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# RSE policy changes: Timor-Leste joins; employers' costs reduced

by Charlotte Bedford · 23 August 2024


*Fina, a PALM scheme worker from Timor-Leste, picking raspberries in Tasmania (Facebook/PALMscheme)*

Last week, the New Zealand coalition government announced changes to the Recognised Seasonal Employer (RSE) scheme's policy settings, including the addition of Timor-Leste as a participating country. The changes are largely designed to reduce costs for RSE employers and support continued growth of the scheme.

The annual RSE cap has been increased by 1,250 places, up from 19,500 to 20,750 for 2024-25. With only 17,599 RSE arrivals in 2023-24, an additional 3,100 places can effectively be filled in the next financial year.

A number of industry's concerns about cost pressures on RSE employers have been addressed. Employers are no longer obligated to guarantee pay for 30 hours of work per week. Instead, RSE employers are now required to pay 30 hours per week averaged over a four-week period (that is, 120 hours of work over four weeks).

This is now the same as is required by employers recruiting under the seasonal Pacific Australia Labour Mobility (PALM) scheme. Australia was going to introduce the guaranteed 30 hour per week requirement from 1 July 2024, citing the fact New Zealand did it as one reason for the move, but then, following strong lobbying by employers and industry bodies, shifted to a concession of 30 hours per week averaged over four weeks.

The requirement for RSE employers to pay their RSE workers at 10% above the minimum wage (which currently equates to a minimum of NZ$25.47 per hour) will now only apply to workers in their third and subsequent seasons, to reflect the productivity of experienced returnees. RSE workers in their first and second seasons are to be paid at the minimum wage.

This policy change makes sense as there is no requirement to pay New Zealand workers above the minimum wage, and it becomes problematic if RSE workers are seen to be receiving preferential treatment given the "New Zealander first" principle which underpins the RSE scheme.

The price freeze on workers' accommodation charges, in place since 2022, has also been lifted. Employers can increase weekly accommodation costs (rent and utilities) by either 15% or NZ$15, whichever is less, for the next 12 months.

For RSE workers who incur expenses on a weekly basis (for accommodation, transport, medical insurance, food and other living costs), the shift away from a guaranteed income of 30 hours per week may prove challenging as weekly earnings become more variable. To help counter this, a protected weekly earnings threshold could be implemented, like in Australia. Under the PALM scheme, workers' net take-home pay each week, after tax and deductions, can be no less than A$200. Workers should also be given options as to how their deductions will be spread over the duration of their contract. Both are recommendations proposed in the 2023 RSE policy review.

The introduction of a multi-entry visa which enables workers to leave and return to New Zealand within a season is a welcome change, and one that has been recommended for some time. The multi-entry visa will allow workers to return home for events such as funerals without having to apply for and pay the cost of another visa.

Timor-Leste is the first non-Pacific country to be added to the RSE scheme which has had a clear Pacific preference since the outset (the relatively small component of the existing RSE workforce from Asia is the result of recruitment arrangements which pre-dated the RSE scheme).

The southeast Asian nation, with a population of over 1.34 million at the last census in 2022, has always been a part of Australia's PALM scheme (formerly the short-term Seasonal Worker Programme and longer-term Pacific Labour Scheme), alongside the same Pacific countries that participate in the RSE scheme.

Under the PALM scheme, Timor-Leste is one of the main suppliers of seasonal workers to Australian employers, ranked as the second largest provider behind Vanuatu. In June 2024, 18% (2,955) of the total number (16,095) of seasonal PALM workers in Australia were from Timor-Leste; slightly higher than Tonga at 17% (2,800). Timorese workers make up a smaller share under the longer-term (LT) PALM stream, accounting for 10% (1,795) of the total number of LT PALM workers (18,135) in the country in June.

For Australia, the inclusion of Timor-Leste in the PALM scheme is a logical choice given the close relationship between these two countries. They are close geographical neighbours, with strong people-to-people links, a deep bilateral relationship and Australia remains Timor-Leste's largest development and security partner.

New Zealand has historically had fewer links to Timor-Leste, although the bilateral relationship has strengthened since Timor-Leste's independence in 2002, and the country is New Zealand's second largest development partner outside of the Pacific.

There has been little migration from Timor-Leste to New Zealand. Over the past decade, approximately 1,200 citizens have arrived on temporary visas, mainly travelling to New Zealand as students (41%) and visitors (38%), with only 3% on temporary work visas.

The coalition government has said it will work over the next year to get the necessary systems and infrastructure in place so Timor-Leste can participate in the RSE scheme and worker recruitment can start. Whether RSE employers will look to Timor-Leste for workers remains to be seen.

Recruiting from Timor-Leste will be expensive – a return flight between Dili and Auckland in October (a peak period for RSE recruitment for spring work) costs almost NZ$3,000 and requires two stopovers in Australia enroute. This is more expensive than recruiting from Kiribati – historically one of the most expensive countries for RSE employers to recruit from — where flights are around NZ$2,000 and cost sharing arrangements mean RSE employers only pay half of the airfare to Fiji (not half of the fare to Tarawa) to reduce the cost burden on the employer. By contrast, an RSE employer can recruit from Samoa at the same time of year for approximately NZ$800.

With New Zealand Prime Minister Christopher Luxon recently reiterating his pledge to double the size of the RSE scheme to 38,000 over the next five years, the inclusion of Timor-Leste – which provides another recruitment option for RSE employers and potentially helps to reduce reliance on Vanuatu, Samoa and Tonga (the current main RSE source countries) – seems sensible.

If the Prime Minister's comments during a recent visit to Papua New Guinea are anything to go by, however, then supporting PNG to better engage in the RSE scheme and increase their numbers is likely to be of greater priority and focus than encouraging employers to recruit from further afield. With a working age population (20-59 years) of almost five million people, PNG has a very large pool of productive labour for RSE employers to draw on. Recruitment costs will also be lower, with return flights between Auckland and Port Moresby at around half the cost of those to Dili.

For RSE employers, the cost reduction measures inherent in the policy changes will be welcome news. The coalition government's announcement is smart timing too, ahead of the annual RSE conference on 28-29 August which brings together RSE employers, industry bodies, government officials and other key RSE stakeholders. It is a key forum for employers, especially, to have their say. New Zealand's Immigration Minister, Hon Erica Stanford, is scheduled to speak at the conference – she will now likely receive a warm reception.

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