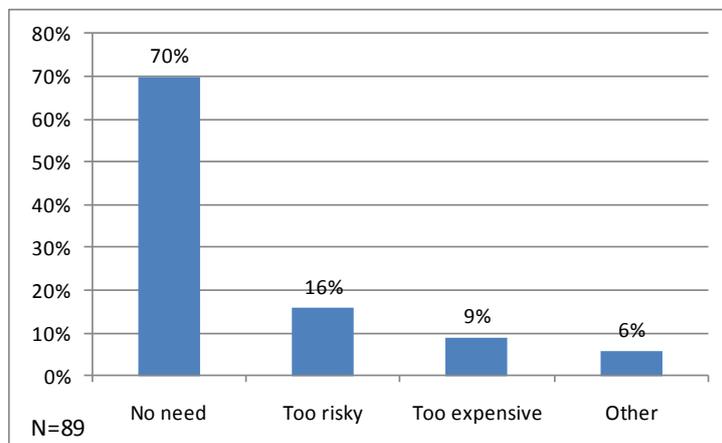


Figure 7: What is the main reason you did not participate (for growers who had heard of it)?



Note: Growers planning to participate also excluded.

Figure 8: What reputation do you think the scheme has (for growers who had heard of it)?

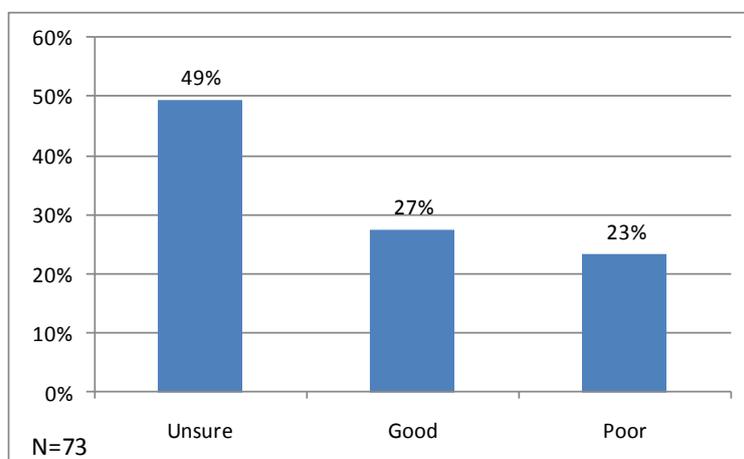


Figure 9: What type of workers do you mainly employ?

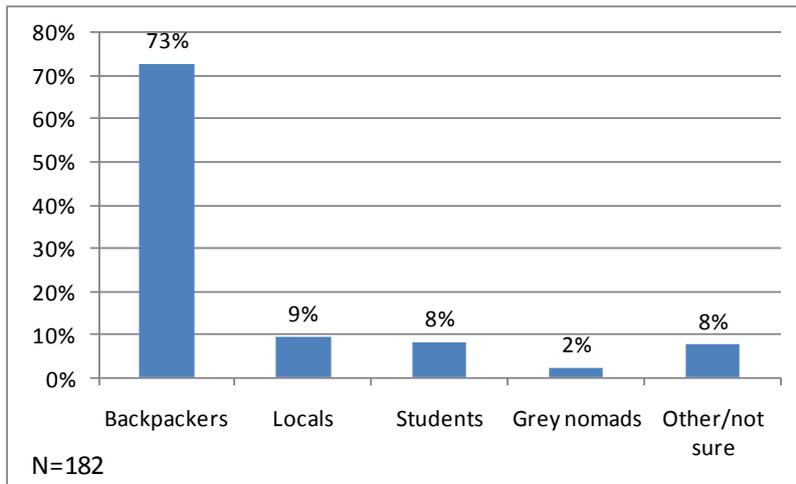


Figure 10: Percentage of growers having difficulty finding sufficient seasonal workers



Figure 11: Percentage of growers unsatisfied with the quality of their workforce



Figure 12: Growers who had heard or the scheme and were unhappy with their existing labour supply

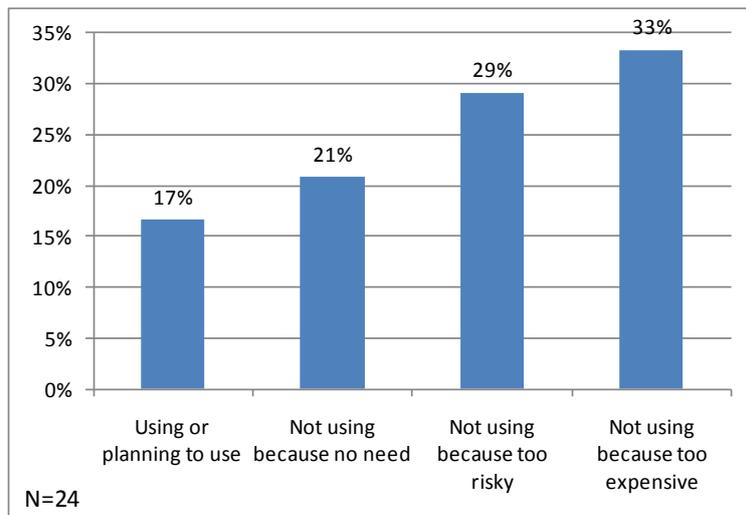


Figure 13: Percentage of growers who use a contractor at least sometimes



5. Discussion

This section relates the grower survey results presented in the previous section to the hypotheses presented in Section 3, which are used as section headings below, this time as questions. The discussion also draws on the interviews of AEs and participating growers, as well as other findings from government reports and the secondary literature.

5A. Is there a labour shortage?

(5A.1) Is there a long-term labour shortage or labour quality problem?

Prior to the implementation of the pilot scheme, there was substantial anecdotal reporting of labour shortages in the horticulture industry – an industry heavily dependent on manual labour, particularly in peak seasons such as harvests (Colman 2004; Shine 2005; Stapleton 2008). It has been claimed that “continuing labour shortages perpetuate the participation of illegal workers” (Economic Development Committee 2004, p.46; see also Bowen 2010 and Hughes 2004). The National Farmers Federation (NFF) conducted research, collecting a variety of data including official figures, member surveys and report findings in attempt to quantify harvest needs (NFF 2008a). The NFF has estimated a “chronic nationwide annual shortfall of 22,000 seasonal workers in horticulture” (Burke 2008), with the industry valuing the produce wasted due to labour shortage at \$700 million.

Mares et al. (2006) carried out a survey of 176 growers to evaluate the extent of labour shortages in the horticultural region stretching along the Murray River in northwest Victoria. The survey provided evidence of a serious labour shortage. Half of the respondents said securing adequate labour was either “difficult” or “impossible”. Another indication of the difficulty in securing adequate seasonal workers was revealed in the growers’ confession to employing illegal immigrants. More than one in four growers (28 percent) admitted that they had to employ such workers “sometimes”, “often” or “always”.

The Parliament Senate Committee (2006) considered the evidence for a labour shortage or future labour shortage in horticulture during the inquiry to the PSWPS. The Committee concluded that a widespread labour shortage in horticulture “is not supported by consistent evidence”. In the Committee’s view, “The difficulties growers [had] sourcing labour...[did] not pose a serious threat to the economic viability of the horticultural sector” (Section 2.72). The Committee concluded, “That labour demand

was being met, more or less, by a growing pool of backpackers taking advantage of relaxed visa requirements under the Working Holiday Makers Scheme”(Section 2.72).¹²

The growers’ survey undertaken for this study fills the empirical gap which the Senate Committee noted. It confirms that there is now no widespread labour shortage. 93 percent of the growers interviewed said they do not face any difficulty sourcing labour (Figure 11). Out of the growers who had heard of the pilot scheme, 70 percent said the main reason they did not participate is because they did not need it. That is, they are satisfied with their current labour supply (Figure 7).

The horticultural sector is certainly increasingly reliant on foreign labour. 181 out of the 183 growers in our survey indicated that they employed foreign labour (the other two were non-respondents). Australia Bureau of Statistics Labour Force Survey data indicates a significant 46 percent reduction in the Australian resident workforce in horticulture from 2003 to 2009 (TNS Social Research 2010). Working Holiday Makers (“backpackers”) are now considered the backbone of the harvest labour supply. According to one estimate, they constitute 38 percent of total seasonal workers (National Farmers' Federation 2008b). The figure may in fact be higher. In our interviews with growers, 73 percent of the growers indicated that they mainly employed backpackers (Figure 9).

There are two Working Holiday Maker (WHM) programs, visa categories 417 and 462. The number in the two categories has grown rapidly, as Table 3 shows. In 2006, the program was changed to allow WHM visas to be extended by another year after 3 months of regional work (see Appendix 2). By 2010, there were some 25,000 backpackers applying for a second visa. 90 percent of them, some 22,000, indicated as their basis for visa extension that they had engaged in agriculture (DIAC 2011d).

Two evaluations of the WHM program were carried out last decade: Tan et al. (2009) and Harding and Webster (2002). They make for an interesting comparison. There were 134,388 WHM arrivals in 2007-08 up from 78, 642 in 2001-02. The number who reported they were working fell from 85 to 69 percent, but the percentage of those

¹² Interviews on a 2010 ABC Background Briefing also casts doubt on the labour shortage proposition. See <http://www.abc.net.au/radionational/programs/backgroundbriefing/bitter-harvest/3050520>

working who worked in fruitpicking rose from 16 percent to 20 percent. Most strikingly, some 40 percent reported in 2007-08 that they worked on a farm. There is no equivalent question for 2000, but looking at the occupations, it is hard to believe that the figure would be in excess of 20 percent.¹³ Thus, roughly speaking, we estimate that the number of working backpackers has gone up 40 percent, and the number working on a farm might have roughly tripled (from 13,400 to 37,100).

Table 3: Total Working Holiday and Work and Holiday Visa Grants

Visa Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Working Holiday (s417)	95,336	105,824	113,935	134,612	154,148	187,696	175,739	185,480
Work & Holiday (s462)	3	257	751	1,810	3,426	6,407	7,422	7,442
Total Visas	95,339	106,081	114,686	136,422	157,574	194,103	183,161	192,922
Percentage change	6.4%	11%	8%	19%	15.5%	23%	-5.5%	5.3%

Source: DIAC 2007; DIAC 2010; DIAC 2011d. See Appendix 2 for explanations of the Working Holiday and Work and Holiday Visas.

The interviews revealed that the types of workers relied on varies across states. In general, international students (subclass 572, 573 and 574), who are allowed to work up to 20 hours a week, are known to provide an important source of labour (Ball 2010). All the Tasmanian growers interviewed relied on students to fill seasonal labour needs. By contrast, growers in the Northern Territory mostly relied on locals to fill seasonal labour needs.

There is also evidence that growers continue to hire overseas workers illegally. The undocumented workforce consists of unauthorised residents (primarily from Pacific Islands, South-East Asian and Chinese backgrounds), Australians working while receiving government benefits and foreign travellers working without authorisation (Mare 2005). The use of undocumented labour is widely acknowledged, although unquantified. All the AEs interviewed suggested the use of undocumented workers is one of the major constraints to growers' demanding PSWPS workers. Only 12 percent of the 88 percent of growers who responded to this question were prepared to say that there was no use of undocumented labour. One identified problem was contractors paying under-award wages to workers, unbeknownst to growers. AEs emphasised that

¹³ In the 2008 survey, 26 percent report working as farm hands, including fruit pickers, and 25 per cent as other. In the 2000 survey 16 percent report working as fruit pickers and at most some 7 percent fall into an "other" category.

growers were not to blame. Rather, the use of undocumented workers reflects the nature of the horticulture industry. Pressure on prices, acceptance of low standards, and the ease of sourcing such workers, particularly through contractors, have led to the use of undocumented workers becoming a norm.

The interviews suggested that the quality of the current labour supply for horticulture is a bigger problem than absolute shortages, though again not as big a problem as it is often portrayed to be. 19 percent responded that they were unhappy with the quality of their workforce (Figure 11). Only two growers said that they had a shortage but did not have quality problems. In other words, virtually all potential demand (34 out of 36 growers in our survey or 95 percent) for the PSWPS comes from growers who identify a quality problem.

(5A.2) Did the Global Financial Crisis (GFC) increase aggregate labour supply in horticulture and reduce aggregate labour demand?

A comparison between Australia and New Zealand suggests that the GFC cannot explain the persistence of the low take-up for the PSWPS. New Zealand's economy was hit harder by the GFC, which experienced a deep five-quarter long recession. In comparison, the Australian economy proved to be one of the most resilient in the developed world, experiencing only a moderate slowdown in growth with a single quarter of decline in real GDP (World Trade Organisation 2011). Despite New Zealand's economy faring worse, the demand for RSE workers remained high: over 6,000 RSE workers were consistently recruited annually. Even with Australia's economic recovery in 2009-2010, only an additional 11 Pacific seasonal workers were recruited.

New Zealand also experienced, proportionately, a greater increase in the availability of domestic workers relative to Australia. The economic downturn saw unemployment rates in Australia rise from a low of 4.3 percent in June 2008, to 5.5 percent in December 2009 (Australian Bureau of Statistics 2008, 2010). Comparatively, New Zealand experienced greater increases, from a low of 3.9 percent in June 2008 to 7.3 percent in December 2009 (Statistics New Zealand 2011).

Feedback from stakeholders indicates that the global financial downturn did increase the number of overseas workers entering Australia, but the long-term upwards trend

was probably a more important factor. As Table 3 shows, the number of backpackers has been increasing rapidly since at least 2003-04, with double-digit increases following the relaxation of visa rules in 2006 (as discussed above). There was a particularly large increase in s417 and s462 visas granted in 2008-2009 of 23 percent, which would suggest a role for the GFC. However, the number of visas issued fell in 2009-2010 by 11,000, which brought the growth of the WHM scheme back into line with the trend.¹⁴ This reversion to a trend growth which began well before the GFC suggests that the growth in WHM visas, though an important part of the explanation for the limited take-up of the PSWPS, is primarily due more to its longer-term increasing popularity, which in turn is due at least in part to the 2006 change in rules, rather than the GFC.

5B. Have reputational factors reduced demand?

Even if there is little aggregate labour shortage, there might still be a demand for Pacific workers. Pacific workers provide a different type of labour than other seasonal workers. They arrive dedicated for the months of work at hand, whereas backpackers are an unreliable, highly mobile labour source. And over time Pacific workers can be trained. As noted earlier, 19 percent of growers consider their current source of labour to be unsatisfactory (Figure 11). Moreover, all the participating growers interviewed felt that PSWPS workers were significantly more reliable and productive than the alternatives. In the words of one, the scheme “has been good and this is due to the fact that efficiencies gained from the workers returning back have been huge [and] the willingness of the individual to work.”

Thus, while the lack of an aggregate labour shortage and the widespread satisfaction with labour quality must help explain the poor take-up of the PSWPS, one also has to ask why, given the positive experience of those farmers who have used the scheme, it has not expanded more quickly. In this section, we turn to the possible role of reputational factors.

¹⁴ Growth post-rule-change but pre-GFC in 2006-07 and 2007-08 combined over pre-rule-change 2004-05 and 2005-06 is higher at 33 percent than growth in post-GFC 2008-09 and 2009-10 over 2006-07 and 2007-08 (28 percent).

(5B.1) Does the scheme in general have a poor reputation?

The interviews found that almost half of the growers (49 percent) had never heard of the PSWPS (Figure 6). (Two growers interviewed thought the scheme was no longer running.) Of the growers who had heard of the PSWPS, 27 percent believed the PSWPS had a good reputation, while 23 percent believed the scheme had a poor reputation (Figure 8). Half the growers, however, were unaware of its reputation, indicating a lack of information. Furthermore, 16 percent of the growers aware of the scheme did not participate because they perceived it as too risky (Figure 7).

Growers in general did not know anyone who had participated, so they were unsure if the scheme was viable or beneficial. Most had no interest to seek out information on the scheme. Given their often tight financial situation, growers were not prepared to consider trying something new. Typical comments made were: “I can’t trust it would work.”, “I’m not sure of the benefits.” and “I’d need to be sure of the benefits before taking such a risk.”

While various risks were cited (and summarized in the Section 4), it is also possible that the pilot nature of the PSWPS was itself a risk. Growers would be reluctant to incur upfront costs such as the provision of accommodation (even though they can recoup the costs from workers) if they were not sure the scheme would continue.

Thus we have strong evidence that a poor reputation is indeed suppressing demand for Pacific seasonal labour. Half of the growers have simply not heard of the scheme at all, a significant minority of growers perceive the scheme to be risky, and a majority of those aware of it either lack the information to make a judgement about it or have a negative attitude to the scheme.

(5B.2) Is the forced use of Approved Employers (labour hire companies) perceived as a risk?

In late 2009 more flexibility was given to the PSWPS by allowing growers and grower cooperatives to become AEs, as long as the selection criteria are met. Now 6 out of a total of 13 AEs are growers and grower cooperatives. Generally, labour hire companies were not perceived as a risk. In fact, many growers considered the use of contractors to be common practice; 38 percent of the growers interviewed use contractors often or

sometimes (Figure 13). Growers use contractors for the greater ease in sourcing and employing workers. The use of contractors is more common in some regions than others. It was less common for growers on the harvest trail or near the metropolitan area to use contractors, because sourcing workers themselves is easy. One grower said he had “about twenty people walking the streets per day looking for work.” Remote farms, where backpackers or other labour sources are less abundant, rely on contractors to provide labour. Out of the growers who had heard of the PSWPS, only two (1 percent) said they would not use the scheme because of the requirement to use labour hire companies.

In general, therefore, it seems unlikely that the initial required use of labour hire companies was a major cause of the low take-up of the PSWPS. And, if it was, it no longer is.

(5B.3) Do Pacific Islanders have a poor reputation?

All of the growers interviewed use foreigners to fill seasonal jobs. This demonstrates openness to employ workers of different nationalities. Only one grower expressed reservations over Pacific workers, and a preference for hiring Asian workers.

5C. Are the costs of the scheme too high?

(5C.1) Have high costs and excessive red tape made the scheme uncompetitive?

The costs involved in employing PSWPS workers are borne by the AEs. According to the labour hire companies interviewed, the rate charged to growers for PSWPS workers ranges from \$22-\$26 per hour. The PSWPS workers get paid roughly \$21.50 per hour on a piece rate and \$18.75 when paid by the hour. PSWPS workers paid by the bin (piece rate) earn more as they are rewarded for their higher productivity.

AEs reported that PSWPS workers are more expensive to employ relative to alternative labour sources. However, most of the labour hire companies contracted PSWPS workers out at the same rate as alternative workers, shouldering the additional costs (of international and internal travel). Two AEs said they make no profit from participation.

Of the growers interviewed who were aware of the scheme, but who did not participate 16 said it was because it was too expensive (Figure 8). This number includes all 5 non-participating growers who indicated that they had looked into the scheme: they all decided not to participate because their conclusion was that it was too expensive.

The structure of the PSWPS is very similar to New Zealand's RSE and the requirements for employers are the same. However, the AEs complained that initially the scheme seemed straightforward, but once operations began it became onerous, with more work required than anticipated.

Although the AEs could not quantify the costs associated with the scheme's regulations, of the 8 AEs interviewed, 7 said the red tape is too cumbersome and costly. Six of the AEs felt the level of red tape and bureaucracy is the key area that needs improvement for the scheme to be financially viable and more successful. The most prominent complaint was repetitive paperwork, reporting and monitoring. For example, one AE said, "The problem is repetition; every single worker needs to go through the same process, same market testing, same justification and compliance, all the same paperwork with every application." Not all were negative. One commented "The requirements are not above what I'd normally do." But the majority of the AEs (6 out of 8) felt the paperwork and reporting to the government was time wasting. One AE commented, "The paperwork is meaningless because it's all self-reporting." Another said, "Do-gooders in the government insisting on pedantic non-issue details should be told where to get off. Less interference by bureaucrats would be better." Nearly all the AEs suggested the scheme could be improved by streamlining processes.

Of the AEs interviewed, 5 felt that the government did not understand business nor the necessity of timeliness. One AE suffered huge costs due to delays on the government side. As a result, the costs of flights increased astronomically and the PSWPS workers did not arrive in time for the season. Three AEs complained they could not get the number of workers requested due to delays.

Half of the AEs said that the process to become an AE was unnecessary, with much irrelevant paperwork. It took one grower 6 months to become an AE. Set-up costs are considered to be substantial.

AEs have responsibility for providing pastoral care. For labour hire companies which provide contracting services across different states this is unrealistic

In summary, wage levels themselves may not be a constraint. The fact that four of the labour hire companies charge no premium for PSWPS workers and yet have experienced little demand for their labour suggests this. However, the scheme has a reputation among a significant minority of growers for being expensive. And excessive red tape is a major source of unhappiness among AEs.

(5C.2) Are coordination costs high due to fragmentation in the horticulture industry?

Despite speculation to the contrary, coordination costs due to fragmentation do not appear to be a major issue. The labour hire companies generally require growers to provide enough work to ensure PSWPS workers remain on one farm during their entire stay. The majority of RSE workers in New Zealand also remain on one farm for their entire stay. This requirement excludes only a small number of growers, and only a small number of those surveyed indicated that they would not be able to meet the minimum work requirement or that their season is too short. The reduction of the minimum time-in-country PSWPS requirement from 6 to 4 months should further reduce coordination costs.

5D. Is the PSWPS attractive enough to Pacific workers?

(5D.1) Do tax rules and the high cost of remittances make the scheme uncompetitive for PSWPS workers?

Even with unfavourable tax rules and high remittance fees, the scheme remains financially lucrative for Pacific Islanders. There is much anecdotal reporting of the benefits of participation in the PSWPS for Pacific Islanders. The vast number of Pacific Islanders waiting for the opportunity to work under the scheme demonstrates the attractiveness of the scheme for Islanders (Tupoumalohi 2011). For example, more than 5,000 Tongans have registered for the work-ready pool (Kolotiaf 2011). Papua New Guinea is reported to have a work-ready pool of over 500 people (Yamin 2011).

The potential benefits can be estimated by calculating the expenses and earnings shown

in Tables 4, 5, and 6 below. Worker expenses are based on a World Bank review of the experiences of the first group of 50 Tongan workers under the PSWPS (Malalau 2010). The earnings are calculated using the minimum wage for casuals determined by the 2010 Horticulture Award (though note that the wage rate is negotiable and will vary depending on the contract arrangement).

Table 4: Fixed one-off expenses

Expense	Estimated Amount (\$AUD)
50% of return airfare to Australia	650
Visa fees	265
Medical fees	50 (max. 76)
Police checks	10
TOTAL	950

Source: Adapted from Malalau (2010).

Note: This table excludes the cost of domestic travel within their home country and the cost of a passport, which is \$54 AUD for five years and \$115.00 for ten years.

Table 5: Living Expenses (per week)

Expense	Estimated Amount (\$AUD)
Accommodation	60
Food	50
Daily transport to and from farm	20
Health insurance	34
TOTAL	164

Source: Malalau (2010).

Table 6: Potential PSWPS remittances (at the old non-resident tax rate)

Length of stay	PSWPS net remittances (\$AUD)
12 weeks	1,596
16 weeks	2,376
20 weeks	3,156
24 weeks	5,684
27 weeks	6,488

*Notes: Calculated at the hourly wage rate \$19.39, assuming a 30 hour week. The tax rate is the old non-resident rate of 29% for less than 24 weeks, and 13% for 24 weeks or more. The remittance fee or cost is estimated at 21.7%, based on DEEWR (2010). Net savings = hourly wage*hours - tax - fixed costs - living expenses. Remittances=net savings - cost of remittances*

Table 6 estimates net remittances under the PSWPS under these assumptions. Consistent with this, though suggesting that living costs are perhaps somewhat underestimated by Table 5, Gibson and McKenzie (2011) estimate, based on their

survey, that the first Tongan workers remitted back \$5,000 over 6 months. The net benefit (subtracting income foregone from employment and contributions to household farming due to being away from home) is \$2,600. Annual household income (over a six month period) is \$5,900, so the gain is about 40 percent per sending *household* not worker.

Evidently, PSWPS is very profitable for Pacific workers and their families. As Tonga is one of the most prosperous Pacific islands, the scheme would be even more profitable for workers from islands other than Tonga. And tax rates have now been halved (see Section 3.2).

6. Conclusion

Take-up under the Pacific Seasonal Worker Pilot Scheme has been very low. After more than three and a half years, about 1,100 workers have been employed under the scheme, against a target up to June 2012 of 2,500. By contrast, some 7,000 Pacific workers travel to New Zealand each year under its seasonal work scheme. And we estimate that some 37,000 backpackers work every year on Australia farms.

A large number of explanations have been put forward as to why PSWPS take-up has been so low, but this study represents the first systematic attempt to sift through them. The results of the study point to multiple factors. It is not possible to quantify their relative importance, but three stand out.

One key factor which emerges from this study is that there is little by way of an aggregate labour shortage or quality problems driving growers to look for alternatives. This is the reason given by the great majority (70 percent) of those growers which were aware of the PSWPS but not using it. Only 7 percent of growers indicate that they have a problem finding sufficient seasonal workers. A larger percentage is unhappy with the quality of their current labour supply, but even this proportion is only 19 percent, and only 20 percent are unhappy with either labour quality or quantity.

A second key factor is a lack of information about the scheme. Half the growers surveyed had not heard of it, and 50 percent of those who had heard of it were not well informed about it.

A third important factor is the significant level of risk and cost perceived to be associated with the scheme. About 16 percent of growers who had heard of PSWPS, gave their reason for non-participation as “too risky”, and another 9 percent said that it was too costly. The perception of high risk may be partly because most growers don’t know of others who have used the scheme. It might also be because they were not at the time sure that the pilot would be sustained. The financial costs involved reduce the attractiveness of the scheme to some growers and labour hire companies, including those growers who had looked into the details. The compliance costs associated with the scheme were almost universally perceived to be high.

In terms of our hypotheses, A1 (there is no labour shortage or labour quality problem in the horticultural sector), B1 (the scheme has a poor reputation – including among many no reputation at all) and C1 (expensive conditions and excessive red tape make the scheme uncompetitive) all receive strong support from the evidence.

Other hypotheses receive less or no support. The GFC appears to have played a limited role. It is unclear if the forced use of labour hire companies was an issue in the past, but it no longer is (as that restriction has been dropped). Pacific islanders do not have a poor reputation, and coordination costs are not a major issue. Finally, all the explanations for limited take-up are to be found on the demand side rather than the supply side. There are plenty of Pacific islanders willing to come to Australia as seasonal workers.

Further lessons could be gained from a closer analysis with New Zealand. A proper treatment would require a separate paper, covering both the two schemes and the two industries and countries. There are many differences between the two industries. The horticultural industry in New Zealand is more uniform, and there are many more pre-existing links with Pacific communities. The two schemes are similar, though the New Zealand one has lower compliance costs. A more detailed comparison is needed, but, just to give one example, there is no requirement in New Zealand to develop and submit contingency plans in case the initial employment plans go awry. Some claim that New Zealand prepared the way for its RSE by a crackdown on illegal labour. According to Ball, “In order to create labour demand [for the RSE] from the outset, the New Zealand government conducted immigration raids to deport undocumented workers” (2009, p.116). New Zealand Masters Contractors Inc was established in March 2008, as part of

the RSE introduction, to improve quality and compliance, including with employment laws. NZMCI is an industry body, but it was established with and continues to receive government support (Jones 2008). It is seen as having played an important role in increasing demand for Pacific workers both directly through recruitment and indirectly by helping the industry shift away from illegal practices. According to NFF (2008c), it rapidly or even “overnight” “‘cleaned up’ the contracting and broader components of the industry” (p.5).

Another big difference may be with regard to seasonal workers. New Zealand attracts less than a quarter of the number of backpackers which Australia attracts. And fewer of them work as fruit-pickers. Only 6 percent in a 2004 survey reported working as fruitpickers, with 20 percent working in agriculture in total (NZ Department of Labour 2004). Compare this to the 40 percent of backpackers in Australia who report to have worked on a farm.¹⁵

In considering what the policy response to these findings should be, it is important to avoid two extreme positions. One would be to point to the recent pick up in demand for the PSWPS and to argue that it is “problem solved”, and that no further reforms are needed. Clearly, recent reforms to make the PSWPS more employer friendly have helped. But there is a long way to go, as is clear both from the still very low numbers involved, and the stark nature of the findings in the survey. If only 20 percent of growers continue to be unhappy with either the quantity or the quality of their current labour supply, the potential of the scheme is clearly limited. Moreover, of that potential demand pool, only 17 percent of the surveyed growers were either already participating or intending to participate. The other 83 percent were not: either because they still didn’t perceive the need (the situation wasn’t desperate enough) – 21 percent; or because of fears about risk (29 percent) and expense (33 percent) (Figure 12).

The other mistake, however, would be to draw the opposite conclusion that PSWPS should be scrapped. There are two sources for hope in relation to PSWPS which emerge from this study: first, the 20 percent of farmers unhappy with the quality or quantity of

¹⁵ NZ also has introduced in around 2007 the possibility of an extension to a working holiday visa, but in its case the reward for “three months or more of seasonal work in the horticulture and viticulture industries during your working holiday” is only a three month extension, not a 12 month extension as in Australia. See <http://www.prolawine.co.nz/nz/working-holiday-visa.html>

their current labour; and second, the generally very positive experience of the small number of growers which have actually participated in PSWPS.

For the Pacific seasonal worker program to thrive, the horticultural industry needs to be shifted from its current reliance on an unregulated, less productive labour force to a reliance on a regulated, more productive labour force. Costs may rise, but no growers will be forced to shift so, if they do, it will be because it is worth it for them, because of the productivity gains. This shift in equilibrium will require four things.

First of all, the government needs to get behind the scheme and promote it actively. At the time of our survey, only 14 percent of farmers had a positive view of it. Industry bodies need to also get on board, but, unless the government gives the scheme greater backing, it will be impossible to shift the industry from its current equilibrium to a new one. The Government has so far prioritised proving that the scheme can work rather than delivering large numbers. That has to change now. This means first of all simply raising awareness about the PSWPS. It also means publicizing success stories, and making it clear to growers that the scheme is here to stay. The government is engaged in some of these efforts, but one rarely hears Ministers endorsing let alone promoting the scheme.

Second, the government needs to streamline PSWPS processes and reduce costs. There is a huge disconnect between the amount of supervision of this scheme and of others sources of horticultural labour. In relation to the PSWPS, the Government needs to step back, and, as it does in other areas of policy, rely on random rather than 100 percent checks. Documentation requirements should also be reduced, including, for example, the requirement for contingency plans in case the original work plans are derailed. Monthly reporting is excessive. The labour market testing requirement also appears redundant, given that *every* grower employs foreign labour: Pacific workers are therefore competing with other foreign workers not with Australians for these jobs. To reduce costs, more travel costs could be shifted to the workers, especially with the high Australian dollar, which makes working in Australia much more attractive compared to working in New Zealand.

Third, the issue of the booming popularity of the working holiday maker visas needs to be confronted. It seems clear that around the middle of the last decade the horticultural

sector did face a worker shortage. At that stage, the Australian Government was unwilling to introduce a Pacific seasonal worker program. But it wanted to respond to industry needs, and did so by relaxing the rules around the working holiday visa categories, specifically to benefit the horticultural sector. In so doing, it undermined the prospects for success for the PSWPS when it was eventually introduced. The Australian Government could remove the special treatment given to the horticultural sector under the two working holiday visa programs. Or it could make these visa categories open to Pacific islanders. The second option is inconceivable. The first will be resisted by industry. However, there is no reason the horticultural sector should have special status within the working holiday visa category. Ultimately, this is an issue of policy coherence. Without addressing it, the future of the Pacific seasonal worker program is very uncertain.

Fourth, there needs to be a crackdown on undocumented labour. The fact that only 12 percent of growers who responded to this problem were prepared to deny that undocumented labour was used suggests that its use is widespread.

None of these reforms will be easy. Some streamlining can be expected now that the scheme has been made permanent, but it will not be easy to rein in the working holiday visa scheme, nor to crack down on illegal practices in the horticultural sector.

This leads to the final point. Given the experience to date, it would clearly be premature to regard seasonal horticultural work as the answer to the problem of promoting Pacific migration to Australia. We need to do more to try to make the seasonal worker program work, but we clearly need to look at other sectors as well. The Australian Government announced in December 2011 a new pilot seasonal scheme in relation to tourism in Broome, WA for East Timorese. But seasonal work does not suit all, or indeed most industries. Another area where there is huge migration potential is in relation to aged care (Callister et al. 2009). And there is always much to be said for letting the market decide rather than have the government pick winners. From this perspective, Australia needs to take notice of New Zealand's use of permanent migration to promote labour mobility from the Pacific. The lottery- and quota-based Pacific permanent migration schemes which New Zealand uses have also been extensively and positively evaluated (Appleyard & Stahl 2007). Perhaps it is time for Australia to look at these as well.

7. Appendices

Appendix 1. Interviews

Questionnaire for growers

1. Have you heard of the Pacific Seasonal Worker Pilot Scheme?

If the grower answers 'no' to question 1:

2. Do you have difficulty finding sufficient seasonal workers?
3. Are you satisfied with the quality of the workers you employ?
4. What type of workers do you mainly employ i.e. backpackers, locals, grey nomads? (the competing labour sources)
5. Do you employ foreigners?
6. To what extent do you think growers use undocumented labour? Are undocumented workers present in your region?
7. Do you use a contractor or do you employ workers yourself?
8. What type of horticultural enterprise do you have, i.e. size, type of fruit/vegetable?

If the grower answers 'yes' to question 1:

2. Did you use the scheme?

If the grower answers 'no' to question 2:

3. Why did you decide not to use the scheme?
4. Do you have difficulty finding seasonal workers?
5. Are you satisfied with the quality of the workers you employ?
6. What type of workers do you mainly employ i.e. backpackers, locals, grey nomads?
7. Do you employ foreigners?
8. To what extent do you think growers use undocumented labour?
9. Do you use a contractor or do you employ workers yourself?
10. What reputation do you think the scheme has?
11. Do you think Pacific Islanders are good workers?

12. Was the scheme clearly communicated to you, are you aware of the design and requirements?

13. What type of horticultural enterprise do you have, i.e. size, type of fruit/vegetable

If the grower answers 'yes' to question 2:

2. Why did you decide to use the scheme?

3. How many PSWPS workers have you used?

4. What is your experience of the scheme?

5. What is the price difference between PSWPS workers and other seasonal workers?

6. What is the wage for PSWPS worker?

7. What other costs do you experience with PSWPS workers?

8. What do you think are the main constraints to greater grower demand for PSWPS workers?

9. To what extent do you think growers use undocumented labour?

10. What type of horticultural enterprise do you have, i.e. size, type of fruit/vegetable?

Questionnaire for Approved Employers

1. Why did you decide to participate in the PSWPS?

2. How many growers do you supply PSWPS workers to?

3. How many PSWPS have you employed per season?

4. Do you think the scheme is financially attractive for AEs?

5. What are the set up costs for AEs?

6. How do you think growers perceive Labour Hire Companies?

7. Do you think there is a seasonal labour shortage in horticulture?

8. What are the competing labour sources?

9. What extent do undocumented seasonal workers exist in the horticulture industry?

10. Do you think the global financial crisis affected the scheme?

11. What is the difference in price between PSWPS workers and other seasonal workers?

12. What are the additional costs for AEs to employ PSWPS workers?
13. Are there coordination costs for you?
14. How many farms do PSWPS workers work on?
15. How do you think the redtape affects the scheme?
16. What do you think are the main constraints to greater grower demand for PSWPS workers?
17. What do you perceive the reputation of the scheme, Labour Hire Companies and Pacific workers to be amongst growers?
18. How do you think the scheme and its policy could be improved?

Appendix 2. The Working Holiday Makers and the Work and Holiday Visa Schemes

The Working Holiday Makers (WHM) program is a cultural exchange program designed to deliver both social and economic benefits to Australia and provide short-term casual workers. The program enables young people, colloquially known as backpackers aged 18 to 30 years, without dependent children, to work while they travel (DIAC 2009). There are two visas available. The Working Holiday visa (subclass 417) is for travelers who hold passports from Belgium, Canada, Republic of Cyprus, Denmark, Estonia, Finland, France, Germany, Hong Kong, Republic of Ireland, Italy, Japan, Republic of Korea, Malta, Netherlands, Norway, Sweden, Taiwan and the UK. The Work and Holiday visa (subclass 462) is designed for travelers who hold passports from Bangladesh, Chile, Indonesia, Iran, Malaysia, Thailand, Turkey and the USA. 462 visas are typically more restrictive (for example, they typically require tertiary education, and a letter of support from government). Neither visa includes people from the Pacific Islands, though in November 2011, Australia agreed to issue 100 462-visas to PNG citizens. The working holiday visa allows the holder to: enter Australia within 12 months of grant; stay up to 12 months; leave and re-enter Australia any number of times while the visa is valid; work in Australia for up to 6 months with each employer; and study for up to 4 months. Changes to the visas in 2006 allowed extended periods of work in seasonal placements. Backpackers who have worked in horticulture or other specified industries (agriculture, mining, construction) for a minimum of three months are now eligible to apply for a second visa, granting them a further years stay in Australia (Australia Tourism Export Council 2006).

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DISCUSSION PAPER

Australia's Seasonal Worker Program: Demand-side Constraints and Suggested Reforms

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This study is one part of a broader World Bank work program looking at labor migration in the Pacific. In order for both labor-sending and receiving countries to realize the full gains from seasonal migration, labor markets have to function effectively on both the supply and demand sides. This study complements the World Bank's work on building institutional capacity to manage labor supply in Pacific Island labor-sending countries.

Summary

Australia's Seasonal Worker Program (SWP) permits workers from eight Pacific Island countries and Timor-Leste to work in Australia for a period of fourteen weeks to six months. The program centers on the horticulture sector, but is currently being trialed in four other sectors that were also perceived as suffering from labor shortages: accommodation, aquaculture, cotton and sugar cane.

The number of Pacific seasonal workers in Australia has progressively increased since 2008, but remains small in comparison both to the overall number of foreign workers operating in these sectors, mainly backpackers, and to New Zealand's equivalent Recognised Seasonal Employer (RSE) Scheme.

In 2011, Stephen Howes and Danielle Hay carried out a survey examining employers' views of the Pacific Seasonal Worker Pilot Scheme (PSWPS), which preceded the SWP. Since this survey, there has been no further examination of why take-up remains low. This paper reports on the results of a comprehensive survey of employers and industry bodies across the horticulture sector. The findings confirm that the lack of an aggregate labor shortage due to the prevalence of illegal workers and backpackers in the horticulture industry remains the key constraint on employer demand for the SWP. In addition, there is still a

lack of awareness of the scheme. This is particularly acute in states and territories with few Pacific seasonal workers. Growers who are aware of the scheme feel that its costs and risks need to be reduced. The reputation of the SWP is still poor amongst non-participating growers, but moderately positive amongst Approved Employers and participating growers, though these latter groups find the scheme's administrative requirements burdensome. Encouragingly, one in four non-participating growers express an openness to taking on seasonal workers.

Based on these findings, the report recommends a series of reforms to lift employer demand. Key recommendations include: increasing funding for compliance activities to reduce the number of illegal workers in horticulture; either removing or reducing the second-year visa extension for backpackers working in horticulture, or generalizing it to all sectors; removing the upfront costs for returning workers and covering those for new workers through a revolving fund; reducing the minimum fourteen week work requirement; giving employers a greater role in worker selection; advertising the SWP through a targeted group of horticultural industry bodies; streamlining reporting requirements to government; and easing labor market testing requirements for participating growers.

1. Introduction

The misalignment between labor-sending and recipient country objectives has long proved a barrier to international labor mobility. Developing countries are reluctant to see their most skilled workers emigrate, but typically welcome 'the remittances and job opportunities that migration provides for less-skilled workers' (Gibson and McKenzie 2011a). On the other hand, developed countries are wary of the sociocultural and economic impacts of low-skilled immigration, while broadly supportive of the arrival of high-skilled workers. There are also a heterogeneous set of non-government stakeholders trying to influence outcomes on labor mobility, including unions and industry bodies. In this environment competing objectives often prove to be barriers to achieving the intended outcomes.

It has been estimated that eliminating all barriers to labor mobility would 'amount to large fractions of world GDP – one or two orders of magnitude larger than the gains from dropping all remaining restrictions on international flows of goods and capital' (Clemens 2011). Their removal depends largely on finding an arrangement acceptable to all. Temporary or seasonal migration offers a compromise, which addresses both labor-sending and receiving country concerns and provides clear benefits for both.

For labor-sending countries there are sizeable remittance flows, which contribute to increased income and consumption at the household level and 'help finance trade deficits and bolster financial reserves at the macroeconomic level' (World Bank 2014, p. 2). Remittances are also often invested in education and health, thus having positive flow-on effects for human capital development. This aside, migration generates critical employment opportunities for the migrants themselves and the possibility of transferring skills and knowledge upon return (Dos Santos and Postel-Vinay 2003). For labor-receiving countries seasonal workers fill gaps in particular industries that are experiencing labor shortages, enabling them to raise output (World Bank 2014).

Whilst empirical evidence is limited, recent international experiences with seasonal migration programs have been largely positive. In Korea's Employment Permit System (EPS), participating Filipino households had higher spending on health, were more likely to put children into private schools and borrowed less from their extended family (Clemens and Tiongson 2012). Meanwhile, the Recognised Seasonal Employer (RSE) Scheme in New Zealand increased the per capita incomes of participating households by over 30 percent, allowed households to accumulate more assets, and increased subjective standards of living (Gibson and McKenzie 2010).

The Seasonal Worker Program (SWP), which was informed by the Pacific Seasonal Worker Pilot Scheme (PSWPS), represents the first effort by an Australian government to explicitly open low-skilled work opportunities to Pacific Islanders since Federation. The PSWPS was largely modelled on the success of New Zealand's equivalent RSE scheme. The PSWPS ran over a four year period in the horticulture sector (2008-2012) and had a total cap of 2,500 workers. Despite the widespread success and rapid expansion of the RSE, the PSWPS got off to a slow start and never managed to reach its full potential. Over the entire duration of the PSWPS there were 1,623 arrivals, 65 percent of the total cap (DIAC 2012b).

In response to evidence of low take-up in the PSWPS, researchers at the Development Policy Centre of the Australian National University conducted an employer survey. Hay and Howes (2012) determined that three factors limited demand for Pacific seasonal workers: the lack of an aggregate labor shortage, a lack of information about the PSWPS, and the perceived level of risk and costs. This survey was carried out between May and June, 2011. Since these employers were surveyed, the PSWPS has finished and the SWP has been introduced. It differs in both structure and scale. Along with accommodation, which was already being trialed, three new trial sectors have been added (aquaculture, cotton and cane). Four new countries have sent workers (Nauru, Samoa, Solomon Island, and Tuvalu) and the cap has increased nearly fivefold.

The demand for Pacific seasonal workers in the SWP has improved relative to the PSWPS, but still remains weak. In FY 2012-13 there were 1,473 arrivals against a total cap of 2,000 workers. In FY 2013-14 there were 2,014 visas granted up against a cap of 2,500 workers (DOE 2014). This number remains insignificant for the Australian horticulture industry, which employs approximately 75,000 – 175,000 workers annually, and in comparison with New Zealand's RSE scheme, which started with a cap of 5,000 workers, expanded to 8,000 workers the following financial year and the new cap is now up to 9,000 workers (NFF 2008b; Gibson and McKenzie 2014; Trevett 2014). The SWP's small size means that its overall development impact remains limited for participating countries (Gibson and McKenzie 2011b).

This paper aims to determine whether the factors constraining demand have changed since the PSWPS and what reforms could help lift employer demand. It does so through assessing the views of a sample of employers and industry bodies across the horticulture industry. The trial sectors are not covered. The study is divided into five sections. Section 2 describes the origin, design and features of both the PSWPS and SWP. Section 3 provides a brief overview of the survey. Section 4 presents the key results and discusses how these compare with those collected by Hay and Howes (2012). Section 5 explores a possible way forward by suggesting a series of reforms based on the core set of findings.

2. The Seasonal Worker Program

2.1 Origins

A labor mobility initiative for the Pacific had been widely considered for several decades before the PSWPS was introduced in 2008. As early as 1984, the first major review of Australia's aid program (The Jackson Report) recommended that Australia adapt its assistance to the special circumstances of the South Pacific through a special immigration program (Senate Foreign Affairs Committee 2003). Whilst there was periodic mention of labor mobility in each review of the aid program thereafter, it was widely recognized that it would be difficult to implement. In addition to concerns about domestic unemployment, the Government was also concerned about its potential to undermine 'the integrity of Australia's largely non-discriminatory aid policy' (The Simons Review 1997).

In 1992 the unemployment rate in Australia reached a high at 11 percent and then trended downwards over the subsequent decade, dropping as low as 6.1 percent by 2002 (ABS 2014). That same year Australia experienced a debilitating drought with 56 percent of the country suffering from severe rainfall deficiencies for the 11 months from March 2002 to January 2003 (Treasury 2004). This drought led to the largest decline in employment on record across the agricultural sector, with 100,000 jobs estimated to have been lost (Houston 2004; Treasury 2004). The rapid loss of agricultural workers who permanently relocated to other sectors led to concerns of future labor shortages (NFF 2005). These concerns were particularly acute in the horticulture sector, which is highly labor intensive.

In a 2003 inquiry into Australia's relations with Papua New Guinea and the island states of the south-west Pacific, the idea of a seasonal worker scheme for the horticulture sector first officially surfaced. The Committee received 'several submissions from enterprises in Australia and PNG requesting the Committee seriously consider such a scheme' (Senate Foreign Affairs 2003). Based on these submissions, the Committee recommended the Australian Government 'develop a pilot program to allow for labor to be sourced from the region for seasonal work in Australia' (Senate Foreign Affairs Committee 2003). The Government issued a one-line response to the recommendation stating 'it has traditionally not supported programs to bring low-skilled seasonal workers to Australia' (Maclellan & Mares 2006).

In 2005, the National Farmers Federation (NFF) released its labor shortage action plan, highlighting the issues the industry was facing and recommended actions. This plan recommended that the NFF ascertain feedback from farmers on the potential for a seasonal worker scheme (NFF 2005). In October of that year, the Pacific Islands Forum was held in Papua New Guinea. Despite the issue of labor mobility being high on the agenda for several

Forum members, the Pacific islands were offered the Australia-Pacific Technical College (APTC) instead – a regional technical college with the primary intention of creating skills (Clemens and others 2014).¹ The horticulture industry was offered greater access to backpackers through an amendment to the Working Holiday Maker visa, which allowed for a second-year visa extension conditional on carrying out 88 days of specified work in regional Australia (DIBP 2013).²

In the face of firm opposition, multilaterals and academics continued to pursue the case for seasonal migration, with the World Bank releasing its seminal *'At Home and Away'* report shortly thereafter. This report examined the economic arguments – analytically and empirically – in favor of a seasonal worker program for the Pacific. In December 2005, the Government launched an inquiry into the potential of a seasonal worker program titled *'Perspectives on the Future of the Harvest Labor Force'* (Senate Employment 2006).

The inquiry received submissions from a wide array of industry bodies, independent growers, labor hire companies, unions, domestic and regional governments as well as NGOs. The majority of these submissions suggested widespread labor shortages in the horticulture industry were the underlying justification for such a scheme, but according to the Committee, evidence of these purported shortages was largely anecdotal. As a result the Committee was not *'prepared to recommend that such a scheme should proceed'* (Senate Employment 2006, p. 7).

In New Zealand, the debate around seasonal workers had taken a distinctly different turn. By October 2006, the Cabinet had *'agreed to a temporary seasonal work policy called the Recognised Seasonal Employer (RSE) work policy'* (McKenzie and others 2008, p. 4). The policy set a limit of 5,000 workers to match seasonal labor shortages in the horticulture and viticulture industries. Encouraged by the progress across the Tasman, several Pacific Island governments continued to pressure the Australian Government by *'pursuing the issue of labor mobility at every opportunity in regional and bilateral meetings'* (Senate Employment Committee 2006, p. 45).

Following the 2007 Australian federal election, the newly elected Government of Prime Minister Kevin Rudd said *'it will closely monitor New Zealand's experience of seasonal employment of workers from the Pacific, to decide whether Australia should create its own seasonal worker program'* (MacLellan 2008). A paper released by the NFF suggested an implementation framework, which would start with a pilot program (NFF 2008b). This

¹ APTC was also intended to foster labor mobility though it struggled to deliver on this with only 2.6% of graduates moving to Australia or New Zealand (Clemens and others 2014).

² Specified work remains confined to the agriculture, mining and construction industries.

combined with the early success of the RSE in New Zealand led the Australian Government to decide in favor of trialing a seasonal worker program for the Pacific.

2.2 Pacific Seasonal Worker Pilot Scheme

“Australia’s Pacific Seasonal Worker Pilot Scheme will operate on a smaller scale than the New Zealand RSE scheme, but we are determined to ensure it works well from the outset, in the hope that it will be expanded in future years.”

Duncan Kerr, former Parliamentary Secretary for Pacific Island Affairs; 2008

The Pacific Seasonal Worker Pilot Scheme (PSWPS) was announced in the lead up to the Pacific Islands Forum in August 2008. It was trialed over three years, from February 2009 to June 2012 in the horticulture industry, initially being confined to Swan Hill-Robinvale in Victoria and Griffith in New South Wales. The Pilot was divided into two phases. Phase I was from 2008-09 and had a cap of 100 workers. Phase II was from 2009-12 with a cap of 2,400 workers (Gibson and McKenzie 2011b). Initially one Pacific country from each of Micronesia, Polynesia and Melanesia was selected based on prior experience in New Zealand’s RSE (Luthria and Malaulau 2013).

In November 2008, the Australian Government signed Memoranda of Understanding (MOU) with the governments of Kiribati, Tonga and Vanuatu (TNS Social Research 2011). Whilst Papua New Guinea was invited at the outset, it joined the PSWPS later in July 2010 (Luthria and Malaulau 2013). In September 2011, at the Pacific Islands Forum in Auckland, Prime Minister Julia Gillard announced that Nauru, Samoa and Solomon Islands and Tuvalu would also be invited to participate in the final stages of the PSWPS (Maclellan 2012).

The design of the PSWPS designated Approved Employers (AEs) as responsible for the recruitment of Pacific seasonal workers. In order to become an AE, an expression of interest needed to be submitted to the Department of Education, Employment and Workplace Relations (DEEWR, now the Department of Employment). Initially this opportunity was reserved for labor hire companies. If found suitable to become an AE, labor hire companies were offered a Special Program Agreement from the Department of Immigration and Citizenship (now the Department of Immigration and Border Protection) and a Deed of Agreement from DEEWR. In turn, they were able to contract out the recruited Pacific seasonal workers to growers. The costs and requirements borne by AEs under the PSWPS are shown in Table 2.1 below.

Table 2.1 Additional costs and requirements for Pacific seasonal workers under the PSWPS

Additional cost/ requirement	
Additional costs for Pacific seasonal workers	<ul style="list-style-type: none"> ▪ 50 percent of the return airfare for each worker regardless of sending country ▪ All domestic transfer costs ▪ Organizing accommodation* ▪ Private health insurance* ▪ Visa fees*
Additional requirements for Pacific seasonal workers	<ul style="list-style-type: none"> ▪ Six months work at a minimum of 30 hours per week ▪ Labor market testing (by lodging vacancies with Australian government employment services for a period of two weeks) ▪ Engagement according to Australian working standards (wages according to the award rate, superannuation, work cover etc.) ▪ Assistance in accessing health care ▪ Arranging for personal protective equipment ▪ Ensuring access to onsite facilities and on-farm induction, including Occupational Health and Safety (OH&S) matters ▪ Appropriate pastoral care ▪ Support to ensure compliance with all visa conditions ▪ Cooperation with the Fair Work Ombudsman and state authorities in monitoring the work standards of workers

Note: Those marked with * signify costs that could be recovered through wage deductions.

Source: TNS Social Research (2011)

Despite earlier complaints of labor shortages from the NFF (estimated at 22,000 workers), the first two years of the PSWPS saw only 123 arrivals (NFF 2005; NFF 2008a). The limited scope of the PSWPS and lack of flexibility proved to be a deterrent. In addition to this, growers voiced concerns about the need to hire through labor hire companies and the associated mark-up on labor costs. The Chief Executive of the Horticulture Australia Council highlighted this as ‘the most significant issue constraining demand’ (Robinson 2010). In late 2009, the first of several parameter changes aimed at lifting employer demand was introduced.

Table 2.2 Parameter changes under the PSWPS

Date	Parameter change
November, 2009	<ul style="list-style-type: none"> ▪ Horticultural contractors and growers permitted to become AEs along with labor hire companies ▪ Geographical restrictions removed, opening the PSWPS up to horticultural regions beyond Robinvale-Swan Hill in Victoria and Griffith in New South Wales

December, 2010

- Variable rate introduced for employer contribution to return airfare (35% for Kiribati, 50% for Tonga, 55% for PNG, 80% for Vanuatu)
- Employers provided three options for minimum amount of work required to guarantee Pacific seasonal workers (1. Six months at 30 hours per week, 2. Five months work at 35 hours per week, 3. Four months' work at 38 hours per week)
- Domestic transfer costs reduced by allowing employers to recoup up to \$100 from the point of entry to the place of employment

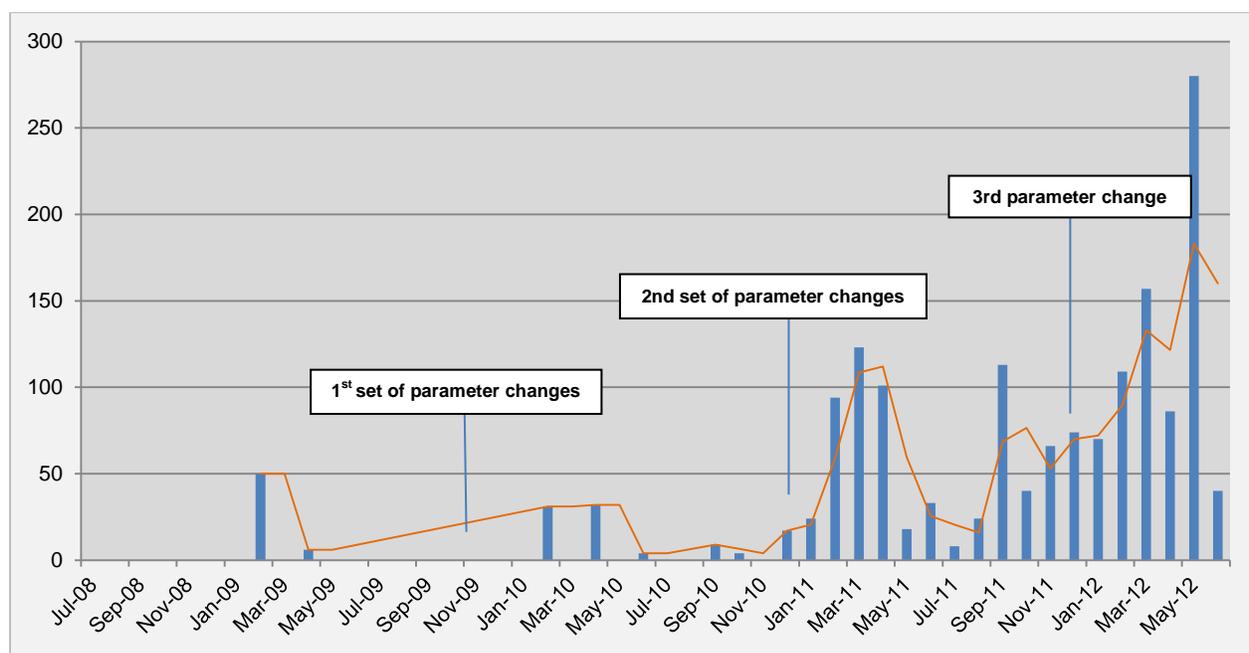
December, 2011

- Reduction in the tax rate for Pacific seasonal workers from 29% to 15% for their first \$37,000 of taxable income

Source: TNS Social Research (2011)

These reforms gradually helped improve take-up the following year, but the PSWPS still had a low participation rate. In 2010, an Interim Evaluation Report was released. It outlined some of the design features that continued to affect the take-up of Pacific seasonal workers. Largely as a result of this evaluation, three key sets of reforms to the Pilot parameters were introduced aimed at improving take-up in the PSWPS (Table 2.2). These changes had a marked effect on demand for Pacific seasonal workers (Figure 2.1). Whilst demand had flat-lined in the first two years, FY 2010-11 witnessed an increase in arrivals to 392. FY 2011-12 saw a similar increase with 1,074 arrivals (DIAC 2012b). Despite the reforms to existing cost-sharing arrangements and improvements in flexibility, the PSWPS was still falling consistently short of the cap (Table 2.3).

Figure 2.1 Moving average of monthly visas granted under the PSWPS



Source: DIBP (2014)

Hay and Howes (2012) found that a key reason for this shortfall was the lack of an aggregate labor shortage. They also found a distinct lack of information about the PSWPS in the horticulture sector. Whilst it was initially anticipated that employers would take ownership of the pilot, as the PSWPS progressed, it became increasingly apparent that government-led marketing would be required to increase industry awareness and interest (TNS Social Research 2011).

Finally, there was the perceived level of cost and risk associated with the PSWPS (Hay and Howes 2012). As the final evaluation of the PSWPS highlighted, convincing growers of the value of seasonal workers and encouraging acceptance of the higher cost per hour balanced with other savings remained a considerable barrier to participation in the PSWPS (TNS Social Research 2011).

2.3 Seasonal Worker Program

The final evaluation of the Pacific Seasonal Worker Pilot Scheme was completed in September 2011. Despite the considerable barriers the PSWPS faced, the evaluation suggested that it had demonstrated 'it can meet the needs of the horticulture industry for seasonal labor' (TNS Social Research 2011). It recommended the roll out of a low-skilled seasonal labor mobility program as preferable to extending the PSWPS, as this would 'generate a lack of confidence and inhibit uptake by industry' (TNS Social Research 2011).

On 18 December 2011, the Government announced their decision to introduce an ongoing fully-fledged scheme, the Seasonal Worker Program or SWP (FMFA 2011). Whilst most of the existing cost-sharing arrangements and requirements carried on from the PSWPS, there were changes to both the structure and scale of the SWP. Three new sectors were added for a three year trial: aquaculture, cotton and cane. Furthermore, the cap on the number of workers was expanded to 12,000 workers over the four year period, 2012-13 to 2015-16.

Annual caps were also put in place. These increase year-on-year with 80 percent of places allocated to the horticulture sector and 20 percent to the four trial sectors. In FY 2012-13, the cap was 1,600 in horticulture and 400 for the trial sectors. In 2013-14, this increased to 2,000 for horticulture and 500 for the trial sectors; and, in 2014-15 to 2,600 for horticulture and 650 for the trial sectors. The 2015-16 cap is 4,250. The three-year trial for the expansion sectors comes to an end in 2014-15. These sectors have attracted few takers, and it is not expected that a separate reservation for these sectors will continue after 2014-15. This slowly expanding cap is in stark contrast to the RSE in New Zealand – its cap

started at 5,000 workers in 2007-08, immediately expanded to 8,000 in 2008-09 and is now at 9,000 workers.

There were two reforms implemented with the introduction of the SWP aimed at reducing the administrative requirements of AEs. The first was dropping AE reporting requirements from monthly to twice (on-arrival and pre-return) over the duration of a Pacific seasonal worker's stay. The other was providing a single point of contact in Government for AEs.

Arrivals under the SWP have been increasing steadily. In 2012-13 there were 1,473 visas granted. In 2013-14 there were 2,014 visas granted (DOE 2014). The figures are a steady improvement on the PSWPS, but the number of visas granted under the SWP have still been below the cap (Table 2.3). It should also be noted that the cap is small relative to both the number of other workers in the horticulture industry and to the RSE in New Zealand. For the horticulture sector, many of the factors constraining demand in the PSWPS continue to affect the SWP. These will be discussed in detail in Section 4.

Table 2.3 Comparison of visas granted as a percentage of the cap under the Australian and New Zealand schemes

		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PSWPS/ SWP (all sectors)	Cap	-	100	2,400			2,000	2,500
	Visas as a % of cap	-	56%	64%			74%	81%
PSWPS/ SWP (horticulture)	Cap	-	100	2,400			1,600	2,000
	Visas as a % of cap	-	56%	63%			91%	99%
RSE	Cap	5,000	8,000	8,000	8,000	8,000	8,000	8,000
	Visas as a % of cap	90%	85%	85%	95%	97%	100%	100%

Note: Years are from July to June.

Source: DIBP (2014); Immigration NZ (2014b)

The election of the Coalition Government in September 2013 has led to a new impetus for reform, with an election undertaking to examine the case for expanding the SWP (Coalition 2013a) and a more general focus on reducing regulation (Coalition 2013b). The Department of Employment (formerly the Department of Employment, Education and Workplace Relations) and the Department of Immigration and Border Protection (formerly the Department of Immigration and Citizenship) have been in the process of identifying further options to reform the administrative requirements within the program.

3. Survey

To identify and evaluate reasons why employers are not participating in the Seasonal Worker Program, a survey of both horticultural employers and industry bodies was undertaken. The survey was carried out between February and April 2014. It covered growers from all states and territories, including all of the major horticultural regions across Australia. Given the minimal take-up in the four expansion sectors, they were not included. There was a great deal of variation in the farm sizes of survey respondents ranging from family-run farms with less than a hectare and one seasonal worker, to corporate holdings with 1,700 hectares and over one thousand seasonal workers. All of the major crop types were covered including bananas, berries, canned fruits, citrus, dried fruits, flowers, melons, nuts, pome fruits, stone fruits, table grapes, vegetables and wine grapes.³

The total size of the survey was 217 employers and 43 industry bodies (Table A.1). This compares well with any previous survey of horticultural employers. 183 out of the 191 employers who participated in the 2011 survey were re-contacted. Many were unavailable, but 101 answered the survey. They are referred to as the primary sample. A secondary sample of 200 randomly selected horticultural employers from across Australia were also contacted. 76 of those responded. In addition, 40 Approved Employers and participating employers were surveyed. Finally, the horticultural industry bodies representing various crops and regions across Australia were surveyed. Given there is no single horticultural peak body in Australia, a wide array of 43 industry bodies were surveyed to gain an overarching reflection of the industry. More information about the sample can be found in Appendix A, and the survey instruments in Appendixes D and E.

4. Results and discussion

This section summarizes the results, and presents a few key graphs. The full set of results can be found in Appendix B. To maximize comparability over time, we sometimes compare only the same growers from the primary sample. Analysis utilizing the 2014 survey only uses the full sample.

Lack of awareness

The underlying lack of awareness of the SWP across the horticulture industry is an ongoing source of concern. Half of the growers surveyed in 2011 (48 percent) were unaware of the PSWPS (Figure 4.1). Recognizing this issue, the final evaluation of the PSWPS

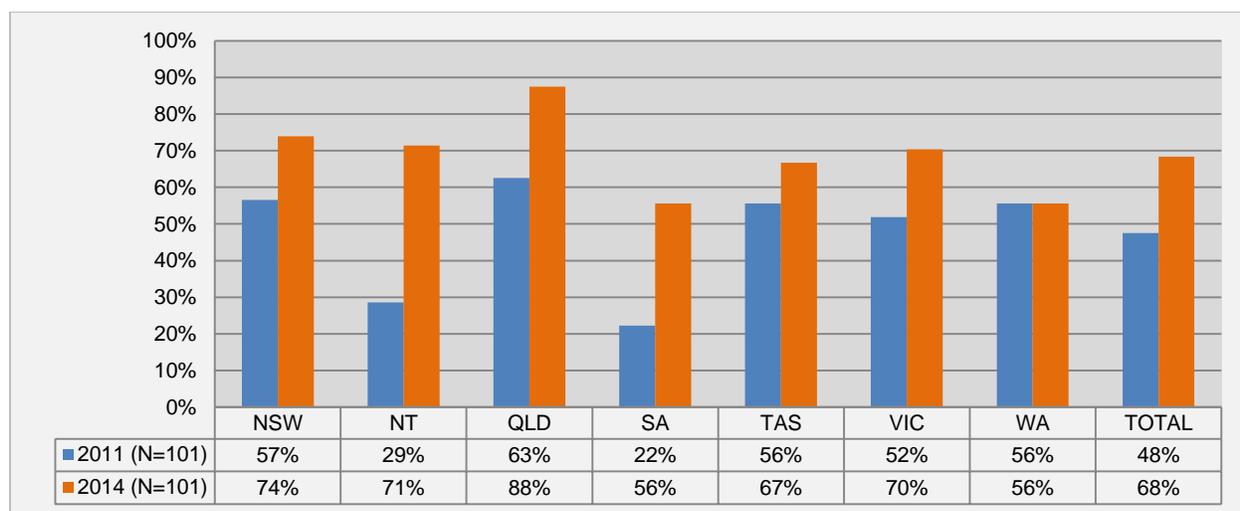
³ For the purpose of this survey, pome fruits refers to apples, pears and quinces.

recommended ‘funding a specialist agency to deliver a targeted communications campaign to comprehensively and consistently market a low-skilled seasonal mobility program to the horticulture industry and other community based stakeholders’ (TNS 2011, p. 69).

Despite this recommendation, the government-led approach was continued. The results of this method have delivered modest improvement with only two in three (68 percent) growers now aware of the SWP (Figure 4.1). A larger increase was expected, given those who were previously unaware should at least have found out through the 2011 survey. By contrast, in New Zealand 84 percent of non-participating growers had heard of the RSE in the last employer survey that covered awareness (DOL 2011).

Amongst those who had heard of the SWP there were also misconceptions about both the costs and requirements that AEs are responsible for. Several growers thought it was still compulsory to recruit through labor hire companies. Others believed that six months was the minimum period of time that Pacific seasonal workers could be recruited for. This was possibly due to a lack of information – many growers felt the SWP had not been clearly communicated to them by Government. Of those that were interested in receiving information about the SWP, ‘e-mail’ and ‘through industry bodies’ were cited as the most effective means of communication.

Figure 4.1 Percentage of growers who have heard of the SWP (primary sample)



The Government’s marketing approach thus far focused predominantly on the larger regional and national bodies such as the National Farmers Federation, the Victorian Farmers Federation, and Growcom. For certain horticultural industry bodies they have sent out detailed information packs on the SWP for each member. For other industry bodies, there has been little or no contact. A total of 28 out of the 43 associations surveyed had not

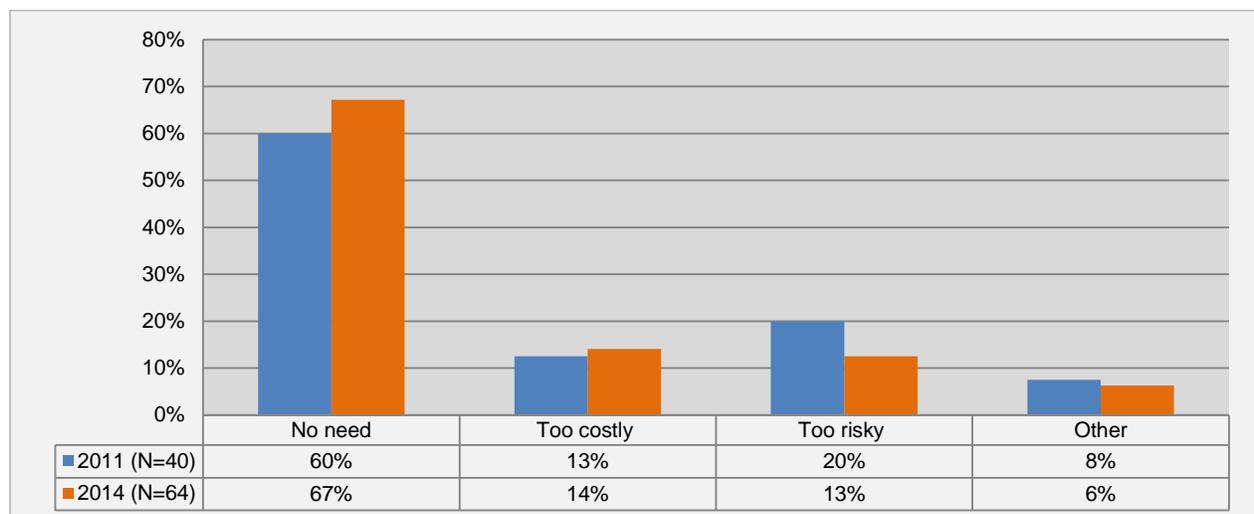
received any information about the SWP from Government. Collectively, these 28 associations represent 8,364 members. This is an opportunity missed.

Lack of an aggregate labor shortage

The key factor deemed to be preventing higher take-up of Pacific seasonal workers under the PSWPS was the lack of an aggregate labor shortage. A clear majority (60 percent) of growers suggested the reason they were not using the PSWPS was because there was ‘no need’ (Figure 4.2). This trend largely continues to affect the SWP with 67 percent of growers saying they had ‘no need’ for it in 2014. A higher percentage of growers said that they had experienced difficulties finding sufficient seasonal workers, but this figure still remains low at 18 percent, compared to 9 percent in 2011 (Figure B.4). As expected, these difficulties were particularly acute in more remote horticultural regions, such as those in the Northern Territory.

The prevalence of illegal workers and practices in the industry continues to weaken prospects for Pacific seasonal workers. Four out of five (79 percent) growers recognized that undocumented workers were used to at least some extent in the horticulture industry, much higher than the 16 percent in 2011 due to a change in question wording (Figure B.5). Awareness of the presence of illegal workers in the horticulture sector was particularly acute amongst AEs and participating growers – 60 percent suggested that illegal workers were either used ‘to a moderate extent’ or ‘to a large extent’, whilst only 3 percent believed that they were ‘not used at all’ (Figure B.22).

Figure 4.2 Main reason for not participating (primary sample)



Note: The sample in this figure only includes those who had heard of the scheme.

The majority of AEs and participating growers indicated that the prevalence of illegal workers was having an impact on demand for legal workers, such as those from the Pacific. There is no reliable estimate of the number of undocumented workers in the horticulture sector. However, the Department of Immigration and Border Protection does collect data on the number of unlawful non-citizens located annually. These have increased steadily since the introduction of the PSWPS, along with the number removed (Table 4.1).

Table 4.1 Prevalence of illegal workers in Australia

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Unlawful non-citizens located	11,428	14,169	13,831	15,477	15,077	17,185
Notices issued to employers of illegal workers	597	609	515	397	302	N/A
Removals and assisted departures	6,818	8,825	10,175	10,785	9,012	10,585

Source: DIAC (2009-2011); DIAC (2012a); DIBP (2013 -14)

This is contrast to New Zealand, where a crackdown on illegal labor was initiated before the introduction of the RSE. In order to create labor demand for the RSE from the outset, ‘the New Zealand government conducted immigration raids to deport undocumented workers’ (Ball 2009, p. 116). According to Immigration New Zealand (2014a), as a result of these actions immigration fraud in the horticulture and viticulture sectors has fallen significantly.

Despite the prevalence of illegal workers, many growers suggested that the larger issue at hand was the underpayment of documented workers. This involves both growers who are recruiting directly and knowingly underpaying workers, as well as those using dishonest contractors. This further undermines prospects for Pacific seasonal workers. For FY 2012-13, the Fair Work Infoline received over 6,000 enquiries in relation to agriculture, forestry and fishing. There is no disaggregation on the proportion of these enquiries that were in the horticulture sector.

The most common complaints received related to ‘wages and conditions, non-payment for time worked and underpayment matters’ (FWO 2014). The widespread availability of backpackers from developed countries on Working Holiday (subclass 417) visas also continues to plug any potential shortages of seasonal workers. This is a result of the 2005 amendment allowing for a second-year visa extension, conditional on undertaking 88 days of specified work in a rural area (DIBP 2013b).

For FY 2013-14, there were 45,950 second-year visa extensions in Australia, up from zero prior to the introduction of this option in 2005 (Table 4.2). Nine out of ten (90 percent) of second-year visa holders had obtained the extension by working in agriculture, forestry and fishing, which incorporates horticulture. 7 percent obtained it through work in construction, 1 percent through the mining industry, and 2 percent were unclassified. The survey results accord with these figures – across all samples nearly half (46 percent) of growers indicated that backpackers were the main category of worker employed (Table B.2), though note that this is down from 73 percent in 2011.

Table 4.2 Comparison of visa-extensions granted under the Working Holidaymaker schemes of Australia and New Zealand

	2009-10	2010-11	2011-12	2012-13	2013-14
Australia	25,315	22,500	30,501	38,862	45,950
New Zealand	1,163	1,475	1,963	2,127	2,911

Source: DIBP (2014b); Immigration NZ (2014b)

In New Zealand the same extension is available for backpackers who undertake seasonal work in the horticulture or viticulture industries (Immigration NZ 2014c). However, successful applicants are only to stay for an additional three months. The shorter extension period makes it a less attractive option with only 2,911 backpackers being granted the extension in FY 2013-14. As a result, it does not pose a threat to take-up in the RSE.

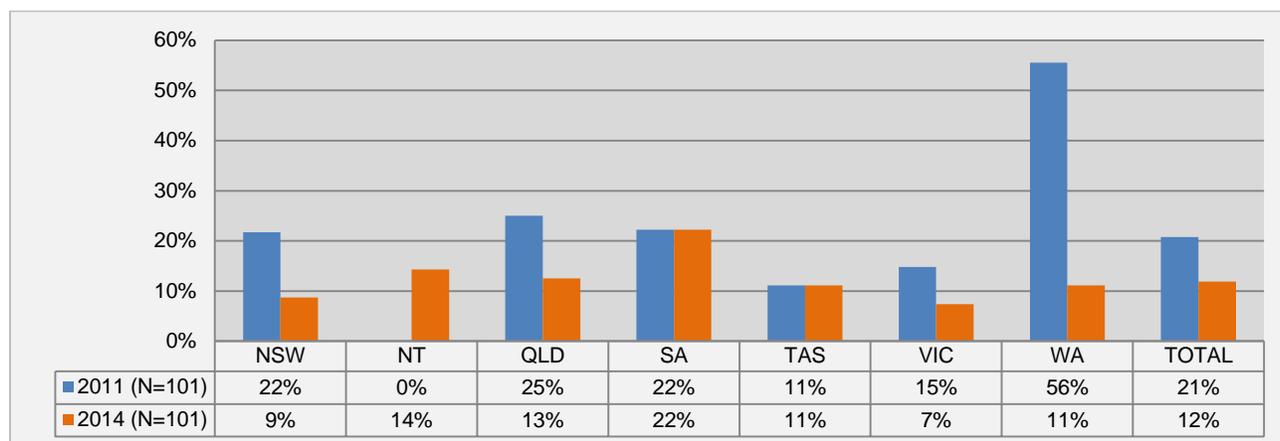
The widespread availability of backpackers in Australia undermines prospects of employment for Pacific seasonal workers. Many of the growers surveyed complained that there were too many backpackers contacting them in search of work. Despite these complaints, it was evident that the overabundance of backpackers was preferable to not having enough.

The majority of industry bodies surveyed said they would actively oppose any reform to the second-year visa extension for backpackers. This is widely recognized as a crucial element of the industry. In 2013, the tourism sector attempted to join those qualifying for ‘specified work’, but the horticultural industry bodies lobbied strongly against it and ultimately prevented its inclusion.

Whilst the abundance of illegal workers and backpackers appears to have become a structural feature of the industry, not all growers were satisfied with the quality of their existing workforce. From the primary sample, 12 percent of growers suggested they were dissatisfied, slightly lower than the 21 percent that held the same view in 2011 (Figure

4.3). Of those growers who were dissatisfied the majority employed backpackers and cited frustration with a lack of dependability, lack of enthusiasm and poor productivity.

Figure 4.3 Percentage of growers who are unsatisfied with the quality of existing workers (primary sample)



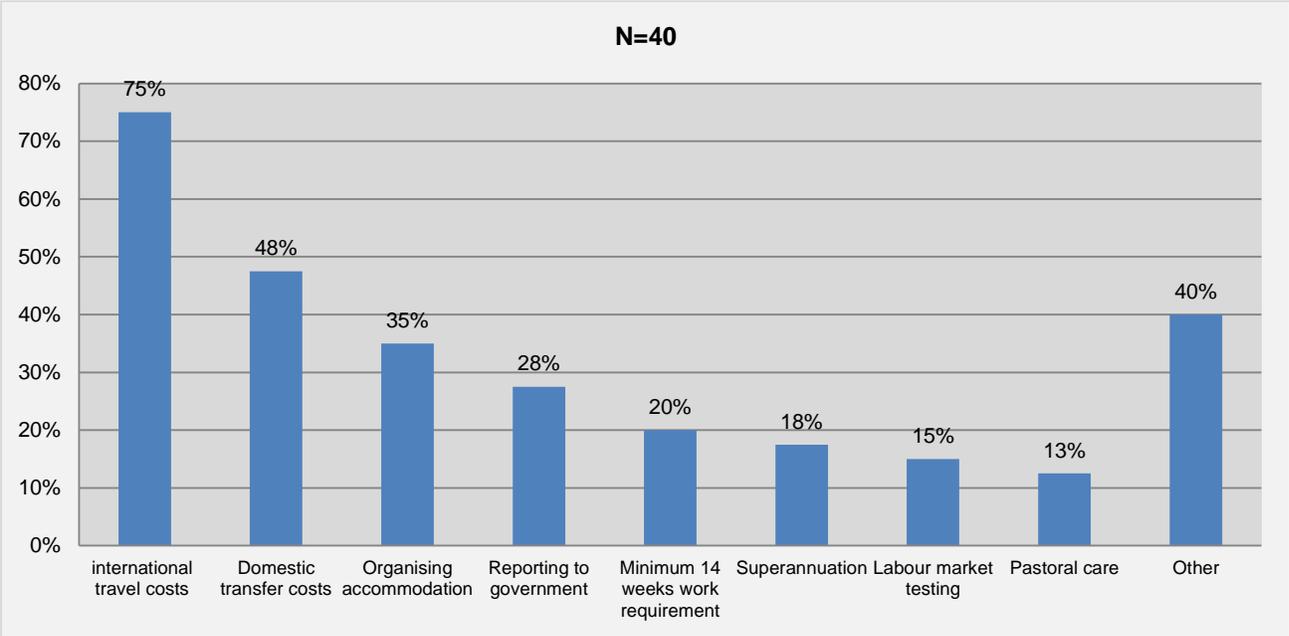
Additional costs

The costliness of the SWP remains a key barrier to entry. It was the second most cited reason (14 percent) for not hiring Pacific seasonal workers after having ‘no need’ (Figure 4.2). The higher costs incurred for Pacific seasonal workers make them uncompetitive against backpackers and other categories of workers. The main cost concerns revolve around transporting and accommodating the workers, and administration. Non-participating growers were generally unable to suggest specific changes to the SWP that would make it more attractive, given their lack of knowledge of the program parameters. However, 17 percent suggested ‘reducing the cost’ would make it more attractive, whilst 9 percent stated that ‘removing the accommodation requirement’ would achieve this end (Figure B.15).

For AEs and participating growers, the costs involved also continued to determine the viability of the SWP. The majority of AEs involved (53 percent) with the SWP said that it was not financially attractive (Figure B.21). The key changes that AEs and participating growers felt would make the SWP more attractive revolved around reducing the cost. Three out of four (75 percent) cited the international travel cost, which included both having to pay the international airfare upfront and also the need to make a \$500 contribution (Figure 4.4). Many were content to cover the airfare for first time workers, but complained about having to cover it for returning workers.

Half of AEs and participating growers (48 percent) cited the need to change the domestic travel cost arrangements (Figure 4.4). At present, AEs are only able to recoup \$100 of this cost from the closest port of entry. For AEs in close proximity to airports with direct routes to Pacific Island countries, this was not an issue. However, for those employers situated in remote areas, particularly of Western Australia and South Australia, this arrangement increased costs significantly. Some of these growers have been paying more for the domestic travel component than the international.

Figure 4.4 Key changes that would make the SWP more attractive to growers (AEs and participating growers)



Furthermore, 35 percent suggested that the cost of organizing accommodation is currently a deterrent (Figure 4.4). This was of particular concern for growers in more remote areas where accommodation is scarce and costly to set up. In New Zealand, RSEs are also responsible for covering a proportion (50 percent) of the return international airfare, domestic travel costs and the costs associated with organizing suitable accommodation (Immigration NZ 2012). Despite having to cover similar costs as AEs, in the 2012 employer survey all RSEs suggested that the ‘benefits of participating in the RSE outweighed the costs’ (MBIE 2012, p. 4).

Excessive risk

The perceived level of risk involved with the SWP has decreased, possibly as a result of reforms to program parameters. For the PSWPS, 20 percent of non-participating growers

cited risk as the key reason for not participating. For the same primary sample in this survey the figure had decreased to 13 percent (Figure 4.2). There are many sources of risk that stem from the SWP. Those outlined by growers included needing to guarantee a minimum period of work, not being able to directly select the workers in the same way as backpackers, and having to pay upfront costs before testing them out.

The largest perceived risk for AEs and participating growers was the need to provide a minimum period of work. This is despite reforms reducing this period to an average of 30 hours per week for a minimum of 14 weeks. This concern was particularly acute for growers of fruit and vegetables with harvest seasons that lasted for less than or close to the 14 weeks, though it extended right across the board. Horticulture is an inherently volatile industry where labor needs are often determined on a day to day basis. By comparison, in New Zealand the minimum period of work that Recognised Seasonal Employers need to guarantee Pacific seasonal workers is 6 weeks at 40 hours per week (Immigration NZ 2012).

BOX 1 Case study – non-participating grower

Company: Stothart Family Farms

Location: Bellmere, Queensland

Size: 20 hectares/ 120 seasonal workers

Crop: Strawberries



The strawberry industry in Australia is spread throughout most states and territories. There are over 300 growers producing in excess of 72,000 tonnes. As with most fruit varieties a few large players dominate the industry. Stothart Family Farms is one of the larger strawberry producers in Australia, operating out of South East Queensland and regularly employing up to 120 seasonal workers. They had considered participating in the Seasonal Worker Program when they first discovered it, but decided

not to after learning of the minimum work requirement. According to Jane Stothart “it was simply not possible to commit to offering 38 hours of work per week for the four months we needed them for. We also have an oversupply of Asian backpackers that we find to be outstanding workers for the strawberry industry.” Jane has stated that she would reconsider taking on Pacific seasonal workers if the minimum work requirement was reduced.

The second largest risk for growers was not having the same degree of control in worker selection. Initially, the responsibility of selecting workers lay largely with labor-sending countries. Potential workers were selected and placed in a work-ready pool. More recently, sending countries have also offered the option of direct recruitment. Despite the fact that employers can choose the recruitment method, many still feel that the SWP affords them less control over the workers they hire compared with other types of workers. In New

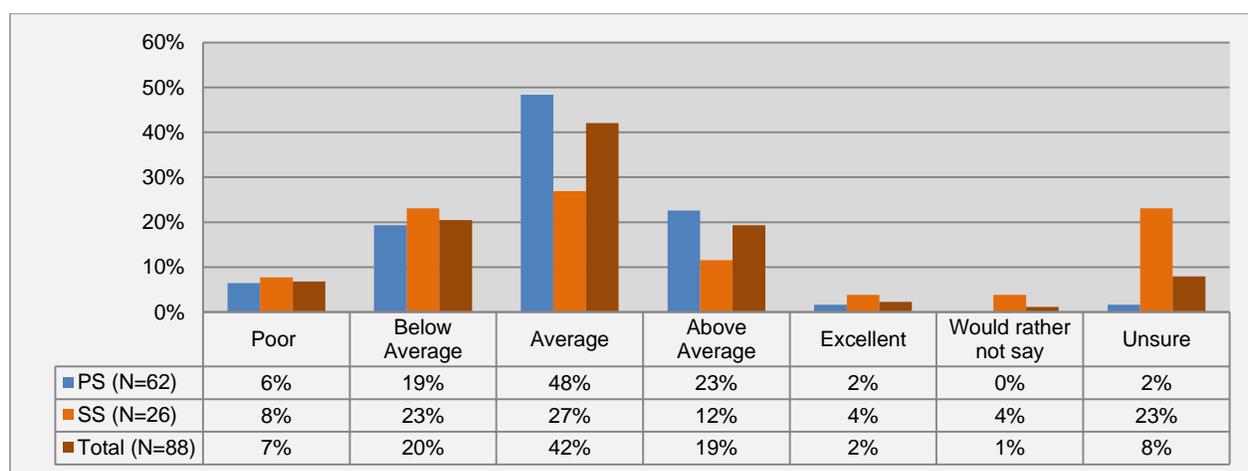
Zealand, this perceived risk is minimized through a trial period agreement where if the worker is dismissed before 90 days they cannot take a personal grievance for unfair dismissal (DOL 2014).

The upfront costs in the SWP also magnified the risk of taking on untested workers. These costs included visas, health insurance, airfares, domestic travel, cash advances and allowances for appropriate work clothes. Growers suggested these costs could range from \$1,500 - 3,000 per Pacific seasonal worker. The majority of upfront costs can be recouped through wage deductions; though in the case that workers are unsuitable or abscond, this may not be possible.

Reputation of the SWP

The reputation of the SWP continues to affect demand for Pacific seasonal workers. For the PSWPS, 27 percent believed it had a good reputation, 23 percent felt it had a poor reputation, and the remaining 50 percent were unaware of its reputation (Hay and Howes 2012, p. 29). This survey revealed large differences between the attitudes of non-participating growers and participating growers. 62 percent of non-participating growers who were aware of the scheme suggested its reputation was either ‘average’ or ‘below average’ and 7 percent suggested it was ‘poor’ (Figure 4.5). Just one-in-five (19 percent) of non-participating growers thought the SWP’s reputation was ‘above average’ and only 2 percent believed it was ‘excellent’ (Figure 4.5). On a more positive note, one-in-four (24 percent) non-participating growers suggested that they were willing to take on Pacific seasonal workers in the coming 12 months (Figure B.14). This suggests that there is significant potential for the SWP to expand if the conditions are right.

Figure 4.5 Reputation of the SWP (primary and secondary samples)



Note: The sample in this figure only includes those who had heard of the scheme.

AEs and participating growers held the SWP in higher regard with 66 percent of growers stating that its reputation was either 'above average' or 'excellent', compared to just over 20 percent for non-participants. However, 10 percent of AEs and participating growers thought that the reputation of the scheme was 'average', 15 percent 'below average' and 5 percent 'poor' (Figure B.18). The fact that 30 percent of those involved with the SWP are not impressed is unfortunate.

AE's and participating grower's perceptions of Pacific seasonal workers were also positive. They were viewed as significantly more dependable (mean 8.7 out of 10), enthusiastic (mean 8.5) and productive (mean 8.7) than other categories of seasonal workers (Figure B.20). These findings are echoed in the RSE Employers' Survey in New Zealand where Pacific seasonal workers were also rated as more dependable (mean 9.1 out of 10), enthusiastic (mean 8.8) and productive (8.9) than other categories of seasonal workers (MBIE 2012). A 2013 study carried out by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) supports their views. The study estimated the relative efficiency of workers under the SWP against backpackers using payroll data. The results of the analysis indicated that Pacific seasonal workers were on average 22 percent more efficient than backpackers (ABARES 2013).

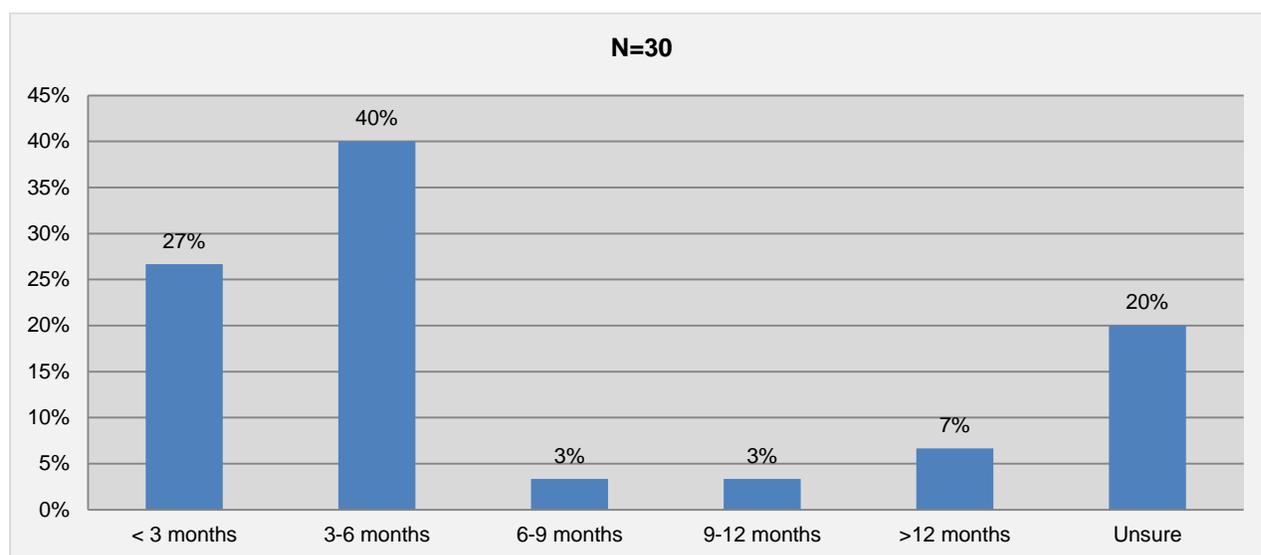
It is clear that there is a significant gap between participating and non-participating growers' perceptions of both the SWP and Pacific seasonal workers themselves. Bridging this gap will require eliminating widespread misconceptions about the SWP and further promoting the gains of hiring Pacific seasonal workers. In order to achieve this end, the Department of Employment may need additional resources to be allocated to the SWP, which will be difficult in the current funding environment.

Administrative requirements

The high administrative costs continue to affect the reputation of the SWP. In relation to the PSWPS, 88 percent of AEs said 'the red tape is too cumbersome and costly' and there were complaints of 'repetitive paperwork, reporting and monitoring' (Hay and Howes 2012, p. 31). These concerns have carried over to the SWP. The average amount of time taken for the Government to process the paperwork required to become an AE was 4.6 months.

For the majority of AEs (67 percent), the processing time was less than six months. However, for 13 percent of growers it took longer than half a year for the paperwork to be processed. This reflects the fact that several growers had their initial application rejected and hence experienced significant delays (Figure 4.6).

Figure 4.6 Time taken to become an Approved Employer (AEs)



The three administrative requirements of most concern for AEs and participating growers were ‘reporting to government’, ‘superannuation’, and ‘labor market testing’ (Figure 4.4). Reporting to government incorporated the need for a recruitment plan, on-arrival and pre-departure briefings, along with other periodic paperwork requirements. In New Zealand, whilst many of the same reporting requirements are in place, the Department of Labor has been commended for taking a more facilitative approach and ‘only using compliance as a measure of last resort’ (DOL 2012, p. 66).

The paperwork associated with Pacific seasonal workers’ superannuation was also a source of discontent. Many growers highlighted the efficiency gains that could be realized if the administrative requirements around the 9.25 per cent super contribution could be streamlined. In New Zealand, RSEs are not required to make superannuation contributions. Finally, the labor market testing requirement was suggested as a potential area for reform. Participating growers wasted significant periods of time responding to e-mails from applicants, who were only applying to ensure they would receive their unemployment benefits. In New Zealand, the labor market testing requirement is also in place and RSEs appear to be experiencing many of the same issues (DOL 2012).

It should be noted that whilst administrative requirements were a concern amongst AEs and participating growers, they were of minimal concern to non-participating growers. Only 2 percent stated reforms to administrative requirements would make the SWP more attractive (Figure B.15). This result suggests that though reforms in this area may satisfy existing AEs and participating growers, they are unlikely to have a large impact on bringing non-participating growers into the SWP.

What type of growers use the SWP?

Understanding why AEs and participating growers are involved with the SWP is as important as determining the factors constraining demand. The most pronounced difference between growers that employ Pacific seasonal workers and those who continue to rely on backpackers and foreign contractors is size. The average property size of AEs and participating growers is 385 hectares, compared to 68 hectares for non-participating growers (Table 4.3). The average number of Pacific seasonal workers employed per season was 142 for those involved with the SWP, compared to 26 for non-participating growers (Table 4.3).

Table 4.3 Key differences between AEs / participating growers and non-participating growers

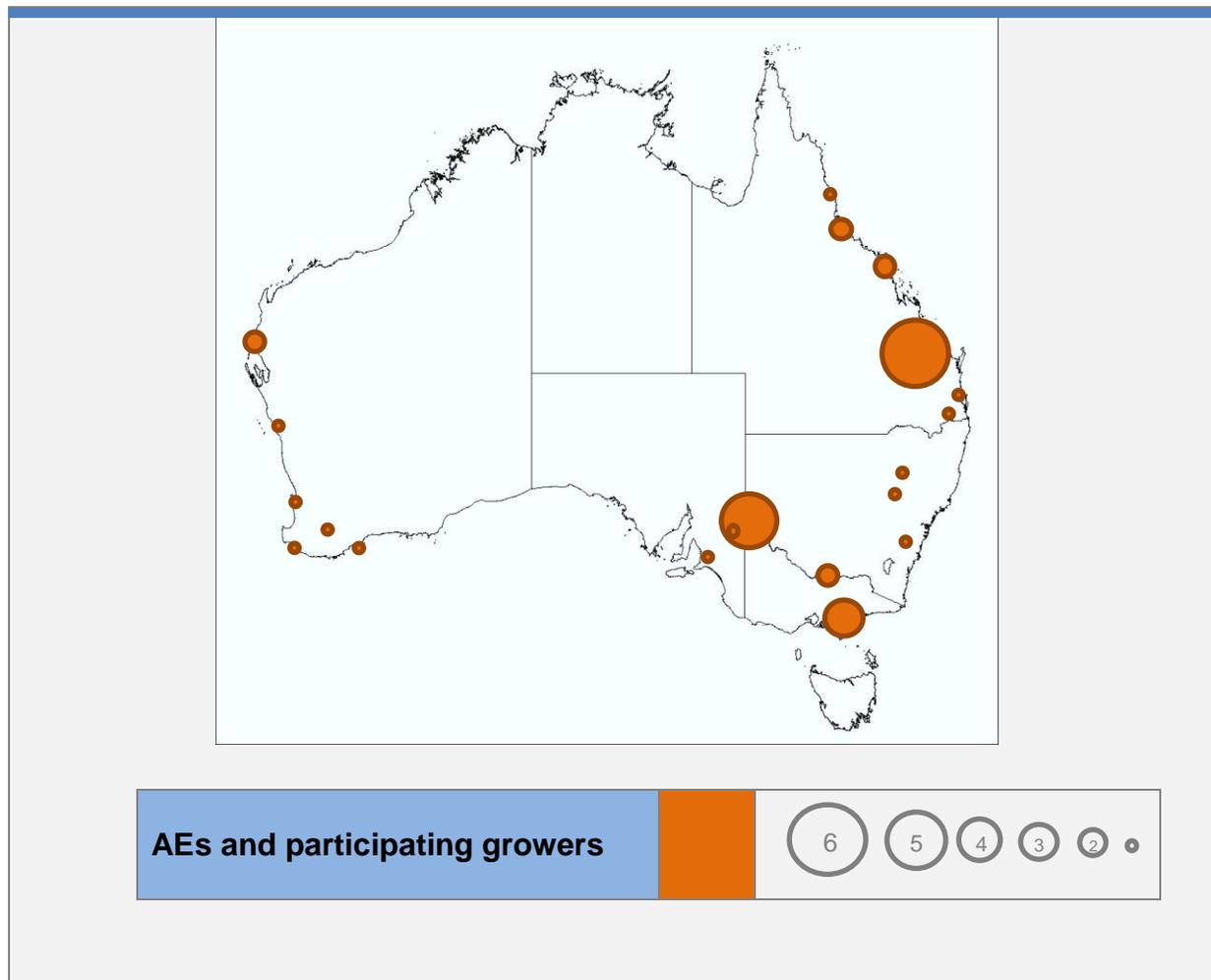
	AEs / participating growers	Non-participating growers
Average property size	385 hectares	68 hectares
Average no. of seasonal workers	142	26
Primary location	QLD (30%) WA (25%) VIC (24%)	VIC (29%) NSW (20%) SA (19%)
Primary crop	Citrus (30%) Grapes (16%) Pome fruit (14%)	Pome fruit (23%) Stone fruit (21%) Berries (14%)
How growers first found out about the SWP	Other employers (38%) Word of mouth (13%) Conference (13%)	Media (37%) Industry bodies (25%) Other employers (12%)
Difficulty sourcing workers	45%	16%
Communication from Government	Clear (68%) Unclear (33%)	Clear (22%) Unclear (69%)
Primary method of payment	Hourly rates (38%) Piece rates (63%)	Hourly rates (64%) Piece rates (36%)

The majority of AEs and participating growers (79 percent) are in either Queensland, Western Australia or Victoria, states that are only home to 45 percent of non-participating growers (Table 4.3). Labor shortages are reported to be especially high in Victoria (Figure B.4). These states are also ones where clusters of AEs have formed (Figure 4.7).

In the cases of Mildura/ Robinvale in Victoria and Mundubbera/ Gayndah in Queensland, many growers have taken on Pacific seasonal workers as a result of learning of the positive

experiences of others involved with the SWP. A large portion (38 percent) of AEs and participating growers first found out about the SWP through other employers, which suggests that the positive experiences of those involved with the SWP has a large impact on take-up more broadly (Table 4.3).

Figure 4.7 Map of AE and participating grower survey respondents



The type of crop grown is also a determining factor for participation. The three primary crops amongst AEs and participating growers all have harvesting seasons that, reliably last longer than the minimum 14 weeks required in the SWP (Table 4.3). Communication also matters. The majority of AEs and participating growers (68 percent) felt that the SWP had been clearly communicated to them. By contrast, most non-participating growers did not feel the Government had achieved this end (Table 4.3). A final difference is the payment method. AEs and participating growers have mainly adopted piece rates (63 percent), whereby seasonal workers are paid per bucket or bin picked, as opposed to a flat hourly rate (Table 4.3). For non-participating growers, only 36 percent are using piece rates.

BOX 2 Case study - participating grower

Company: Vizzarri Farms

Location: Koo Wee Rup, Victoria

Size: 1,900 hectares/ 300-350 seasonal workers

Crop: Asparagus



The asparagus industry in Australia is highly concentrated in Victoria with over 90 percent of production occurring in Koo Wee Rup and Dalmore – peri-urban areas of Melbourne. The growing, harvesting and packing of asparagus is a labor intensive process and once harvested, asparagus is a highly perishable product. As such, the reliability and quality of labor supply is of chief concern. Joe Vizzarri is one of the largest asparagus producers in Australia overseeing 26 properties totaling 1,900 acres with 350 seasonal workers. The Vizzarri Packhouse processes on average 4,000 tonnes of asparagus annually, predominantly for the domestic market. Joe decided to get involved with

the PSWPS initially to avoid the wastage that accompanied a high turnover of staff. “Pacific seasonal workers cost 20-25 percent more, but I am happy to pay this given the loss in produce these workers help me avoid.” Joe employs approximately 80 workers from Vanuatu and rates them as more dependable, productive and enthusiastic than the backpackers and local workers that he has had experience with. Despite being one of the few asparagus growers involved with the SWP, he believes asparagus is perfectly tailored for the Seasonal Worker Program and that more growers will sign on once they realize the productivity gains.

5. A possible way forward

“The private sector has to be at the heart of it [the SWP] to ensure that it is operating the way that it is intended. If there are bottlenecks, if there’s an excess of regulation around it that’s preventing it from achieving its purposes, well then we certainly want the Government to change that.”

The Hon Julie Bishop MP, Minister for Foreign Affairs; 2014

Despite various changes to the Seasonal Worker Program, it appears many of the key factors constraining demand remain unchanged. There are a clear set of reforms that, if implemented would lift employer demand in the Seasonal Worker Program. These are discussed in this section and explored in greater detail in Appendix C.

The main constraint remains the lack of an aggregate labor shortage due to the prevalence of illegal workers and backpackers in the industry. Whilst compliance activities by the

Department of Immigration and Border Protection have led to the removal of up to 10,585 illegal workers from Australia annually, the use of illegal labor still seems to be widespread in the horticulture sector. Four out of five growers (82 percent) recognized that it was prevalent to at least some extent in the industry. The number of backpackers pursuing a second-year extension has also increased substantially since the PSWPS and the vast majority of these continue to work in horticulture (Table 4.2).

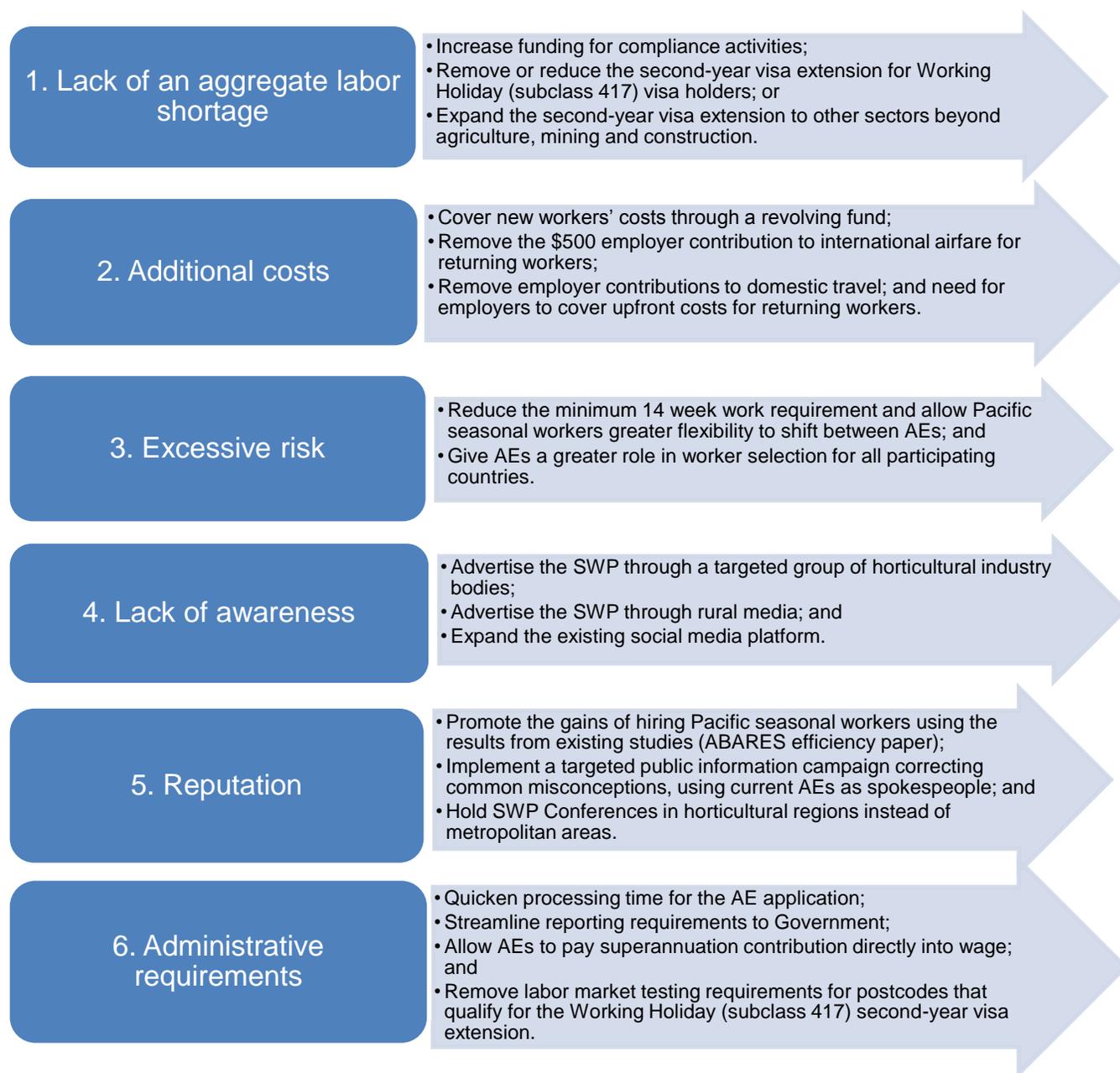
Increasing funding for the compliance activities undertaken by both the Department of Immigration and Border Protection and the Fair Work Ombudsman would help remove the remaining illegal workers in the horticulture industry. Furthermore, eliminating the second-year visa extension for Working Holiday (subclass 417) visa holders would remove up to 45,950 backpackers from rural areas, who predominantly work in horticulture. A softer option would be to adopt the New Zealand practice of providing only a three-month extension or broadening it to incorporate all sectors (Figure 5.1).

Additional costs that currently make Pacific seasonal workers uncompetitive against other categories of workers are another key constraint. The main parameters that need to be altered are the upfront costs, along with employer contributions to international and domestic travel costs. These could be removed for returning workers and covered by a revolving fund for new workers (Figure 5.1). The reforms would help to level the playing field for Pacific seasonal workers and allow them to compete on a cost basis with backpackers and other categories of workers.

The level of risk incurred by AEs and participating growers could also be reduced. The largest risk AEs currently face is the need to guarantee Pacific seasonal workers a minimum of 14 weeks work. Horticulture is an inherently volatile industry and growers need flexibility. The minimum 14 week work requirement could be reduced and new measures introduced that allow Pacific seasonal workers greater flexibility to shift between AEs. Growers could also be given a greater role in worker selection for all participating countries, instead of having to use licensed agents or recruit through work-ready pools for certain countries (Figure 5.1).

Awareness of the SWP could be raised. Despite Government's best efforts, more than one in three growers still remain unaware of the existence of the SWP (Figure 4.1). Whilst the current Government's marketing approach focuses predominantly on the larger regional and national horticultural bodies, their engagement could be targeted more effectively through some of the smaller crop-specific industry bodies. Targeted advertisements through rural and social media could also help reach those growers that are currently unaware of the SWP (Figure 5.1).

Figure 5.1 Suggested reforms



Improving the reputation of the SWP is another area that could be addressed simultaneously. There is currently a large divide between non-participating growers' perceptions of the SWP and those of AEs and participating growers. Bridging this gap would serve to bring more employers into the scheme. There are several measures that could be taken. The business case for hiring Pacific seasonal workers could be made more effectively and promoted using the proof of efficiency gains (ABARES 2013). Current AEs could be used as spokespeople to correct common misconceptions about the scheme. The

annual SWP Conferences could also be held in horticultural regions rather than metropolitan areas to encourage attendance from non-participating growers (Figure 5.1). These efforts should be focused on those types of growers most likely to use the SWP, that is, on larger growers, with longer harvesting cycles.

A final area of consideration could be reforming the existing administrative requirements. The Government is already considering measures in this area. Reforms that could serve to lessen the administrative burden could include: quickening the processing time involved with the AE application; streamlining the reporting requirements and paperwork around superannuation; and easing the labor market testing requirement. As the SWP is a temporary migration scheme, all returning workers claim their superannuation upon return. Streamlining the associated paperwork, by allowing employers to pay workers their super directly, would deliver efficiency gains for both AEs and Pacific seasonal workers. Meanwhile, removing the labor market testing requirement for postcodes that qualify for the Working Holiday (subclass 417) second-year extension would also be an efficiency driver. Pacific seasonal workers should not be subject to different restrictions than backpackers, especially given the justification for this requirement is preventing the displacement of Australian workers.

As highlighted by growers across the horticulture industry, these reforms have the potential to transform the SWP. The four trial sectors face their own set of constraints. As it stands, take-up of the SWP, though increasing steadily, remains very low. The biggest risk the SWP faces is one of irrelevance. The implementation of these reforms would remove the Seasonal Worker Program from the periphery, and make it central both to the future of horticulture in Australia and to the development of the Pacific.

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Appendixes

Appendix A. Survey Respondents

The survey was carried out between February and April 2014 and covered growers from all states and territories, including all of the major horticultural regions across Australia. There was a great deal of variation in the farm sizes of survey respondents ranging from family-run farms with less than a hectare and one seasonal worker, to corporate holdings with 1,700 hectares and over one thousand seasonal workers. All of the major crop types were covered including bananas, berries, canned fruits, citrus, dried fruits, flowers, melons, nuts, pome fruits, stone fruits, table grapes, vegetables and wine grapes.

The employers who participated in the 2011 survey were the primary sample for this survey. 183 out of the 191 employers who participated in the 2011 survey were re-contacted. Of these 101 answered; 25 declined; 45 were either no longer in the telephone directory, had an invalid phone number or had sold the farm; and 12 were unable to be contacted (Table A.1).

Table A.1 Breakdown of survey respondents

	Answered	Declined	Invalid	Unavailable	Total
Primary Sample	101	25	45	12	183
Secondary Sample	76	27	58	39	200
Additional participating growers	9	0	0	0	9
AEs	31	0	0	3	34
Industry bodies	43	7	0	2	52
Total	260	59	103	56	478

Source: Own calculations

A secondary sample of 200 randomly selected horticultural employers from across Australia was also contacted. These employers were randomly sourced from the telephone directory and mailed the survey with reply-paid envelopes. For those who did not return the survey, follow-up telephone calls were made. Of the group of 200 employers from the secondary sample; 76 answered; 27 declined; 58 either had an invalid address, invalid phone number or had sold the farm; and 39 were unable to be contacted (Table A.1). In addition, 40 Approved Employers and participating growers were surveyed. The size of the full sample of employers was thus 217.

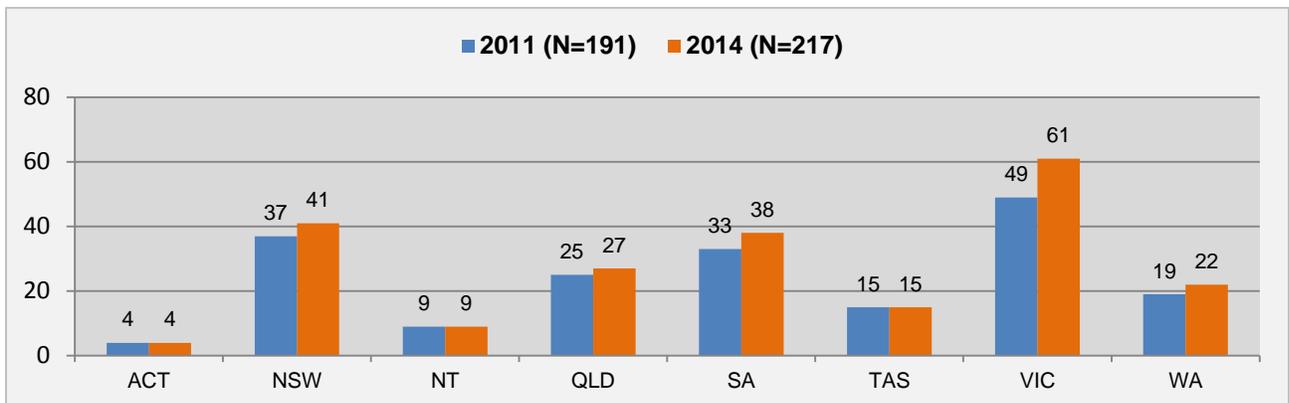
Finally, the horticultural industry bodies representing various crops and regions across Australia were surveyed. Given there is no single horticultural peak body in Australia, a

wide array of 43 industry bodies were surveyed to gain an overarching reflection of the industry.

Overall, there were 260 survey respondents incorporating all growers, AEs and horticultural industry bodies. This number compares favorably with surveys of horticultural employers that preceded the SWP – Peter Mares’ 2006 survey in the Murray Valley received 176 valid replies (Mares 2006). It also compares well with the number of respondents in the RSE’s annual employer surveys across the horticulture and viticulture sectors in New Zealand, which received 214 replies in 2010, 251 in 2011, and 262 in 2012 (DOL 2010; DOL 2011; MBIE 2012). Finally it compares favorably with Hay and Howes’ (2012) survey, which had 191 respondents in total.

Appendix B. Results

Figure B.1 Breakdown by state



Note: From this point onward ACT is included with NSW in all graphs.

Figure B.2 Breakdown by number of seasonal workers employed annually

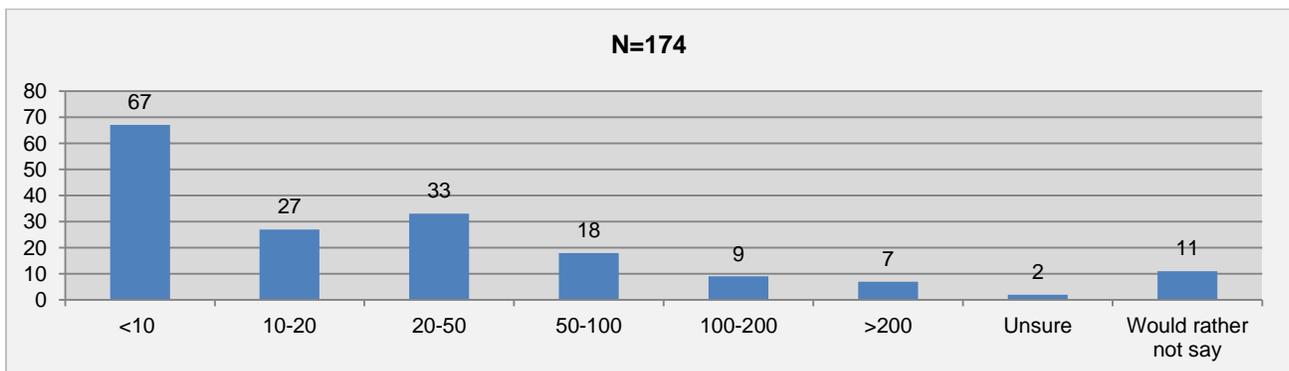
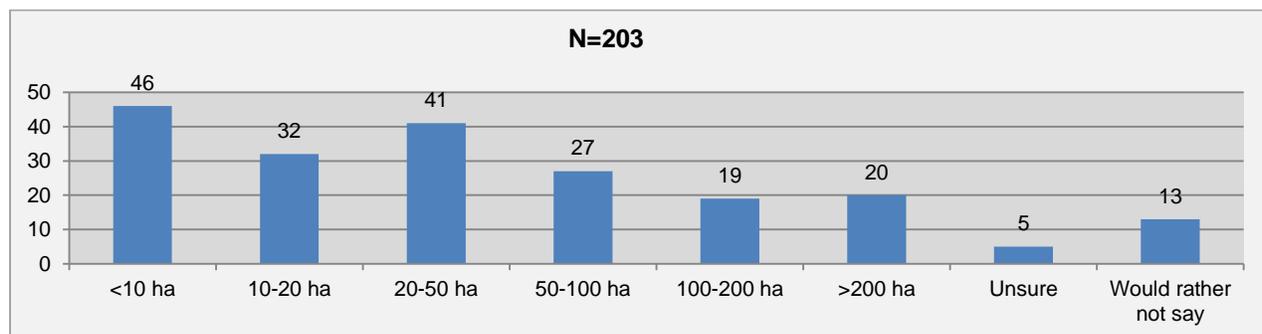


Figure B.3 Breakdown by property size



Primary sample

Figure B.4 Percentage of growers who had difficulty finding workers (primary sample)

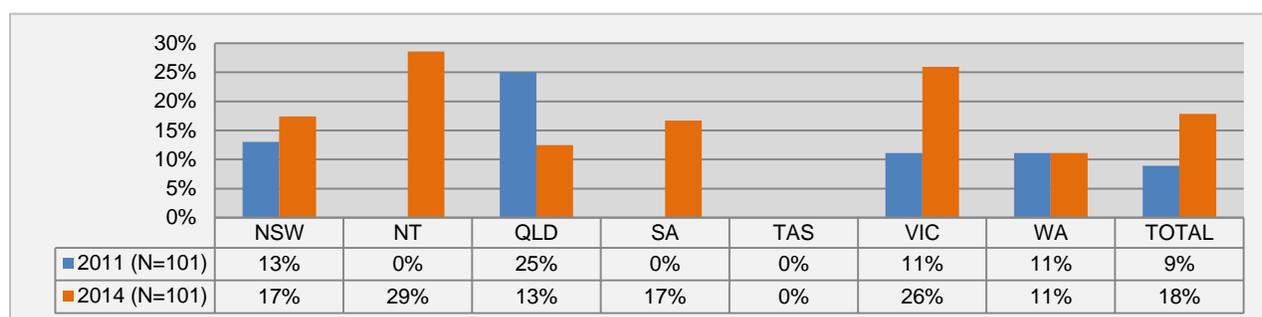
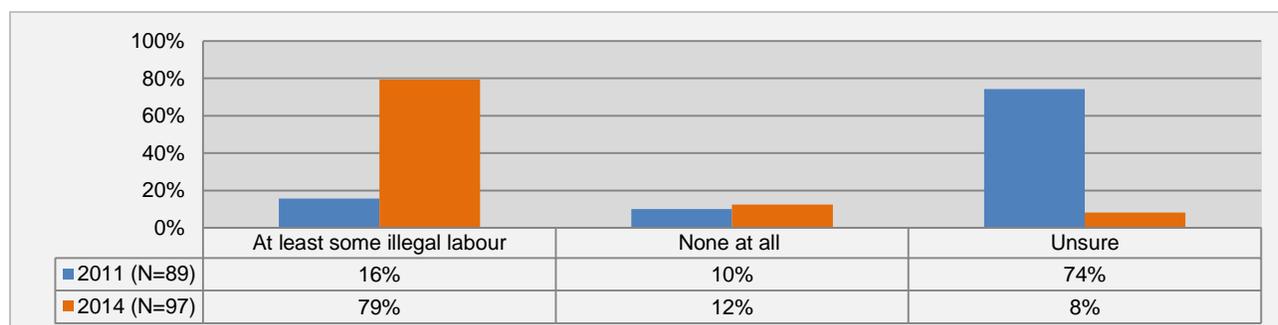


Table B.1 Main category of worker employed by growers (primary sample)

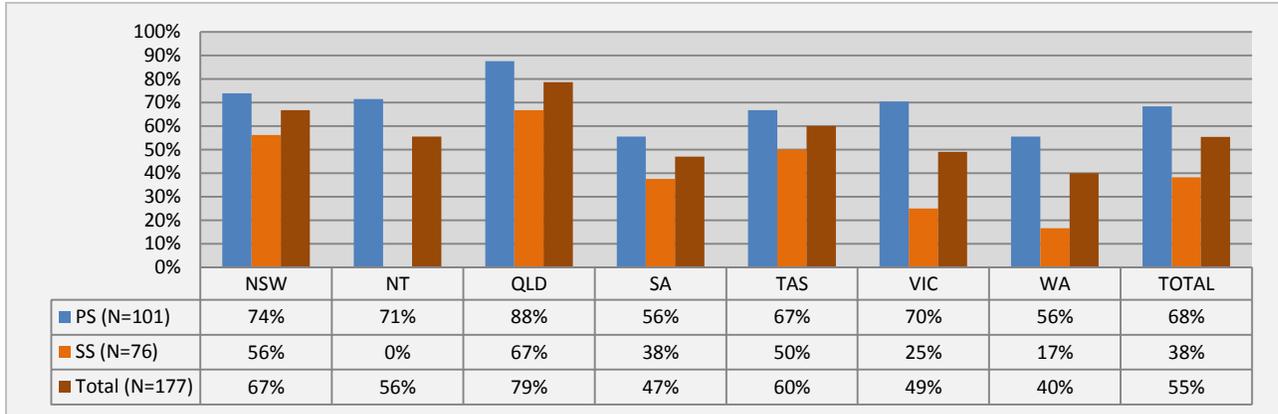
	Backpackers	Locals	Students	Grey Nomads (Australians over 55)	Unspecified or unknown	Contractors (Non-local Australians)
2011 (N=101)	65.8%	13.4%	7.4%	3.0%	5.0%	5.4%
2014 (N=101)	54.0%	31.2%	2.5%	0.5%	1.0%	10.9%

Figure B.5 Perceptions on the use of illegal workers in horticulture (primary sample)



Primary and secondary samples

Figure B.6 Percentage of growers who have heard of the SWP (primary and secondary sample)



Note: PS refers to the primary sample and SS refers to the secondary sample.

Figure B.7 Main reason for not participating in the SWP (primary and secondary sample)



Figure B.8 Percentage of growers who had difficulty finding workers (primary and secondary sample)

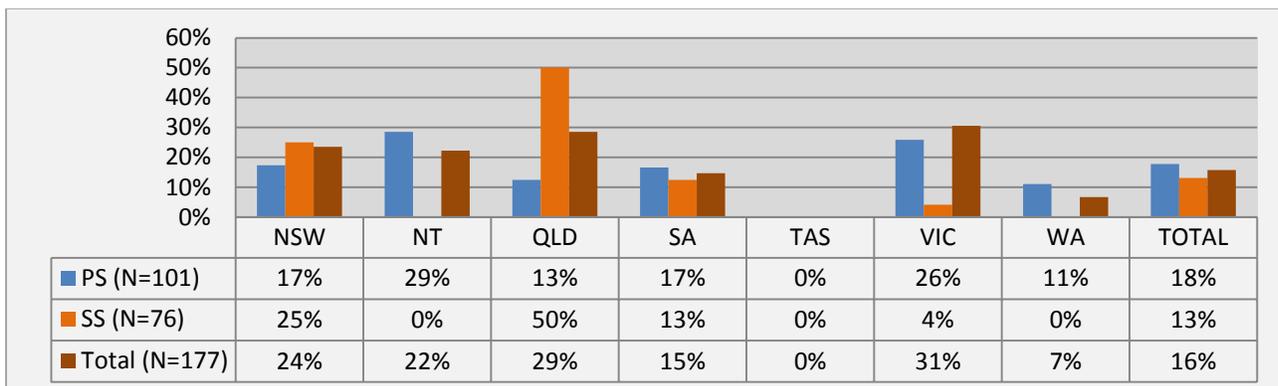


Figure B.9 How growers first found out about the SWP (primary and secondary sample)

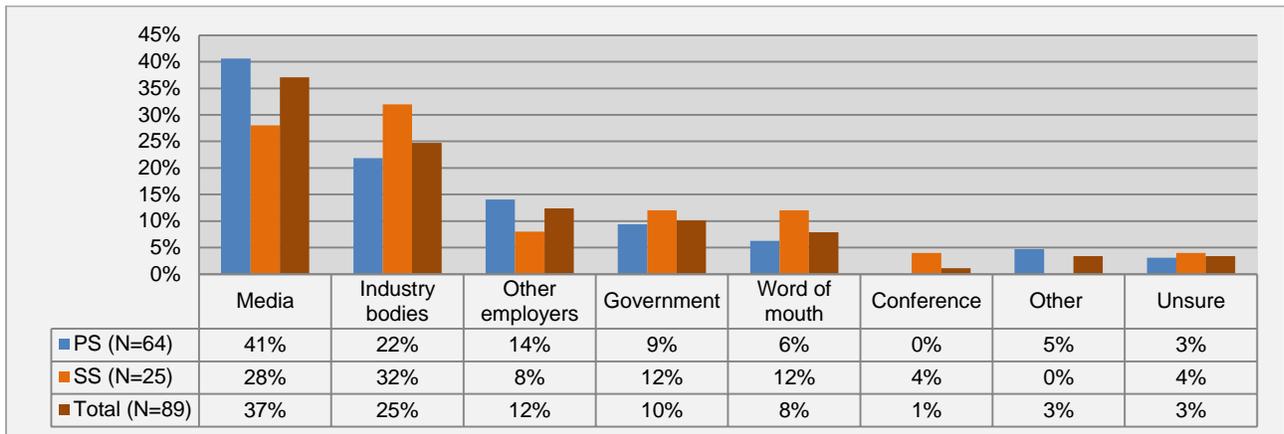


Figure B.10 Whether the SWP has been clearly communicated to growers by Government (primary and secondary sample)

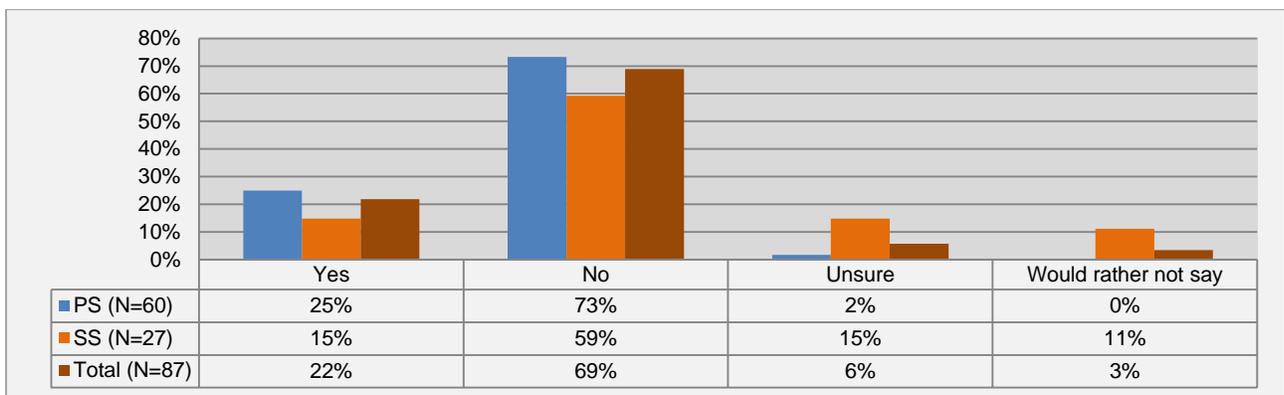


Figure B.11 How growers feel the SWP could be better communicated to them (primary and secondary sample)

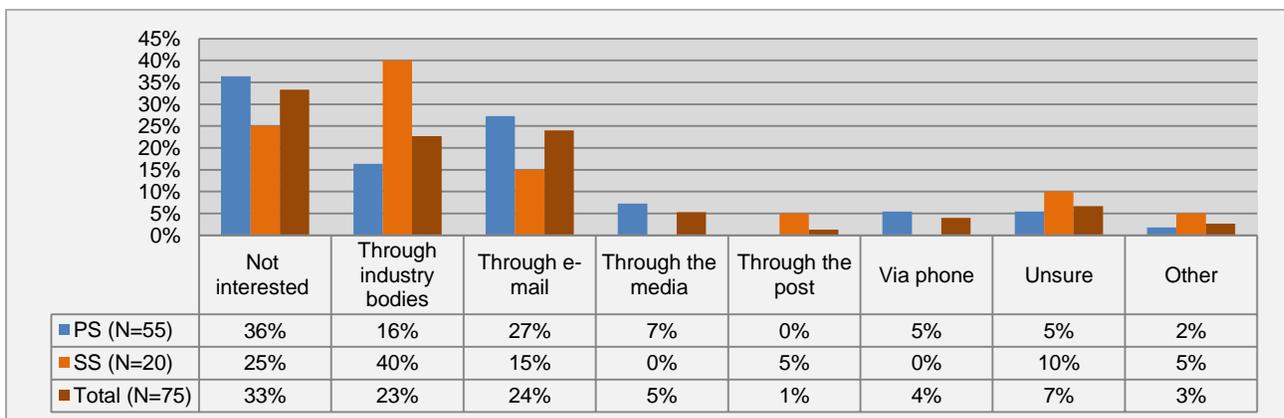


Figure B.12 Percentage of growers who are unsatisfied with the quality of existing workers (primary and secondary sample)

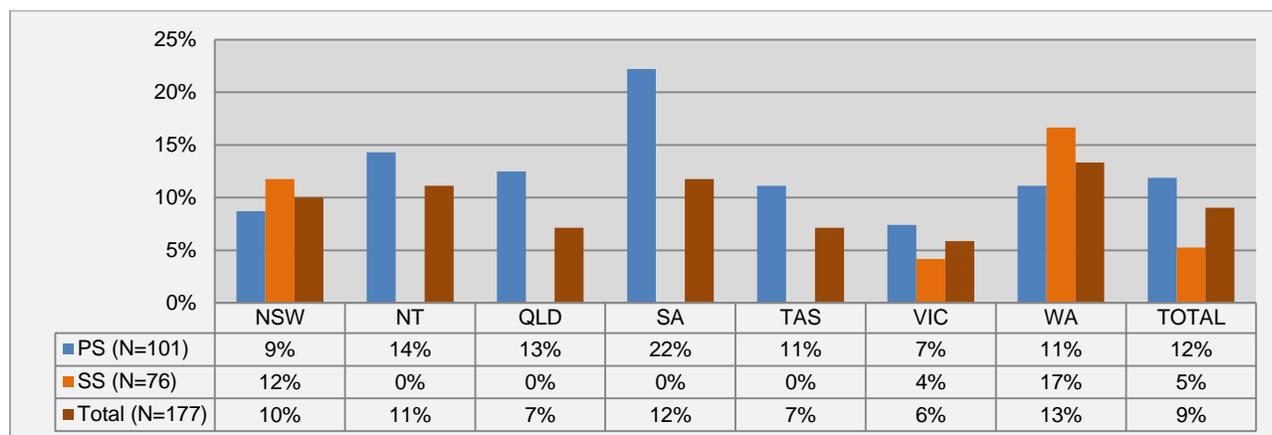


Table B.2 Main category of worker employed (primary and secondary sample)

	Backpackers	Locals	Students	Grey Nomads (Australians over 55)	Unspecified or unknown	Contractors (Non-local Australians)
PS (N=101)	54.0%	31.2%	2.5%	0.5%	1.0%	10.9%
SS (N=76)	34.2%	39.5%	3.9%	0.7%	0.0%	21.7%
Total (N=177)	45.5%	34.7%	3.1%	0.6%	0.6%	15.5%

Figure B.13 Perceptions on the use of illegal workers in horticulture (primary and secondary sample)

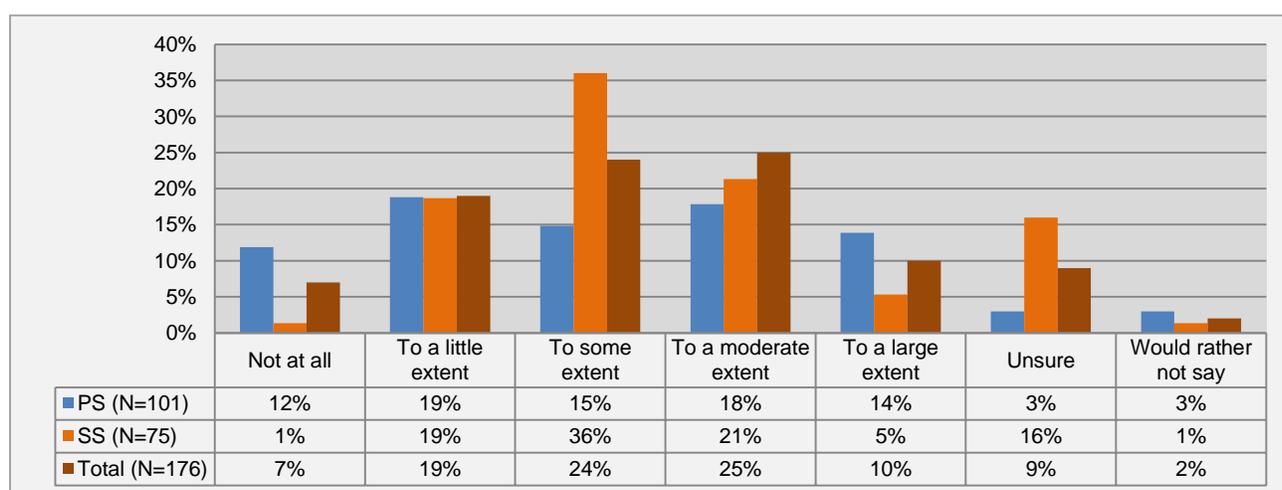


Figure B.14 Whether growers would be open to taking on Pacific seasonal workers in the next 12 months (primary and secondary sample)

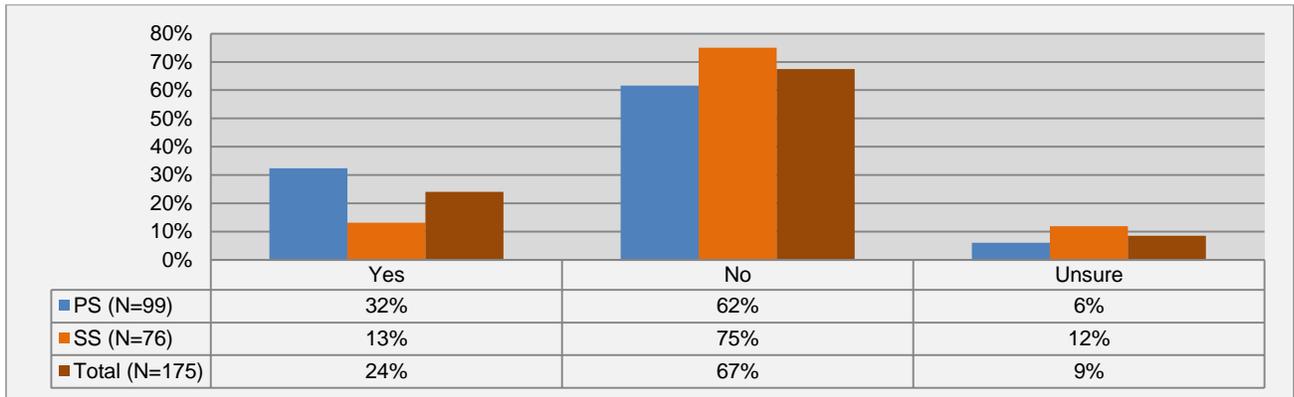
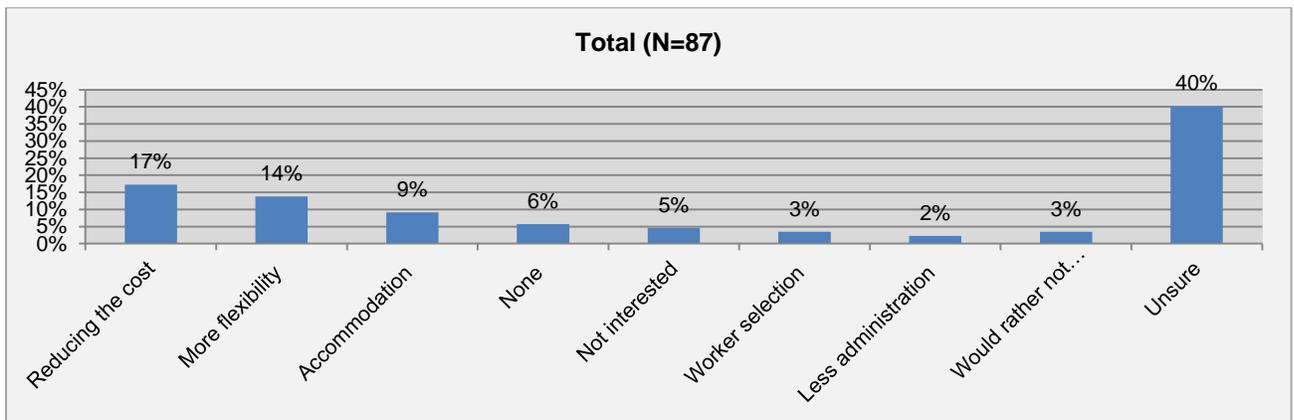


Figure B.15 Key changes that would make the SWP more attractive to growers (primary and secondary sample)



Approved Employers and participating growers

Figure B.16 Main reason for participating (AEs and participating growers)

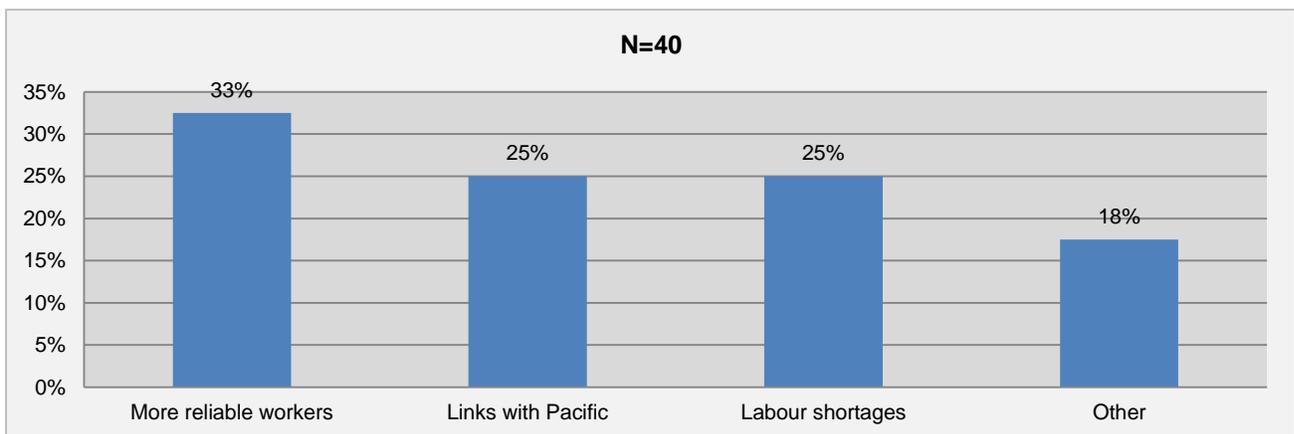


Figure B.17 Percentage of growers who had difficulty finding workers (AEs and participating growers)

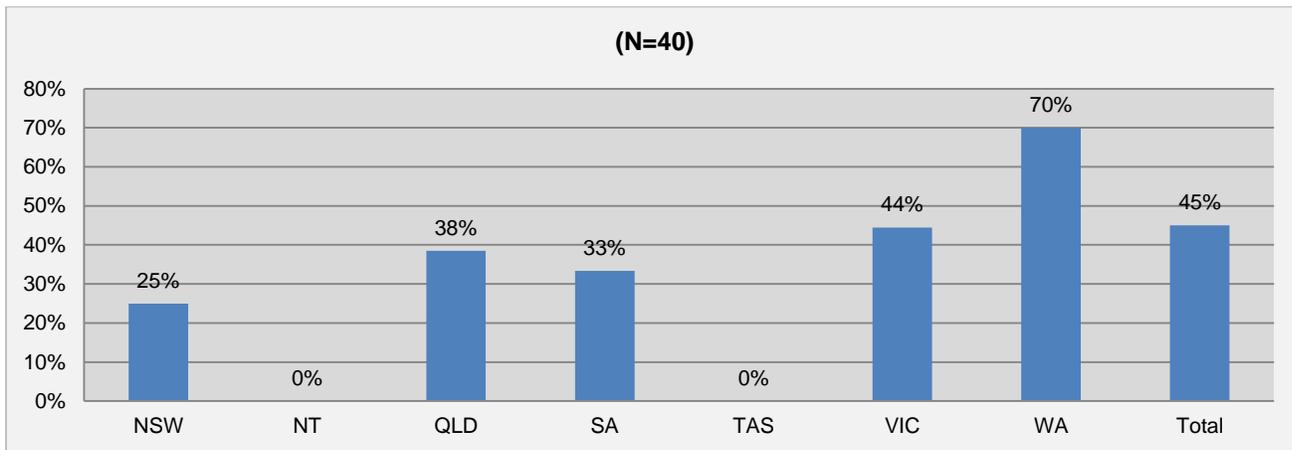


Figure B.18 Reputation of the SWP (AEs and participating growers)

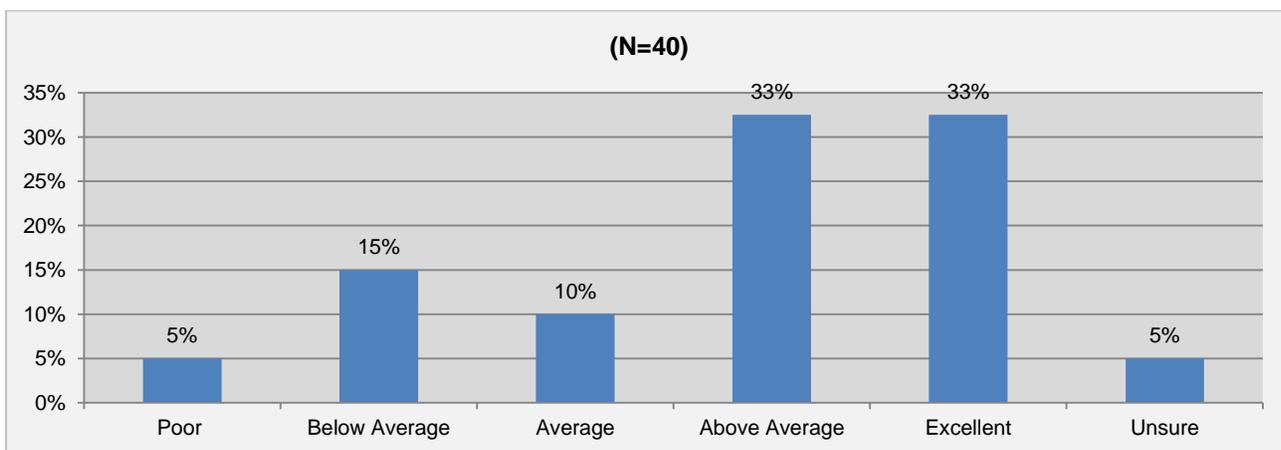


Figure B.19 Whether the SWP has been clearly communicated to growers by Government (AEs and participating growers)

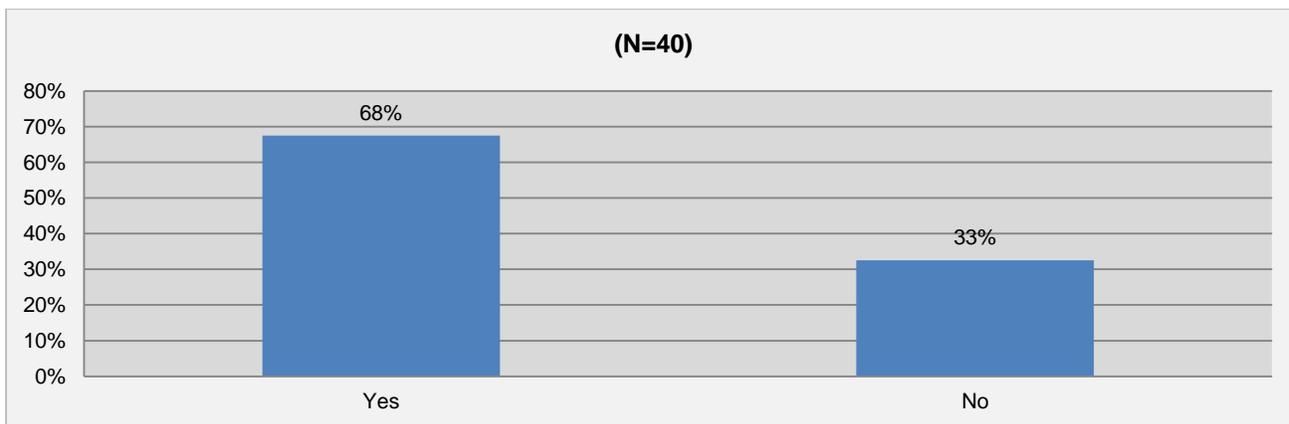
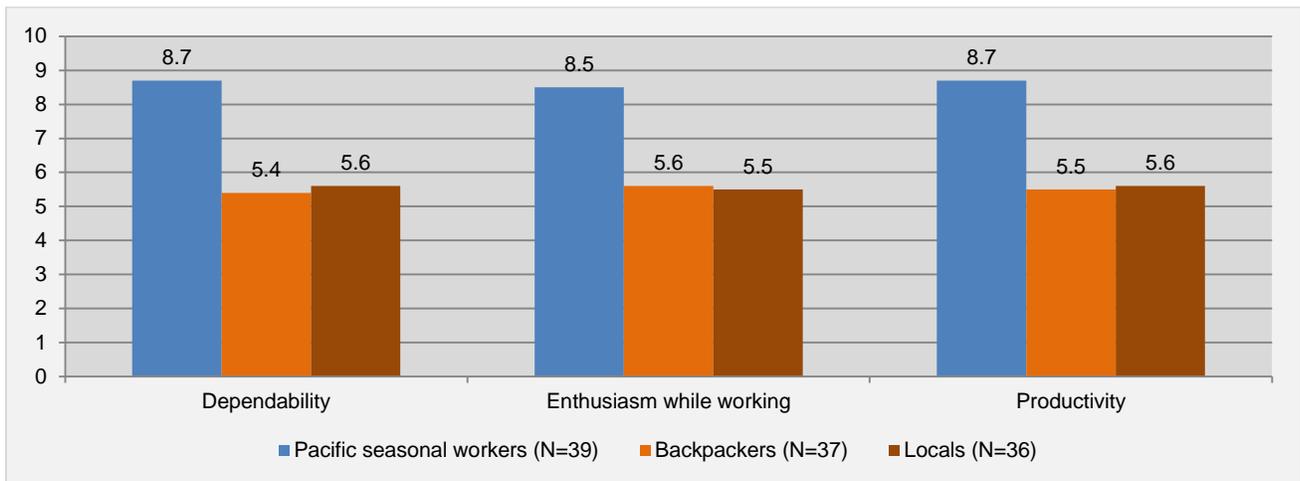


Figure B.20 Perception of workers (AEs and participating growers)



Note: This is on a ten-point scale

Figure B.21 Whether the SWP is financially attractive to Approved Employers (AEs)

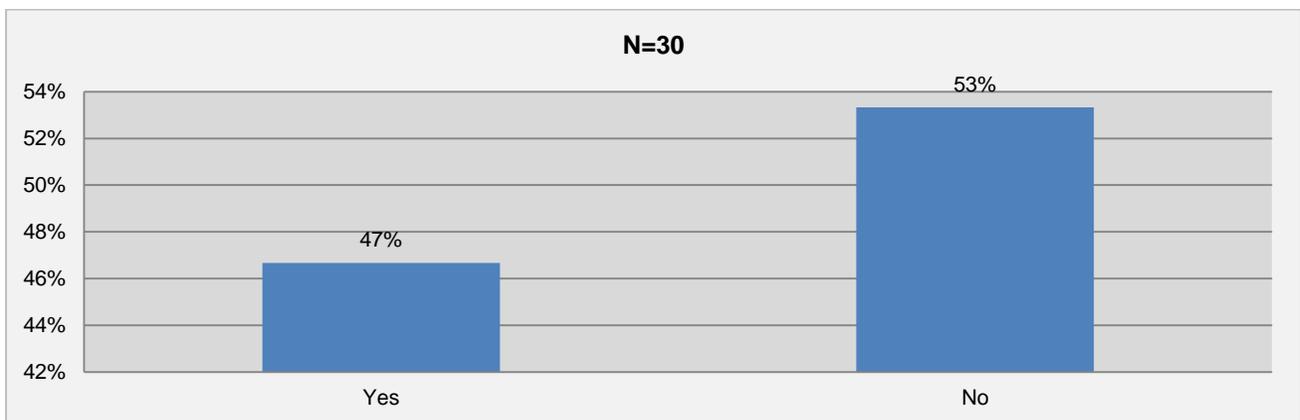
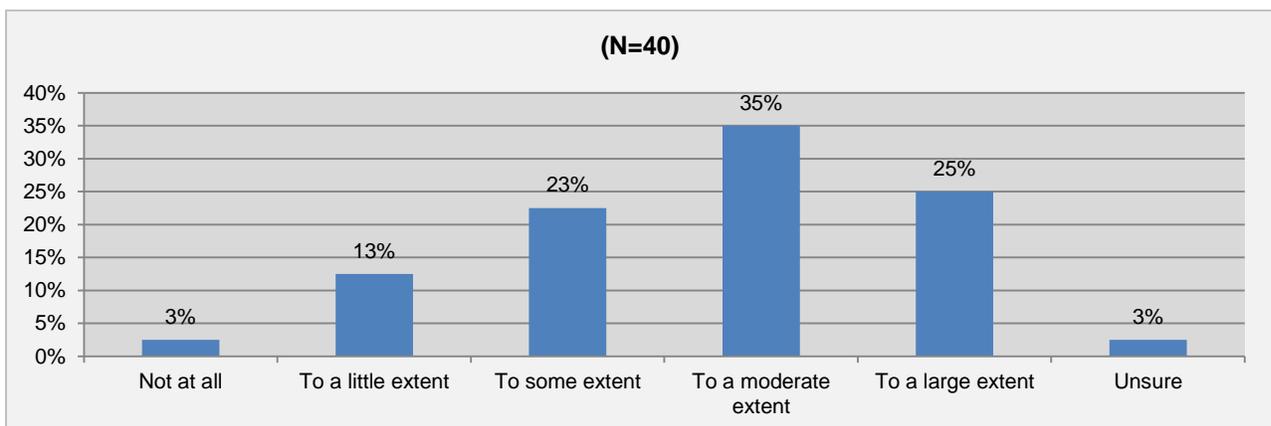


Figure B.22 Perceptions on the use of illegal workers in horticulture (AEs and participating growers)



Appendix C. Policy reform

Suggested Reforms	Constraints	Required action
1. Lack of an aggregate labor shortage		
<ul style="list-style-type: none"> • Increase funding for compliance activities for both the Department of Immigration and Border Protection (DIBP) and the Fair Work Ombudsman (FWO); • Remove or reduce the second-year visa extension for Working Holiday (subclass 417) visa holders; or • Expand the second-year visa extension to other sectors beyond agriculture, mining and construction. 	<ul style="list-style-type: none"> • Locating additional funding for compliance activities would be difficult in the current budget environment. • Horticultural employers and industry bodies currently support the prevalence of backpackers in the industry and the incentives keeping them there. Any reform in this area would be strongly lobbied against. 	<ul style="list-style-type: none"> • The Australian Government would be responsible for increasing funding for DIBP and the FWO, as well as reforming the second-year visa extension for the Working Holiday (subclass 417) visa.
2. Additional costs		
<ul style="list-style-type: none"> • Cover new workers' costs through a revolving fund; • Remove \$500 employer contribution to international airfare for returning workers; • Remove employer contribution to domestic travel for returning workers; and • Remove need for employers to cover upfront costs for returning workers. 	<ul style="list-style-type: none"> • Reforms to the existing cost-sharing arrangements may be opposed by both Pacific seasonal workers and labor-sending governments who would need to contribute additional funding. 	<ul style="list-style-type: none"> • Labor-sending governments would cover the revolving fund. • The Department of Employment would be responsible for reforming cost-sharing arrangements.
3. Excessive risk		
<ul style="list-style-type: none"> • Reduce minimum 14 week work requirement and allow Pacific seasonal workers greater flexibility to shift between AEs; and • Give AEs greater role in worker selection for all participating countries. 	<ul style="list-style-type: none"> • The minimum 14 week requirement was created based on Government modelling to ensure that Pacific seasonal workers' earned at least \$1000 savings. Any change that is seen to jeopardize their potential to do so would be resisted. 	<ul style="list-style-type: none"> • The Department of Employment would be responsible for reducing the minimum work requirement. • Labor-sending governments would drive reforms regarding worker selection methods.

4. Lack of awareness		
<ul style="list-style-type: none"> • Advertise the SWP through a targeted group of horticultural industry bodies; • Advertise the SWP through rural media; and • Expand the existing social media platform. 	<ul style="list-style-type: none"> • Certain industry bodies are not interested in advertising the SWP. • Funding constraints may preclude advertising in rural media and dedicating staff hours to expanding the social media platform. 	<ul style="list-style-type: none"> • The Australian Government would be responsible for providing the funding, but a greater level of industry involvement in advertising and awareness raising would be critical.
5. Reputation of the SWP		
<ul style="list-style-type: none"> • Promote the gains of hiring Pacific seasonal workers more widely, using the results from existing studies (ABARES efficiency paper); • Implement a targeted public information campaign aimed at correcting common misconceptions about the SWP, using current AEs as spokespeople; • Encourage greater engagement from non-participating growers in SWP Conferences; and • Consider holding SWP Conferences in horticultural regions instead of metropolitan areas. 	<ul style="list-style-type: none"> • The ABARES study is currently the only quantitative study examining the efficiency gains of Pacific seasonal workers in Australia. • Funding constraints may preclude the implementation of a public information campaign. • Many non-participating growers are reluctant to consider the SWP, let alone attend a conference. 	<ul style="list-style-type: none"> • The Australian Government would be responsible for providing the funding for promotional activities/ any public information campaign, but a greater level of industry involvement would be essential. • The Department of Employment would be responsible for encouraging greater engagement from non-participating growers and holding SWP Conferences in horticultural regions.
6. Administrative requirements		
<ul style="list-style-type: none"> • Quicken processing time for the AE application; • Streamline reporting requirements to Government; • Allow AEs to pay superannuation contribution directly into wage; and • Remove labor market testing requirements for postcodes that qualify for the Working Holiday (subclass 417) second-year visa extension. 	<ul style="list-style-type: none"> • Allowing the payment of superannuation directly into wages may be opposed by unions, such as the Australian Workers' Union (AWU), given locals would not be able to access this benefit. • The removal of the labor market testing requirement would face firm opposition from unions who may see it as an attempt to bypass Australian workers seeking employment in the industry. 	<ul style="list-style-type: none"> • The Department of Employment would be responsible for reforming administrative requirements - a process, which is already underway.

Appendix D. Employer survey

Q1) What is your family and/or company name?

Q2) Which state/ territory are you located in?

Q3) What is your postcode?

Q4) Have you heard of the Seasonal Worker Program?

(The Government scheme that allows seasonal workers from Pacific Islands and Timor-Leste to work in the Australian horticultural industry)

If you answered 'Yes' to Q4, please skip to Q5

If you answered 'No' to Q4, please only complete Q4.1 – Q4.12

Q4.1) Did you have difficulty finding sufficient seasonal workers over the last 12 months?

Q4.2) Are you satisfied with the quality of the workers you employed over the last 12 months?

Q4.3) What type of workers do you mainly employ?

Q4.4) Why have you chosen to use this type of worker to fulfil your seasonal labor needs?

Q4.5) Where do you source your seasonal workers from?

Q4.6) Would you be open to taking on Pacific seasonal workers in the coming 12 months?

Q4.7) What method of payment do you predominantly use for your workers?

Q4.8) This question is not about you, but about horticulture in general. On a scale of 1 to 5, to what extent do you think growers use undocumented labor in Australia, where 1 is not at all and 5 is to a large extent?

Q4.9) Do you think this could be affecting demand for other types of legal seasonal workers?

Q4.10) Approximately what size is your horticultural enterprise?

(Please specify in hectares or acres and also how many employees you have during the peak period)

Q4.11) What is the main variety of fruit/ vegetable/ nut/ flower that you produce?

Q4.12) Which month/s does your business need the most seasonal workers?

Q5) Did you use the SWP?

If you answered 'Yes' to Q5, please skip to Q5.1B

If you answered 'No' to Q5, please only complete Q5.1A – 5.18A

Q5.1A) Why did you decide not to use the SWP?

Q5.2A) On a scale of 1 to 5, what do you think the reputation of the SWP is amongst growers, where 1 is poor and 5 is excellent?

Q5.3A) Did you have difficulty finding sufficient seasonal workers over the last 12 months?

Q5.4A) Are you satisfied with the quality of the workers you employed over the last 12 months?

Q5.5A) What type of workers do you mainly employ?

Q5.6A) Why have you chosen to use this category of worker to fulfil your seasonal labor needs?

Q5.7A) Where do you source your seasonal workers from?

Q5.8A) Would you be open to taking on Pacific seasonal workers in the next 12 months?

Q5.9A) What method of payment do you predominantly use for your workers?

Q5.10A) This question is not about you, but about horticulture in general. On a scale of 1 to 5, to what extent do you think growers use undocumented labor in Australia, where 1 is not at all and 5 is to a large extent?

Q5.11A) Do you think this could be affecting the demand for other types of legal seasonal workers?

Q5.12A) How did you first find out about the SWP?

Q5.13A) Has the SWP been clearly communicated to you by government?

Q5.14A) If not, how could the SWP be better communicated to you?

Q5.15A) What changes, if any, could be made to the SWP in order to make it more attractive to growers?

Q5.16A) Approximately what size is your horticultural enterprise?

(Please specify in hectares or acres and also how many employees you have during the peak period)

Q5.17A) What is the main variety of fruit/ vegetable/nut/ flower that you produce?

Q5.18A) Which month/s does your business need the most seasonal workers?

Q5.1B) Why did you decide to use the SWP?

Q5.2B) On a scale of 1 to 5, what do you think the reputation of the SWP is amongst growers, where 1 is poor and 5 is excellent?

Q5.3B) Did you have difficulty finding sufficient seasonal workers over the last 12 months?

Q5.4B) Where do you mainly source your seasonal workers under the SWP from?

*If you answered 'Approved Employer yourself' to Q5.4B, please proceed to Q5.41AE
If you did not answer 'Approved Employer yourself' to Q5.4B, please skip to Q5.5B*

Additional questions for Approved Employers

Q5.41AE) How long did it take for the government to process your paperwork in order for you to become an AE?

Q5.42AE) What are the set up costs for AEs?

Q5.43AE) Do you think the SWP is financially attractive for AEs?

Q5.44AE) How many growers do you supply Pacific seasonal workers to?

Q5.5B) How many Pacific seasonal workers do you employ on average per season?

Q5.6B) Are you satisfied with the quality of the Pacific seasonal workers you employed over the last 12 months?

Q5.7B) For those Pacific seasonal workers who have worked for your company in the past 12 months, as a group. After they had been trained for the tasks they needed to do, overall how would you rate their [dependability/ enthusiasm while working/ productivity], using a scale of 0 to 10, where 0 is extremely poor and 10 is excellent.

Q5.8B) What is the average hourly rate for Pacific seasonal workers?

Q5.9B) What about for backpackers who have worked for your company in the past 12 months, as a group. After they had been trained for the tasks they need to do, overall how would you rate their [dependability/ enthusiasm while working/ productivity], using a scale of 0 to 10, where 0 is extremely poor and 10 is excellent.

Q5.10B) What is the average hourly rate for backpackers?

Q5.11B) What about for local Australian workers who have worked for your company in the past 12 months, as a group. After they had been trained for the tasks they need to do, overall how would you rate their [dependability/ enthusiasm while working/ productivity], using a scale of 0 to 10, where 0 is extremely poor and 10 is excellent.

Q5.12B) What is the average hourly rate for local Australian workers?

Q5.13B) Under SWP policy, employers are expected to cover additional costs and provide additional services for their Pacific seasonal workers. For each of the following areas, please identify whether your business had any issues or difficulties in covering these costs or providing this assistance to your Pacific seasonal workers?

Q5.14B) Are there any other additional costs/ requirements you've encountered for Pacific seasonal workers that haven't already been mentioned?

Q5.15B) Which of these costs/requirements would you like to see removed?

Q5.16B) What other changes, if any, could be made to the SWP in order to make it more attractive to growers?

Q5.17B) What method of payment do you predominantly use for your workers?

Q5.18B) This question is not about you, but about horticulture in general. On a scale of 1 to 5, to what extent do you think growers use undocumented labor in Australia, where 1 is not at all and 5 is to a large extent?

Q5.19B) Do you think this could be affecting the demand for other types of legal seasonal workers?

Q5.20B) How did you first find out about the SWP?

Q5.21B) Has the SWP been clearly communicated to you by government?

Q5.22B) If not, how could the SWP be better communicated to you?

Q5.23B) Approximately what size is your horticultural enterprise?
(Please specify in hectares or acres and also how many employees you have during the peak period)

Q5.24B) What is the main variety of fruit/ vegetable/nut/ flower that you produce?

Q5.25B) Which month/s does your business need the most seasonal workers?

Appendix E. Industry body survey

Q1) What is the name of your industry group/ association?

Q2) Which states/ territories are your members located in?

Q3) Have you heard of the Seasonal Worker Program?

(The Government scheme that allows seasonal workers from Pacific Islands and Timor-Leste to work in the Australian horticultural industry)

If you answered 'Yes' to Q3, please proceed to Q3.1

If you answered 'No' to Q3, please skip to Q4

Q3.1) How did you first find out about the SWP?

Q3.2) Would you say the majority of growers in your industry have heard of the SWP?

Q3.3) What is the reputation of the SWP amongst your members?

Q3.4) Have you received any enquiries from your members about accessing Pacific seasonal workers?

Q3.5) If not, why do you think your members have chosen not to use Pacific seasonal workers?

Q3.6) Do you think the SWP could work as a labor source for the horticulture industry in the long-run?

Q3.7) Why would you say this is the case?

Q3.8) What changes could be made to the SWP in order to make it more attractive to growers of your particular fruit/ vegetable/ nut/ flower?

Q3.9) Has the SWP been clearly communicated to you by government?

Q3.10) If not, how could the SWP be better communicated to you?

- Q4)** Does your particular industry generally experience labor shortages?
- Q5)** What type of workers are most prevalent in your industry?
- Q6)** Why do you think your members mostly opt for this category of worker?
- Q7)** To what extent do you think undocumented labor is used by growers in your industry?
- Q8)** Do you think this could be affecting demand for other types of legal seasonal workers?
- Q9)** How important are backpackers to your industry?
- Q10)** Would growers in your industry support removing the second-year visa extension for backpackers if more Pacific seasonal workers were available to fill their places?
- Q11)** Approximately how many employers are there in the horticulture industry growing your particular fruit/ vegetable/ nut/ flower?
- Q12)** How many of these would be members of your industry association?
- Q13)** Which month/s does your industry need the most seasonal workers?