



PACIFIC ISLANDS FORUM SECRETARIAT

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FORUM ECONOMIC OFFICIALS MEETING

8 August 2023

FORUM ECONOMIC MINISTERS MEETING

9 - 10 August 2023

AGENDA 10c: SOCIO-ECONOMIC IMPACT OF REGIONAL LABOUR SCHEMES IN THE REGION

Purpose

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This paper **proposes and seeks the endorsement** of Economic Ministers to consider including the social and economic impact assessment of the regional labour schemes in the region as a standing agenda item in order for FEMM to provide ongoing strategic guidance on the respective policy issues to resolve related challenges in collaboration with Forum Trade Ministers.

Summary

During the Special Leaders Meeting in February 2023, in relation to Labour Mobility, Leaders “*tasked the Secretariat to work with all participating countries to hold further dialogue to better understand challenges, opportunities and report back to Leaders as required, mindful that certain issues can only be resolved at national level.*”

Notwithstanding the Leaders tasking, the 2020 Forum Trade Ministers endorsed labour mobility as a standing agenda item for their meeting and directed the Secretariat to undertake a comprehensive assessment on labour mobility arrangements, including regional and sub-regional agreements. In this regard, in 2021, the comprehensive assessment under the oversight of a Labour Mobility Reference Group (LMRG) was completed, looking at existing reports and assessments. Subsequently, in 2022, Forum Trade Officials endorsed the comprehensive assessment out-of-session, including its three key recommendations:

- establish a regional platform for decision-making on labour mobility and policy support;
- develop a regional labour mobility strategy; and
- develop a regional information sharing network.

To deliver on the decision by our Leaders in early 2023, the Secretariat has commenced consultations to inform a proposed approach to develop the Pacific Regional Labour Mobility Strategy in close consultation with Members, partners, Non-State Actors, CROP, and development partners. Noting the work is currently on-going, the Secretariat will look to provide this as an update at the Forum Trade Ministers Meeting to be held in Fiji on August 22-25, 2023,

ahead of the next Leaders meeting to be held in the Cook Islands in November. The concept note of the regional labour mobility scheme is attached as *Annex I*.

To complement the work undertaken by the Secretariat on the trade related aspects of the regional labour schemes, the socio-economic impacts are important considerations that should also be undertaken. From the recommendations of the comprehensive assessment an economic assessment of economic return from labour mobility schemes to receiving countries in the region, including sending countries is being considered.

These issues have been included in the scope of work undertaken by the Secretariat to develop the Regional Strategy under the oversight of the Labour Mobility Reference Group, as tasked by Forum Trade Ministers.

A. Problem/Opportunity Identification

Labour mobility schemes, while often beneficial for the receiving countries, can have negative economic impacts on the sending countries. Some of these impacts include:

- a. *Brain Drain*: Labour mobility schemes can lead to the emigration of skilled and educated workers from sending countries. This brain drain deprives the sending countries of valuable human capital, which is crucial for economic development and innovation.
- b. *Reduced Productivity*: Losing skilled workers can lead to a decrease in productivity and efficiency in key sectors of the sending country's economy. This can hinder economic growth and competitiveness.
- c. *Increased Dependence on Remittances*: When workers leave to seek opportunities abroad, their remittances become an essential source of income for their families and communities back home. While remittances can alleviate poverty and support consumption, they can also create dependency on foreign earnings and reduce the motivation for domestic economic development.
- d. *Skill Shortages*: Labour mobility can exacerbate skill shortages in specific sectors within the sending country. If skilled workers emigrate in large numbers, it can be challenging for the country to maintain a competent workforce in critical industries such as healthcare and education.
- e. *Labor Market Distortions*: Emigration of workers can create imbalances in the sending country's labour market. Certain industries may face labour shortages, while others experience unemployment or underemployment due to a mismatch of skills.

2. To complement the work currently undertaken by the Secretariat to develop the Pacific Regional labour Mobility Strategy, the Secretariat proposes to include in scope of work of the Labour Mobility Reference Group the above socio-economic dimensions of labour mobility schemes in the region.

B. Context & Background

3. The Recognised Seasonal Employer (RSE) scheme workers number as of 06 July 2023 stands at 15,777¹.

Table 1: RSE Workers in New Zealand

| Nationality | Number of Workers |
|-----------------|-------------------|
| Fiji | 873 |
| Kiribati | 624 |
| Solomon Islands | 984 |
| PNG | 246 |
| Samoa | 3,871 |
| Tonga | 1,943 |
| Tuvalu | 232 |
| Vanuatu | 7,004 |
| Total | 15,777 |

Source: www.mfat.govt.nz

4. With the merging of Seasonal Workers Programme (SWP) and Pacific Labour Scheme (PLS) to Pacific Australia Labour Mobility (PALM) the number of Pacific workers as of June 2023 is 39,644.

Table 2: PALM workers in Australia

| Country | Number of workers |
|-----------------|-------------------|
| Fiji | 5,259 |
| Kiribati | 1,338 |
| Nauru | 5 |
| PNG | 1,457 |
| Samoa | 4,980 |
| Solomon Islands | 4,717 |
| Timor-Leste | 4,401 |
| Tonga | 6,742 |
| Tuvalu | 82 |
| Vanuatu | 10663 |
| Total | 39,644 |

Source: Department of Employment and Workplace relations – PALM Monthly Update- June 2023

5. Recognising that labour mobility in the Pacific has increased over the years, the schemes continue to play a crucial role in driving the economic development in the Pacific where our member countries rely heavily on remittances sent back to their families. Through this opportunity and remittances, countries receive a significant contribution towards improved livelihoods and GDP that further assists in alleviating poverty and socio-economic challenges.

¹ <https://www.mfat.govt.nz>

C. Generic policy analysis

6. The region recognizes the many positive impacts of current regional labour mobility schemes - the opportunity for skills development and knowledge in the industries they are placed in and can further able to apply these skills to various sectors such as construction, agriculture and other key industries, access to education, improved living standards, start up for new businesses upon return, and where possible look to make investments with the income received. The remittances from these regional schemes are invaluable for the sending countries economic outlook.

7. The International Labour Organisation reported remittances as one key economic benefit of migration. The ILO report states that in 2018, remittances into ten countries (Fiji, Kiribati, Marshall Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu) amounted to US\$689 million². In 2010, remittances to the Forum Island Countries totalled \$2.7 billion. By 2020, this figure had more than doubled to \$5.7 billion. The level of remittances to Forum Islands Countries varies from country to country. In 2020, Tonga received the most remittances, with \$1.8 billion, or 38% of GDP. Other countries with high levels of remittances include Samoa (29%), Vanuatu (22%), and Kiribati (17%). Remittances are a significant source of foreign exchange for Pacific SIDS. In some countries, they account for more than 10% of GDP. Remittances are used to support families, businesses, and government budgets. They also help to reduce poverty and inequality³

8. While there are many benefits for the sending Pacific Island countries, there are concerns at the national level about loss of workers and investment towards training provided to workers that leave. There is a need to review circular migration conditions, and support needed by countries to retain workers.

9. There are increasing anecdotal reports of family problems and social impacts for workers on employment and families left behind.

10. To ensure the welfare and protection of our Pacific people on these schemes are a priority, relevant negotiations and standards on workers' rights need to be discussed to inform strategic objective areas of a regional labour mobility strategy that will inform arrangements that holistically benefit both sending and receiving countries.

D. Resourcing implications

11. Existing resources to deliver the work on labour mobility by the Secretariat is being supported by the International Organisation for Migration and the International Labour Organisation.

² Pacific Islands Forum Secretariat, 2022, Comprehensive Assessment of Regional and Sub-regional Labour Mobility Arrangements in the Pacific, Suva, Fiji.

³ See: Labour mobility and Remittances in Asia and the Pacific during and after the COVID-19 Pandemic by Aiko Kikawa et al, Asian Development Bank (2021). Also: Pacific Mobility, Migration and Remittances in Times of COVID-19 by D.Doan et al, World Bank publications (2020); Also: <https://www.forumsec.org/wp-content/uploads/2023/02/Labour-mobility-Report-2022.pdf>

12. Additional resources may be required to support the assessment of the social and economic dimensions of regional labour schemes.

E. Next Steps

13. That the Secretariat's Trade and Economics team implement the above recommendations by Ministers.

14. That Economic Minister's support the above recommendations. An update will be provided in the next FEMM.

Pacific Islands Forum Secretariat
31 July 2023

Annex 1

CONCEPT NOTE PACIFIC LABOUR MOBILITY STRATEGY FORUM TRADE MINISTERS MEETING- AUGUST 22-25, 2023

Purpose

The purpose of this concept note is to provide FTMM with a proposed approach for the regional labour mobility strategy as endorsed by Ministers.

Background

In 2020, Forum Trade Ministers directed the Pacific Islands Forum Secretariat to undertake a comprehensive assessment on labour mobility arrangements, including regional and sub-regional agreements. In 2021, the comprehensive assessment under the oversight of a Labour Mobility Reference Group (LMRG) was completed, looking at existing reports and assessments. In 2022, Forum Trade Officials endorsed the comprehensive assessment out-of-session, including its three key recommendations:

- establish a regional platform for decision-making on labour mobility and policy support.
- develop a regional labour mobility strategy; and
- develop a regional information sharing network.

2. In February 2023, Forum Leaders in their Special Leaders Retreat tasked the Secretariat to work with all participating countries to hold further dialogue to better understand challenges, opportunities, and report back to leaders as required, mindful that certain issues can only be resolved at national level.

3. To deliver on this decision by our Leaders, the Secretariat has commenced consultations to inform a proposed approach to develop the Pacific Labour Mobility Strategy in close consultation with Members, partners, Non-State Actors, CROP, and development partners. Noting the work is currently on-going, the Secretariat will look to providing this as an update at the Forum Trade Ministers Meeting to be held in Fiji on August 22-25, 2023, ahead the next Leaders meeting to be held in the Cook Islands in November.

Proposed approach

4. Taking into consideration the work currently underway by Multi-Stakeholder Expert Groups to develop the 2050 Implementation plan, it is proposed to develop the Labour Mobility Strategy that specifically contributes to specific goals and outcomes developed by the relevant thematic areas. The following thematic areas are outlined in the 2050 Strategy:

- 1- Political Leadership and Regionalism
- 2- People Centered Development
- 3- Peace and Security
- 4- Resources and Economic Development
- 5- Climate change and Disasters
- 6- Ocean and Environment

7- Technology and Connectivity

The work on labour mobility support the level of ambitions under the thematic area for people centered development when considering employment, human capital and protection and related areas such as education and welfare. On the economic component, labour mobility contributes to levels of ambition reflected under the Resource and Economic Development thematic area.

At the 27th meeting of the 2050 FOC Sub-committee meeting, Members endorsed the process to identify Regional Collective Actions (RCA) against outcomes for each of the goals set out by thematic areas. The progress to date and provided below highlights alignment to the resources and Economic Development thematic area under as articulated in the the 2050 IP for consideration by Members.

Resources and Economic Development

This thematic area highlights the importance of accelerating the region's economic growth aspirations through strengthened ownership, and by ensuring the sustainable management and development of the region's natural and human resources. The sustainable management of resources will require the development of control measures; environmental, social and cultural impact assessments; and by identifying and valuing the region's ecosystem goods and services. This is critical for building the region's resilience and ensuring sustained economic development and growth. The region already faces the dual challenge of fiscal sustainability risks in the short term and financing shortfalls in critical areas, especially in the fight against climate change, increasing the urgency to consider innovative financing instruments and mechanisms. Diversifying our investment portfolios, increasing the role of the private sector in important areas such as fisheries, agriculture, forestry, mining and tourism, and cultural industries and creating employment and entrepreneurial activity in the micro, small and medium-sized enterprises (MSMEs) are vital for improving and expanding wellbeing opportunities for Pacific peoples. The region continues to benefit from labour mobility schemes and professional sport that promotes skills development and remittances.

| Thematic Area | Levels Of Ambition | Goals | Outcomes |
|-----------------------------------|---|---------------------------|--|
| Resource and Economic Development | All Pacific peoples benefit from a sustainable and resilient model of economic development, including enabling public policy and a vibrant private sector and others, that brings improved socio-economic wellbeing by ensuring access to employment, | 1.0 Growing our economies | 1.1 Increase the capacity of our people to acquire and retain skills |
| | | | 1.2 The region will promote the development of micro, small and medium enterprises (MSMEs) |
| | | | 1.3 The region will attract investment and grow the private sector |
| | | | 1.4 The region will build resilient economies |
| | | | 1.5 The region will grow trade |

| | | | |
|--|---|--|---|
| | entrepreneurship, trade and investment in the region. | | between us and the rest of the world |
| | | | 1.6 The region will collect timely data |
| | | 2.0 Build economic and financial resilience | 2.1 The region will diversify our economies |
| | | | 2.2 The region will build fiscal resilience |
| | | | 2.3 The region will strengthen financial system resilience and diversify our sources of funds |
| | | | 2.4 The region will build climate resilient infrastructure |
| | | 3.0 Harnessing the full potential of our natural resources sustainably | 3.1 The region strengthens governance of our natural resources |
| | | | 3.2 Greening our resource development |
| | | | 3.3 Protect and deepen our blue economy sustainably. |

Progress update on consultations

To inform the process through national consultations, the countries highlighted below have been completed while discussions are underway for the other Members.

| Country | Status |
|-----------------------------------|-------------------------|
| 1. Australia | To be confirmed |
| 2. Cooks Islands | End of June |
| 3. Fiji | To be confirmed |
| 4. Federated States of Micronesia | To be confirmed |
| 5. French Polynesia | Online survey completed |
| 6. Kiribati | To be confirmed |
| 7. Nauru | To be confirmed |
| 8. New Caledonia | Completed |
| 9. New Zealand | To be confirmed |
| 10. Niue | To be confirmed |
| 11. Palau | To be confirmed |
| 12. Papua New Guinea | Completed |
| 13. Republic of Marshall Islands | To be confirmed |
| 14. Samoa | To be confirmed |
| 15. Solomon Islands | To be confirmed |
| 16. Tonga | To be confirmed |
| 17. Tuvalu | Completed |

| | |
|-------------|-----------|
| 18. Vanuatu | Completed |
|-------------|-----------|

Proposed timelines for consideration

| Activity | Timelines |
|--|----------------------|
| Forum Officials Meeting | August 2023 |
| Forum Ministerial Meeting | August 2023 |
| Completed national consultations | October 2023 |
| Follow up steps following Leaders | November 2023 |
| Drafting of Pacific Labour Mobility Strategy -2030 (as Regional Collective Action) | January – March 2024 |
| Consultations and Member feedback | April- June 2024 |
| FTMM endorsement | 2024 |

Recommendations for proposed structure of Pacific Labour Mobility Strategy

- Strategic objective 1 - Strengthening labour mobility governance
- Strategic objective 2 - Setting regional standards for labour mobility and migrant workers' well-being
- Strategic objective 3 - Bolstering data collection and analysis for evidence-based labour market, skills development and labour mobility policies and initiatives
- Strategic objective 4 - Enhancing the mutual recognition of skills and qualifications.
- Strategic objective 5 - Costs and benefits of regional labour mobility scheme
- Strategic objective 6- Facilitating the movement of business persons and economic development through visa access

Partnerships and collaboration

- CROP agencies
- UN agencies
- Pacer plus Implementation Unit
- Sub-regional Secretariats
- Training Institutions
- Private Sector
- Civil Society Organisations