Backpackers v seasonal workers: lessons from across the Tasman

Wine grape harvest at Granton Vineyard, Tasmania (Stefano Lubiana/Flickr/CC BY 2.0)

by Stephen Howes, Richard Curtain and Matthew Dornan

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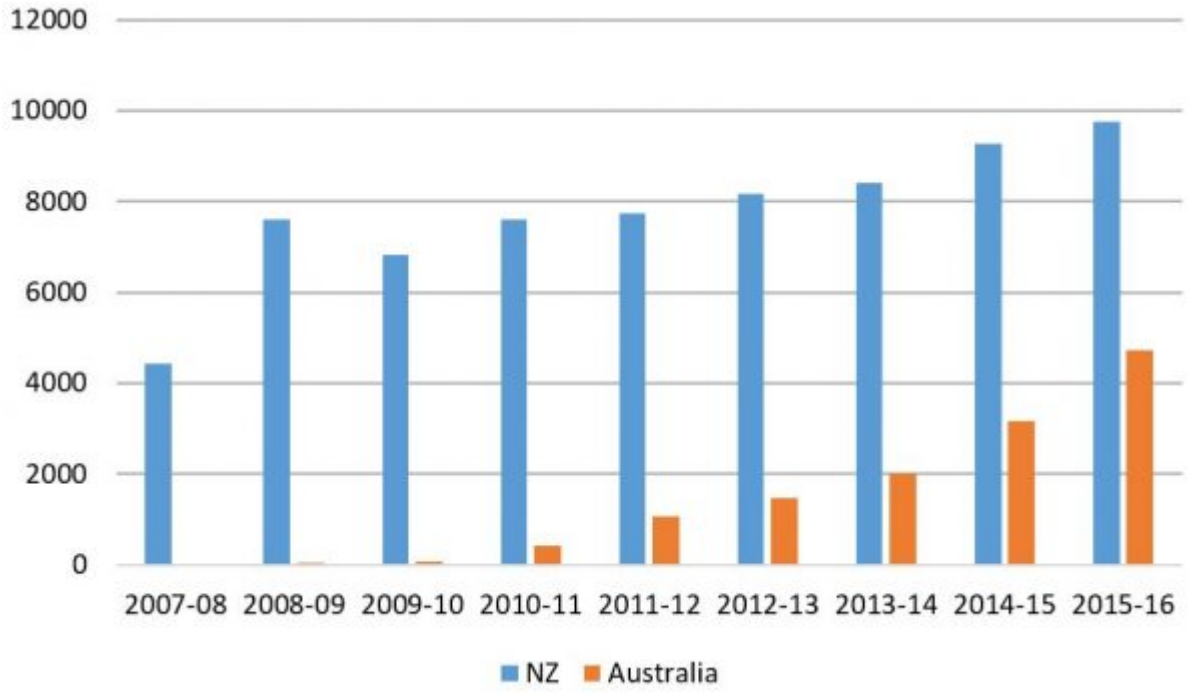
In New Zealand, for every 1,000 backpackers picking fruit and vegetables there are about 2,600 seasonal workers, mainly from the Pacific. In Australia, the mix is completely different. For every 1,000 backpackers there are only about 130 Pacific seasonal workers.

The Australian outcome is what the literature predicts. The "crowding out" hypothesis asserts that unregulated migrant labour will crowd out regulated options. Employers here prefer the more flexible, much less regulated backpacker (formally Working Holiday Maker) option. It is less hassle, and as recent media and academic research has shown, easier to get away with underpayment with backpackers, where no government approval or reporting is required, than with seasonal workers, where stringent approval and reporting requirements are imposed.

How then to explain New Zealand's contrary performance? That's what we set out to do in our new Devpolicy Discussion Paper "Backpackers v seasonal workers: learning from the contrasting temporary migration outcomes in Australian and New Zealand horticulture."

We came up with five factors which explain why, as the graph below shows, New Zealand's seasonal worker scheme (called the RSE or Recognised Seasonal Employer, and introduced in 2007) has been much more popular than Australia's SWP (Seasonal Worker Programme, introduced in 2009).

Visas issued under New Zealand's and Australia's seasonal worker schemes



Note: the New Zealand (but not the Australian) scheme is capped, so the numbers in this graph are an underestimate of NZ employer demand for seasonal workers.

First, New Zealand's horticultural sector has a much stronger export orientation. As a result, the sector is more focused on quality and compliance. Stories of worker exploitation risk loss of export markets. In 2012, there were 1,516 New Zealand agricultural producers accredited to the European Global Gap code of practice, but only 153 in Australia. The code covers, among other things, the treatment of workers, and is independently audited. In contrast, Australian farmers are producing mainly for the domestic market, with little external scrutiny of workplace conditions and employee rights. They are focused primarily on costs rather than reputation.

Second, the costs of collective action are much lower in New Zealand. New Zealand's horticultural sector is much better organised than in Australia, and has a single peak body. It played a leading role in developing the RSE, and employs someone to promote it. In Australia, due perhaps to greater geographical dispersion and product fragmentation, there are multiple state and product organisations, and the SWP has been left mainly to the government to develop, run and promote.

Third, the costs of regulatory compliance are also lower in New Zealand. Australia's minimum wage is significantly higher than New Zealand's, which leads to a stronger incentive to avoid it. Australia also has a weaker enforcement regime, making it less likely that you'll be caught if you cheat. This is again due to the tyranny of size, but also because Australia has put less effort into developing a licensing regime for labour hire companies.

Fourth, while Australia's and New Zealand's backpacker and seasonal worker schemes are very similar, there are subtle differences in their design, history and implementation, which have made a difference. New Zealand introduced the RSE in 2007. At the time, Australia wasn't prepared to follow suit. Instead, in response to farmers' complaints about labour shortages, it introduced the second-year backpacker visa which funnelled backpackers into agriculture in their first year with the offer of a second-year visa. This proved to be a very strong incentive. It led to a large increase in the number of backpackers working on farms. This in turn ended the horticultural labour shortage, and reduced the incentive to use seasonal workers when they became available from 2009. New Zealand only introduced a backpacker visa extension in 2009, after the RSE had been bedded down, and it gave a much weaker incentive to work on a farm: the extension was only for three months (not 12 as in Australia) and it only allowed further farm work during that period (the Australian extension involves no work restrictions).

Finally, there is the simple fact that Australia simply attracts far more backpackers than New Zealand, making the potential pool of backpacker farm labour that much larger. In 2014-15, Australia had 230,000 backpackers, and New Zealand only 63,000.

All of these factors explain why New Zealand's RSE has left Australia's SWP behind. But, interestingly, the analysis also helps explain the recent rapid growth in the SWP. First, a domestic backlash against exploitation of backpackers here in Australia is starting to lead to greater efforts to regulate the sector. Supermarkets are at last asking growers to demonstrate good treatment of workers, and state governments are starting to license labour-hire companies. A stronger enforcement regime and a greater emphasis on the registration and monitoring of labour contractors will both favour seasonal workers. In addition, in the last few years, total backpacker numbers have fallen.

In absolute numbers, backpackers employed in horticulture will continue to leave seasonal workers far behind in Australia. But the New Zealand experience shows that such "crowding out" is not inevitable. There are benefits as well as costs to using a more regulated, less easily exploited, labour source.

This is a summary of our Devpolicy Discussion Paper, available here. See the Discussion Paper for more details, including on the backpacker-seasonal worker comparisons, which are estimates.

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Link: https://devpolicy.org/backpackers-v-seasonal-workers-20171124/