

Seven reforms to expand Australia's Seasonal Worker Program

by Jesse Doyle and Stephen Howes

23 September 2013



Just two days before the Coalition won the election, its foreign affairs policy was released. The announcement of a commitment to consider the opportunities for expanding the Pacific Seasonal Worker Program (SWP) was largely overshadowed by its aid cuts.

It's still unclear as to which part of the aid program the axe will fall on, but the Pacific Islands can at least take comfort in the possibility of their remittance base expanding under the Coalition — a prospect that would have been **unthinkable during the Howard era**.

The commitment has not taken the development community by surprise, as then Shadow Minister for Foreign Affairs and Trade, Ms. Julie Bishop, consistently voiced her support for the scheme in opposition. During an address last June on '**Australian Aid, the Pacific and PNG**' hosted by the Development Policy Centre, Ms. Bishop called for a "strengthening of Australia's existing guest worker program to enable greater numbers of Pacific islanders to undertake seasonal work in this country." At this same address, Ms. Bishop hailed the success of New Zealand's Recognised Seasonal Employer (RSE) scheme for both the economic outcomes and goodwill it has generated.

Widely considered as world's best practice, New Zealand's RSE program lies ahead of the SWP on both quantity and perhaps quality. Over the FY 2012-2013 the RSE took on 7,456 workers compared to Australia's 1,473. Quality is harder to compare, but our discussions with sending-countries suggests that Australia, even with its smaller numbers, presents more problems with compliance.

Expanding the SWP won't be easy. The NZ success is due to a range of factors. The horticultural industry in NZ has less illegal labour, is better organised, and is easier to regulate, since it is so much more compact. The NZ horticultural industry also produces largely for export markets, whereas the Australian industry largely caters to the domestic market. Profit margins may be lower in Australia with the higher dollar, and quality concerns less pressing.

One telling indicator is that the minimum wage for fruit picking in NZ is \$NZ13. In Australia it is \$A18, or 57% higher, adjusting for exchange rate differences. The higher legal minimum wage increases the incentives to employ illegal labour, and the more dispersed geographical area makes it harder to enforce compliance. The result seems to be a much higher reliance on illegal labour in Australia, and an undermining of the competitiveness of the highly-regulated SWP.

The Coalition's foreign policy [statement](#) [pdf] recognises the challenges involved, and puts its commitment to doing something about the SWP in cautious terms:

“While there are significant obstacles to improving Australia’s current pilot programme, the prospect of placing Pacific Island economies on a more stable and diverse footing should be seriously considered and the Coalition commits to examining the case for the expansion of this programme.”

There are obstacles, but there are also opportunities. Here are seven reforms the Government could consider:

1. Remove the incentive for backpackers to pick fruit. In 2005, the Government [amended the WHM Visa](#) to provide an incentive for backpackers to work in the horticultural sector. The amendment stipulated that after a three-month stint of agricultural work, backpackers were eligible to extend their visa for an additional year. The incentive worked. In [a 2011 survey](#) of employers in the horticulture sector conducted by Stephen Howes and Danielle Hay, 93% of respondents suggested that backpackers were their main source of labour. An unintended consequence of this amendment is that it crowded out demand for Pacific workers when the SWP was introduced in 2008. Removing this amendment would provide a lifeline to the SWP. At a minimum, the [“specified work”](#) list should be removed, and any work in regional Australia should be eligible for the two-year extension. At the moment, backpackers need to work in agriculture, mining or construction to get the extension. Work in a pub or a restaurant isn't eligible.

2. Clamp down on illegal workers. One of the measures New Zealand took to coincide with the introduction of its RSE scheme was a clampdown on illegal workers. Australia would be well advised to do the same. The [latest DIAC estimates](#) place the number of illegal workers currently residing in Australia at 60,900. Anecdotal evidence overwhelmingly suggests that many of the employers in the

horticulture industry are not paying the award rate, even when they are hiring legal workers. This puts the SWP at a competitive disadvantage, since under this highly regulated scheme award wages have to be paid. The Government has **harsh penalties in place** for employing illegal workers, but at present seems to lack the capacity to carry out its directive in a country the size of Australia, with diverse horticultural regions.

3. Launch a communications campaign to promote the Seasonal Worker Program. In our 2011 survey, a majority of horticultural employers (51%) told us they had not heard of the SWP. Neither the Government nor industry has got behind the scheme and promoted it. Without political and industry leadership, the SWP will continue to languish. Most employers who use the SWP are very happy with it, but the word just isn't getting out.

4. Further reform cost sharing arrangements and flexibility around working periods. In terms of participation rates, 2011 was a turnaround year for the Pilot scheme. This was in no small part due to **two key reforms that were introduced in December 2010**. The first was a change to the cost sharing arrangements, which changed the percentage of the airfare cost employers had to pay as well as the amount of domestic transfer costs they were responsible for. The second was a reform of the minimum amount of work employers had to guarantee SWP workers, which previously stood at six months. Taking these 2010 reforms one step further would eliminate the perceived risk involved with the SWP that currently concerns employers. Employers should be able to recuperate the full cost of the airfare as well as the internal transfer costs. Whilst this would marginally reduce individual net gains, it would push the demand schedule for SWP workers outward, increasing the gains at the country level. In terms of flexibility, the minimum amount of guaranteed work could be eliminated altogether. The amount of horticultural work available at any given point is highly dependent on variable factors, such as rainfall. The elimination of this restriction would serve to remove this perceived risk. SWP workers could also be afforded greater freedom to shift between employers if they aren't satisfied with the amount of work being provided.

5. Expand the existing 1,600-worker cap. In the FY 2012-2013, 1,473 SWP workers arrived in Australia — 127 short of the total cap. Whilst this number was an improvement on the 1,118 the year before, it is still a drop in the ocean given the size of Australia's horticultural industry. Expanding the existing cap on SWP workers would give room for the program to grow, if the above recommendations were acted upon. Given that this is a demand-driven scheme and employers still have to advertise to prove that there are no Australians to fill the jobs, why should we place a limit on the SWP's growth?

6. Promote recruitment from Melanesia. One striking feature of the SWP is that Tongans account for 82% of SWP workers. That's great for Tonga, but it would be good to get more workers from Melanesian countries which, unlike Tonga, generally have very low rates of remittances. Perhaps the aid program could subsidise facilitators for Vanuatu, Solomon Islands, PNG and Timor Leste to help expand their presence in the SWP.

7. Expand the Working Holiday Maker (WHM) Visa to include the Pacific Islands. If you can't beat them, join them. Why should the WHM scheme be closed to the Pacific Islands? The Government has recently given PNG WHM access, but in a very restrictive way. Sending-government approval should not be required for Pacific WHM applicants, as this will open the scope for corruption and delay. But sending-government participation is needed to deter overstaying. This could be done by increasing national quotas to reward compliance and punish overstaying.

Other reforms are also possible. The extension of the SWP beyond horticulture to a few sectors such as cotton **hasn't worked**, but other non-agricultural sectors could be considered. It would also be worth looking at the Howard Australian Pacific Technical College initiative to see why it **hasn't achieved** its original goal of promoting international labour mobility.

Above all, the Seasonal Worker Program needs what it has lacked to date: a champion. Julie Bishop seems ideally placed to play that role.

*Jesse Doyle is a Research Officer at the **Development Policy Centre**. Stephen Howes is Director of the Centre.*

Author/s:

Jesse Doyle

Jesse Doyle is a Senior Social Protection Specialist (Economics) at the Australian Government's Partnerships for Social Protection program.

Stephen Howes

Stephen Howes is Director of the Development Policy Centre and Professor of Economics at the Crawford School of Public Policy at The Australian National University.

Link:

<https://devpolicy.org/seven-reforms-to-transform-australias-seasonal-worker-program-20130923/>