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AUSTRALIA'S SEASONAL WORKER PROGRAM

DEMAND-SIDE CONSTRAINTS AND SUGGESTED REFORMS

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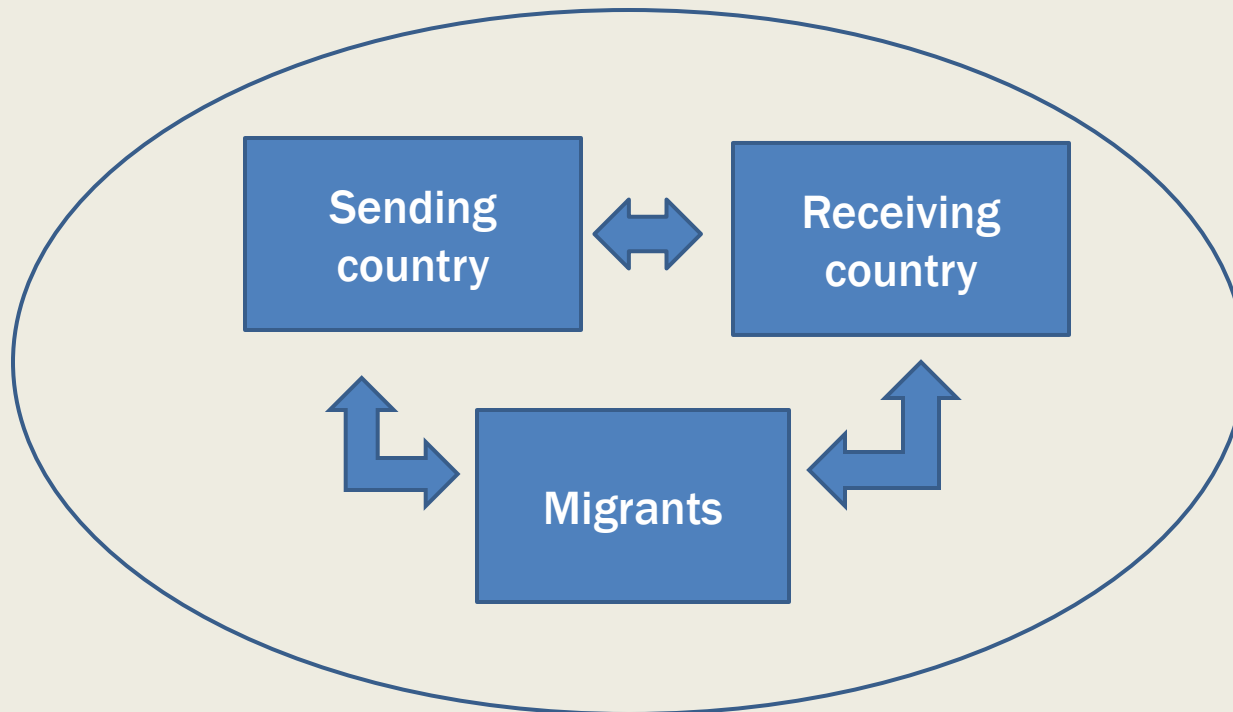
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TRIPLE-WIN

- The benefits of labor mobility for sending countries, receiving countries and migrants deliver a triple-win.





BENEFITS OF LABOR MOBILITY – SENDING COUNTRIES

There are many ways labor mobility can benefit sending countries:

- **Poverty alleviation** - Remittances contribute to rising income and consumption at the household level;
- **Macroeconomic stability** - Remittances can help finance trade deficits and bolster financial reserves;
- **Human capital** - To the extent that remittances are invested in education and health, there can be positive flow-on effects for human capital; and
- **Knowledge transfer** – Migrants transfer skills and knowledge upon return.



BENEFITS OF LABOR MOBILITY – RECEIVING COUNTRIES

The benefits of labor mobility also extend to receiving countries:

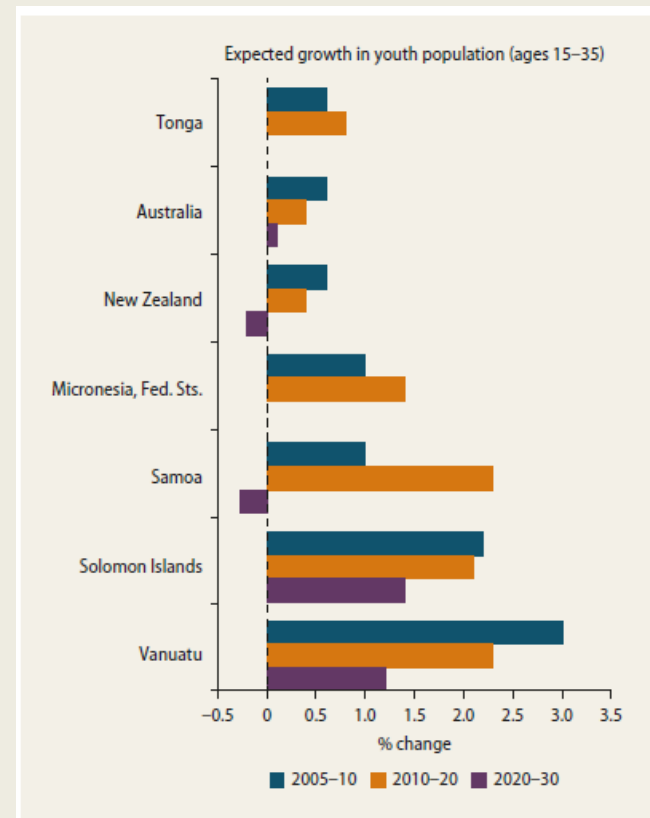
- **Fill labor shortages** – Migrants fill gaps in particular industries, which are experiencing labor shortages;
- **Productivity** – There is potential for productivity gains with the transfer of skills and knowledge from abroad;
- **Firm competitiveness** – Increased labor supply can enhance firm's competitiveness;
- **Economic growth** – To the extent that the competitiveness of domestic firms is improved, this can raise exports and have a positive impact on GDP.



BENEFITS OF LABOR MOBILITY

- In the Pacific, demographic shifts are creating opportunities for greater **mutual benefit** from labor mobility.
- There are large and growing youth populations in most Pacific Island Countries, whilst the larger regional economies have populations, which are aging rapidly.

Expected growth in youth population (ages 15 – 35)





BENEFITS OF LABOR MOBILITY – MIGRANTS

- Development is about people, not only places.
- Labor mobility is often framed in terms of the benefits for sending or receiving countries, not in terms of the development of migrants themselves.
- Migrants benefit through:
 - **Employment opportunities** - Gaining access to jobs, which may not have been available in the sending country;
 - **Poverty alleviation** – Higher real wages, which signify increased income and consumption for the migrants themselves; and
 - **Human development** - Potential for improved education and health outcomes.



PACIFIC SEASONAL WORKER PILOT SCHEME

- Despite its vast potential, the PSWPS got off to a slow start, especially in comparison with the equivalent Recognised Seasonal Employer (RSE) scheme in New Zealand:

		2007-08	2008-09	2009-10	2010-11	2011-12
PSWPS	Cap	-	100	2,400		
	Visas as a % of cap	-	56%	64%		
RSE	Cap	5,000	8,000	8,000	8,000	8,000
	Visas as a % of cap	90%	85%	85%	95%	97%



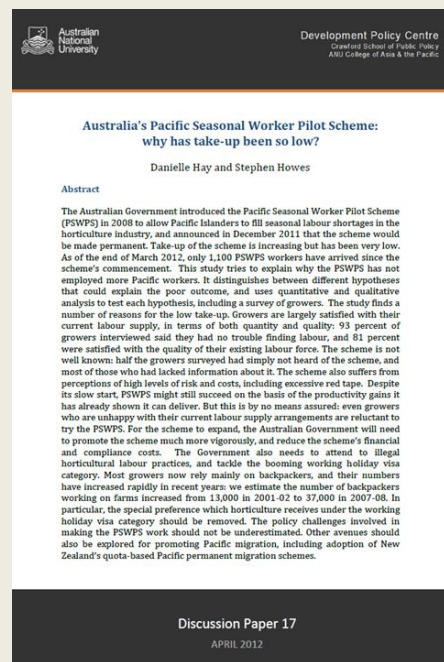
PACIFIC SEASONAL WORKER PILOT SCHEME

- This prompted an employer survey by Hay and Howes (2012), which determined the three major constraints preventing employer take-up:

1. The lack of an aggregate labour shortage;

2. The lack of information about the scheme; and

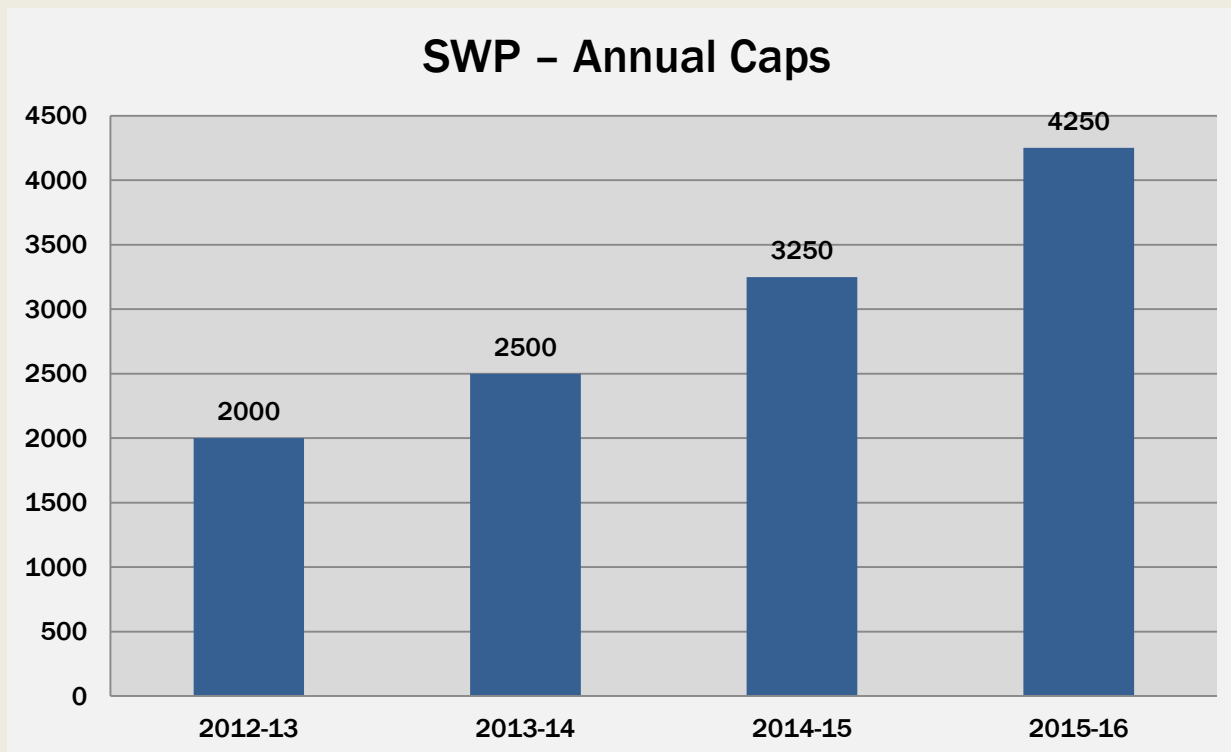
3. The significant level of risk and cost.





SEASONAL WORKER PROGRAM

- The Seasonal Worker Program is larger than the PSWPS with an annually expanding cap up until 2016.





SEASONAL WORKER PROGRAM (CONT.)

- Continued low take-up:
 - 74% 2012-13
 - 81% 2013-14
- Hence a follow-up survey of employers and industry bodies across the horticulture sector.



DISCUSSION PAPER

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

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AUSTRALIA'S SWP: DEMAND-SIDE CONSTRAINTS AND SUGGESTED REFORMS

- In 2014 we carried out this survey, examining the same employers as the 2011 survey, plus an additional sample.

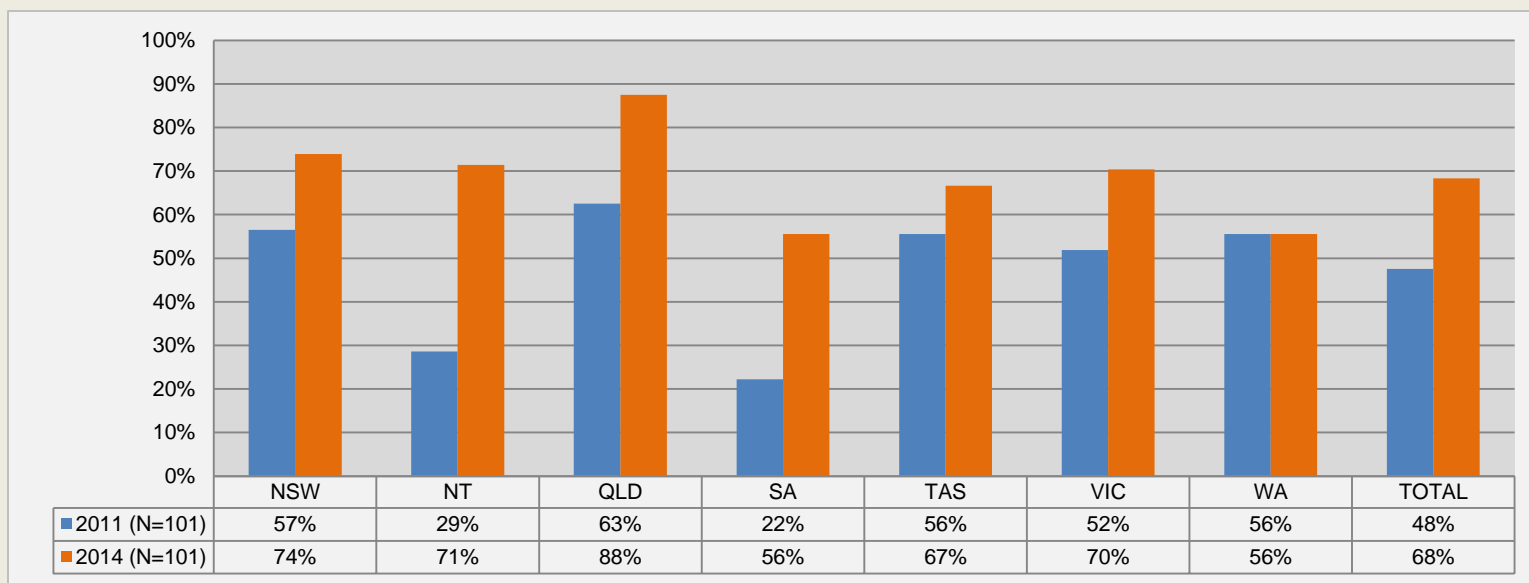
	Answered	Declined	Invalid	Unavailable	Total
Primary Sample	101	25	45	12	183
Secondary Sample	76	27	58	39	200
Additional participating growers	9	0	0	0	9
Approved Employers	31	0	0	3	34
Industry bodies	43	7	0	2	52
Total	260	59	103	56	478



CONSTRAINTS – LACK OF AWARENESS

- The underlying lack of awareness of the SWP across the horticulture industry is an ongoing source of concern.

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






CONSTRAINTS – LACK OF AWARENESS

- Amongst those who had heard of the SWP, there were also misconceptions about both the costs and requirements that AEs were responsible for.
- This was possibly due to the lack of information – many growers felt the SWP had not been clearly communicated to them by Government.

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 Employment

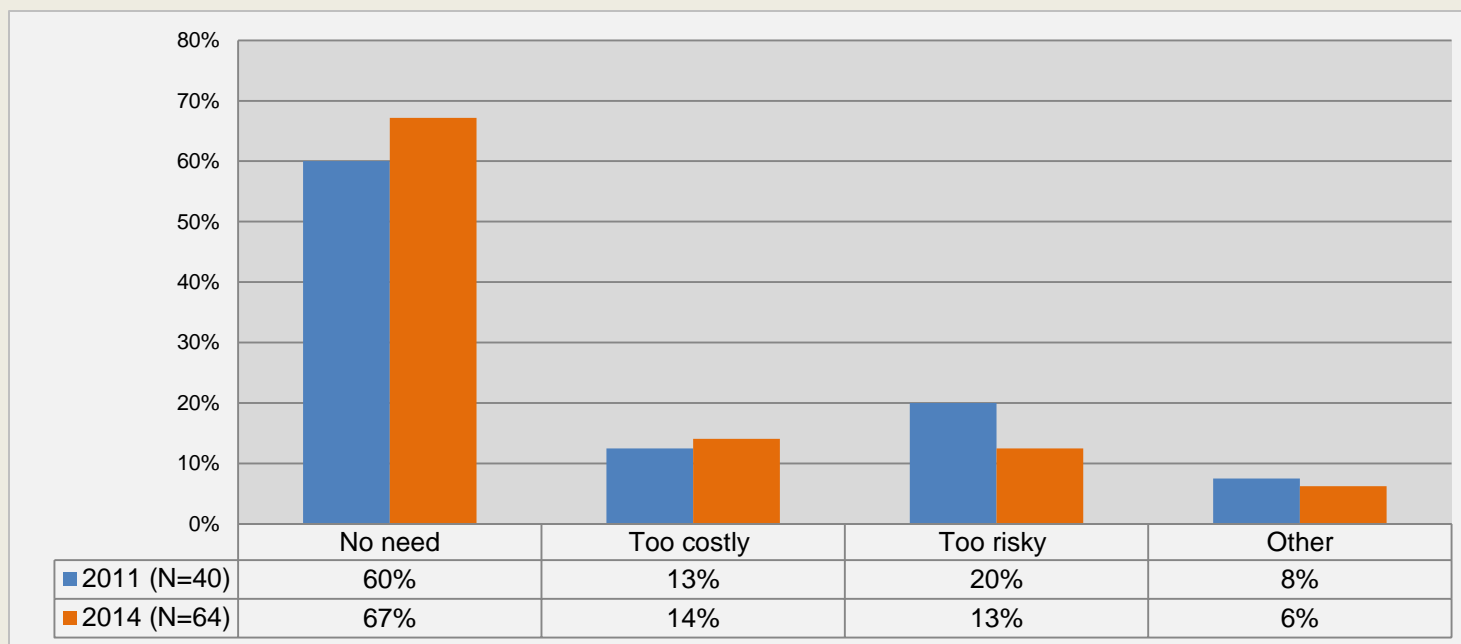
 Seasonal Worker Program



CONSTRAINTS – LACK OF AN AGGREGATE LABOR SHORTAGE

- The key constraint preventing take-up remains the lack of an aggregate labor shortage:

Main reason for not participating (primary sample)





CONSTRAINTS – LACK OF AN AGGREGATE LABOR SHORTAGE

There are two aspects to this:

- The prevalence of **illegal workers** and practices in the industry, which continue 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.
- The second-year visa extension, which incentivizes work in rural areas for **backpackers** is the other.

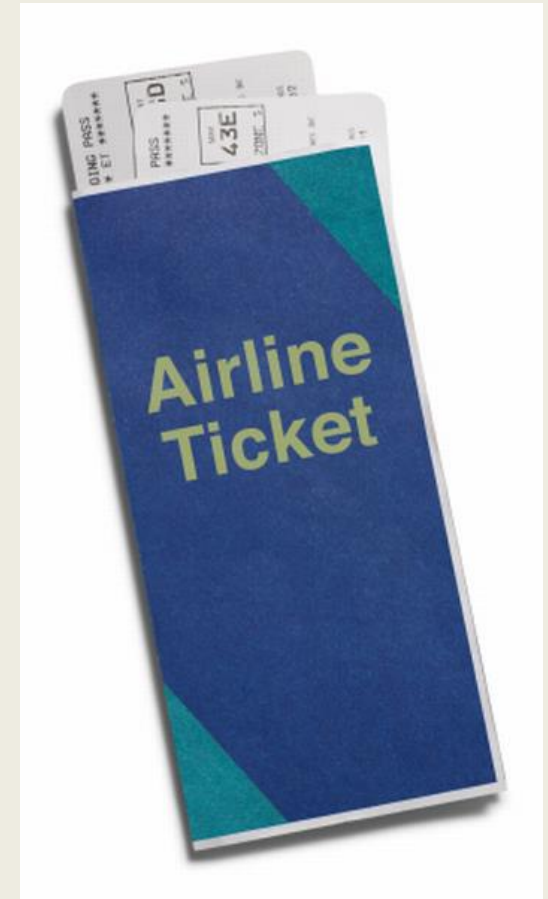
WHM second-year visa extensions	2009-10	2010-11	2011-12	2012-13	2013-14
Australia	25,315	22,500	30,501	38,862	45,950
New Zealand	1,163	1,475	1,963	2,127	2,911



CONSTRAINTS – ADDITIONAL COSTS

- The costliness of the SWP remains a key barrier to entry.
- Approved Employers are responsible for paying:
 - \$500 of the return airfare for each worker regardless of sending country
 - Portion of domestic transfer costs
 - Organizing accommodation*
 - Private health insurance*
 - Visa fees*

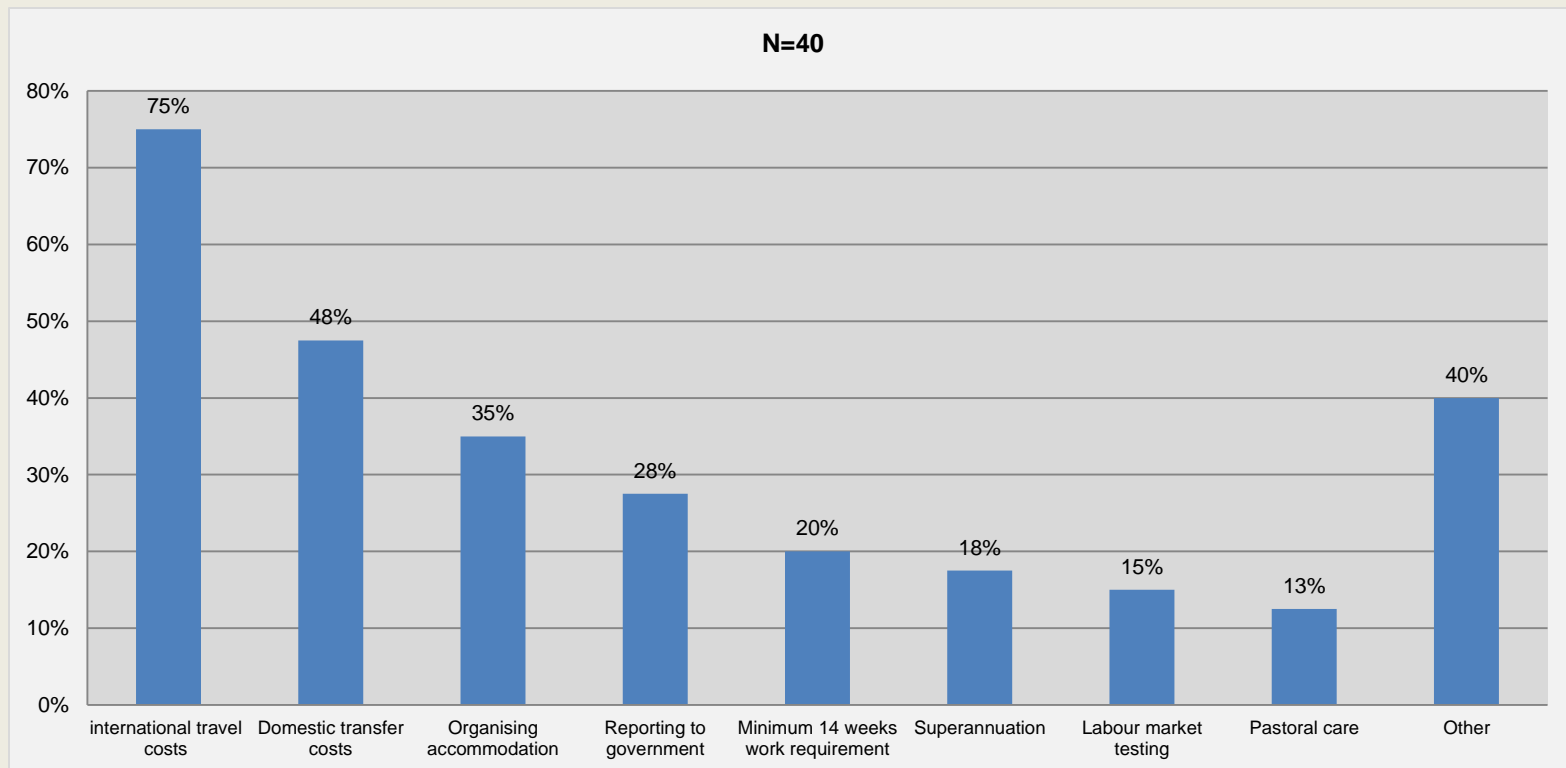
Note: Those marked with an * can later be recovered through wage deductions.





CONSTRAINTS – ADDITIONAL COSTS

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





CONSTRAINTS – EXCESSIVE RISK

- The perceived level of risk involved with the scheme continues to deter growers.

- The three largest risks highlighted were:
 1. Having to provide a minimum 14 weeks of work;
 2. Not having the same degree of control in worker selection as with other categories of workers; and
 3. Having to pay upfront costs for untested workers.



CONSTRAINTS – REPUTATION

- The reputation of the SWP continues to affect demand for Pacific seasonal workers.
- The majority of non-participating growers thought the scheme's reputation was either 'average' or below:
 - Excellent – 2%
 - Above Average – 19%
 - Average – 42%
 - Below Average – 20%
 - Poor – 7%

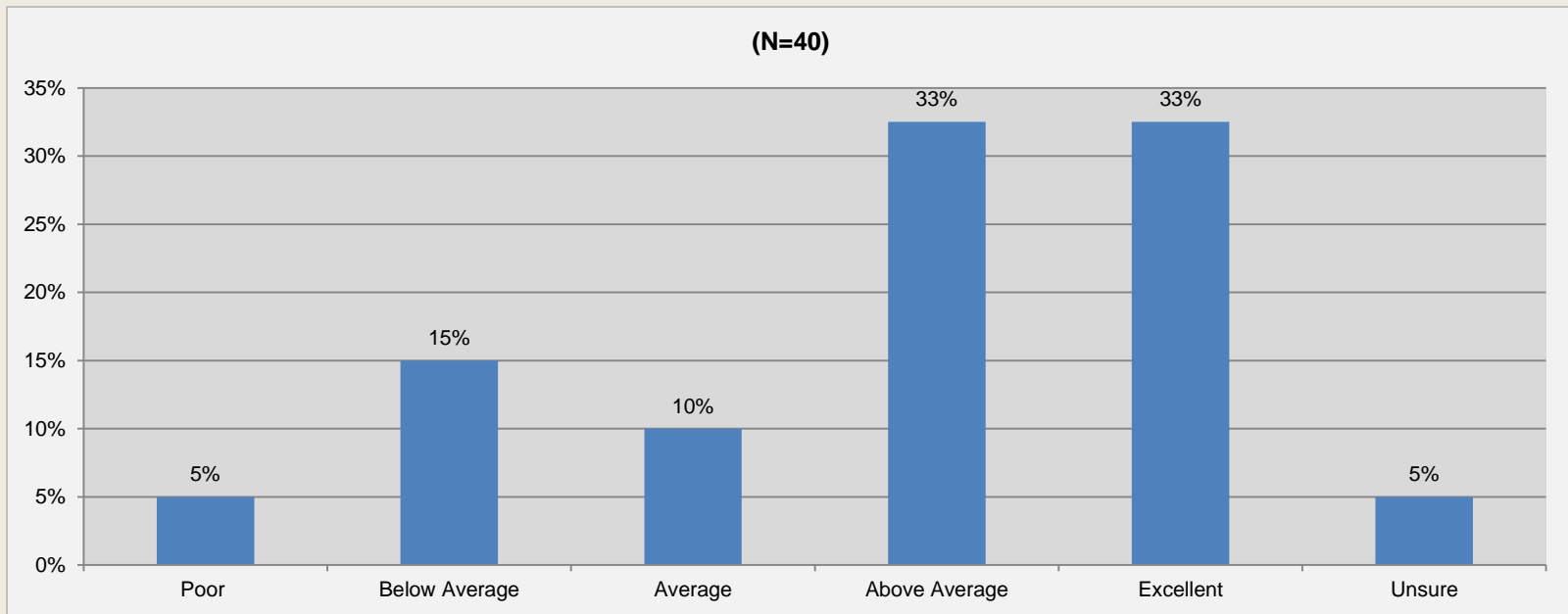




CONSTRAINTS – REPUTATION

- Approved Employers and participating growers held the SWP in much higher regard:

Reputation of the SWP (AEs and participating growers)

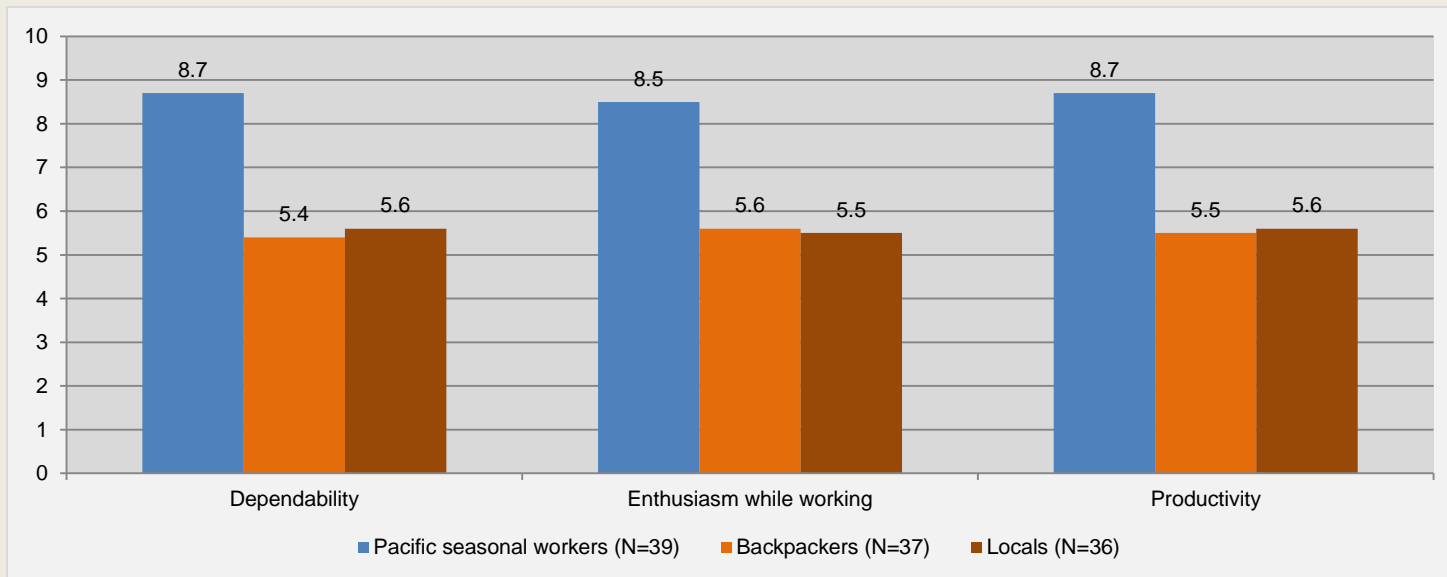




CONSTRAINTS – REPUTATION

- Approved Employers and participating growers also found Pacific seasonal workers to be significantly more dependable, enthusiastic and productive than other categories of workers.

Perception of workers (AEs and participating growers)





CONSTRAINTS – ADMINISTRATIVE REQUIREMENTS

- The high administrative costs continue to affect the reputation of the SWP.
- The average amount of time taken for the Government to process the paperwork required to become an Approved Employer was 4.6 months.
- Other key administrative costs include:
 - Reporting requirements to Government;
 - Administrative cost associated with superannuation; and
 - The labor market testing requirement, which is in place to ensure Pacific seasonal workers aren't displacing Australians.



WHO IS USING THE SWP?

	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%)



SUGGESTED REFORMS

1. Lack of an aggregate labor shortage

- Increase funding for compliance activities;
- 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.

2. Additional costs

- Cover new workers' costs through a revolving fund;
- Remove the \$500 employer contribution to international airfare for returning workers;
- Remove employer contributions to domestic travel; and need for employers to cover upfront costs for returning workers.

3. Excessive risk

- Reduce the minimum 14 week work requirement and allow Pacific seasonal workers greater flexibility to shift between AEs; and
- Give AEs a greater role in worker selection for all participating countries.



SUGGESTED REFORMS

4. Lack of awareness

- Advertise the SWP through a targeted group of horticultural industry bodies;
- Advertise the SWP through rural media; and
- Expand the existing social media platform.

5. Reputation

- Promote the gains of hiring Pacific seasonal workers using the results from existing studies (ABARES efficiency paper);
- Implement a targeted public information campaign correcting common misconceptions, using current AEs as spokespeople; and
- Hold SWP Conferences in horticultural regions instead of metropolitan areas.

6. Administrative requirements

- 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.

THANK YOU

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