

Labour mobility for sustainable livelihood in Pacific island states*

Satish Chand

The Australian National University

Canberra

Email: Satish.Chand@anu.edu.au

Telephone: 612 6125 0773

Fax: 612 6257 2886

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Abstract

The challenge of guaranteeing sustainable livelihood in small isolated Pacific island communities remains a contested issue. Rising poverty within some of the Pacific island countries (PICs) gives urgency to considerations of sustainable livelihood. The increasing reliance on donor support for provision of basic public services in a number of the PICs raises serious doubts on the sustainability of the status quo. This paper assesses the seriousness of the sustainability-challenge and provides avenues to addressing this challenge. We observe that rapid population growth with limited natural resources renders subsistence as a dwindling source of livelihood in many of the PICs. Increased labour mobility for the region as a whole, thus, has considerable merit.

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1. Introduction

What Pacific islanders need is a source of sustainable livelihood. Subsistence agriculture has historically served this purpose, but population pressures on limited natural resources makes this an unlikely candidate on which the future can be banked upon. Pockets of poverty have emerged in nearly every island community; in some the rate of increase of poverty is alarming. Donors have been particularly generous with aid to the Pacific Island Countries (PICs) as a group. Palau, despite being a middle-income country, received the highest amount of aid at US\$1753 per-capita in 2001 (see table 1). Many others amongst the PICs rank high amongst developing countries in terms of aid receipts on a per capita basis, partly so because of their (small) size as aid delivery is subject to economies of scale. Donors can keep tiny island communities with limited resources 'afloat' with aid but this would be contrary to the concept of sustainable livelihood. Charity is neither sustainable nor desirable; continuing aid can create dependency.

The rate of growth of income for the Pacific island economies has, on the whole, been weak (see table 1). Over the 30 years to 2001, annualised growth rate of per-capita income in constant local currency units has ranged from -1.92 percent for Kiribati to 1.4 percent for Fiji. The level of per-capita income for Vanuatu in 2004 was the same as that at independence in 1980. Social problems are rising in nearly every major urban centre within the PICs; not surprising given high rates of population growth with stagnant income-earning opportunities. We know that high population growth and low incomes are jointly determined, thus continuing economic stagnation may provide little respite from rising population. Given the build up of pressure on the physical environment, a return to sustainable livelihood from subsistence alone is not an option for several of the island economies. New threats, particularly in the forms of HIV/AIDS that is spreading at an alarming rate in PNG and

changes in weather patterns globally leading to harsher weather patterns, may test the environmental and economic resilience of small states.

The PICs, to improve on their wellbeing, have to integrate more deeply with the global economy. For the smallest and remotest of the island communities, access to industrial country labour markets is perhaps the only viable option. There is merit in broadening this access, on a controlled and reciprocal basis, for the region as a whole. A transient population of workers rotating between the remote regions and the metropolis will induce demand for better governance within the islands whilst cementing closer regional ties. The benefits from such flows are likely to be the largest for unskilled labour as this group as a whole suffers the greatest restriction. Income earning opportunities for unskilled workers from the islands has the potential to lower poverty at home whilst raising worker productivity through skill transfer.

Income earned from workers abroad, unlike aid, is likely to provide a sustainable source of revenue, thus relieve the resource constraints currently faced by several of the PICs.

Remittances already constitute a significant part of the economies of Cook Islands, Fiji, Niue, Samoa, and Tonga (Narsey, 2004). Easing conditions for (temporary) movement of unskilled workers will give remittances an even a greater role in the sustenance of island economies (and remote communities) of the Pacific. Such flows, if temporary, will prevent depopulation of the smallest of the communities. Reverse flows of retirees, tourists, and volunteers, moreover, will generate employment opportunities within remote communities. Allowing for reciprocal arrangements on temporary flows between developing and industrial country partners will assist such a process whilst deepening cultural, economic, and political ties across the region. This is not to suggest a policy of labour mobility *carte blanche*, but a strong case exists for a well-managed program allowing for a more fluid labour market for the Pacific region as a whole.

Industrial country partners have much to gain from deepening economic ties within the broader region. International security concerns has already increased Australian, New Zealand, and US involvement in the PIC region. This follows recognition of the potential for cross-border spillovers, such as from a large-scale domestic conflict or from an economic collapse in a neighbouring state. Australian intervention in Nauru and PNG in 2004 and its leadership of a regional intervention into Solomon Islands were motivated principally by security concerns. The above-mentioned donors have historically taken an active interest in the funding and provision of basic services into the PICs lacking capacity and resources to do this on their own. We premise the subsequent discussion on the (plausible) assumption that it is in the donor's interest to see the PICs achieve sustainable livelihoods.

Denying Pacific islanders access to labour markets in the surrounding metropolis may threaten the very existence of small far-flung island communities, particularly as sovereign states. This in turn will risk the survival of the culture of the smallest of the communities and particularly those facing threats of depopulation. There is great deal of literature showing that the largest gains in global welfare would accrue from freeing up movement of unskilled labour (see Winters, et al 2003; Athukorala, 2004; and references contained therein); the Pacific is not an exception in this context. Growing shortages of labour within the neighbouring industrial countries, moreover, will over time increase economic incentives for out-migration from the islands.

While population growth rates are falling sharply in the surrounding rich nations, Pacific island nations continue to experience high rates of population increase. The population of the island region as a whole in 2001 was 7.8 million, more than double the figure of 3.8 million in

1971.¹ The rate of population growth between the PICs has differed significantly. Solomon Islands, Vanuatu, and Marshall Islands have recorded annual growth rates of 3.25 percent, 2.89 percent, and 2.79 percent, respectively. The populations of Tonga and Samoa, in contrast, have increased at an annual rate of 0.5 and 0.6 percent, respectively. The difference between these two groups of countries is explained by out-migration rather than differences in fertility rates (see table 2). A large proportion of the population is young (that is, below the age of 15 years), thus the high rate of population growth is likely to last at least another generation. Some 45 percent of the total population of Solomon Islands, for example, is below 14 years of age (see table 2).

Depopulation is the least of concerns for countries such as Samoa and Tonga that have historically experienced large outflows of labour. This is because there already exist large islander-communities in the surrounding metropolis. Samoans and Tongans living in Auckland, Sydney, and Los Angeles maintain regular contact with their kin at home. These overseas communities form the basis of regular trade and commerce across national borders. Thus neither Samoa nor Tonga face the prospect of depopulation and/or loss of their cultural identity. There is even a good prospect of large reverse flows of retirees once the current generation of migrants complete their working life abroad. The link with their homeland is strengthened by communally owned land, to which many of the migrants retain claim whilst living abroad. Remittances are often exchanged for cultural and communal obligations so as to sustain links with family and the wider community, not least to protect claims on communal property.

Pacific states display considerable heterogeneity in nearly every respect. For the purposes of the discussion on sustainability here, the major concerns include population pressures in the

¹ Due to lack of data the 1971 population total does not include populations of FSM, Northern Marianas and Palau while the 2001 total omits Nauru, Niue, Tuvalu, and Tokelau.

smallest of the states that is at a risk of destroying the natural environment; rural to urban migration within a context of limited growth in employment opportunities thus threatening social stability; and deteriorating governance at all levels of society thus risking the region becoming a collection of failed or failing states posing a security risk to others. Given resource endowments, the sustainability of Pacific islands as a whole need not be depressing, however. The region has one of the most hospitable people of the world, much of the marine environment spanning large EEZs of the individual PICs remains pristine, and even population density are low relative to the far more prosperous island economies of Maldives, Mauritius, and Malta. The ‘hula’, the ‘haka’ and the ‘happy grass-skirted faces’ is a brand image of the Pacific that is known with affection within tourism circles from around the globe. Technological developments – in terms of rapidly falling aviation, shipping, and telecommunications costs – offer increased opportunities for isolated peoples to improve on their livelihood via trade with the rest of the world.

Sustainable livelihood for PICs will involve deeper integration with the global economy. Regional labour market integration will be a key component in the above. The rest of this chapter is organised as follows. The next section provides a summary of the constraints and opportunities for sustainable livelihood for the Pacific island region. Section 3 discusses the role and significance of labour mobility in the context of sustainable livelihood of island communities of the Pacific. Section 4 sketches out some of the logistics of deepening labour market integration for the region as a whole. Conclusions and lessons for policy draw the chapter to a close.

2. Sustainability of livelihood in individual PICs

Pacific countries, in terms of economic development and sustainability of livelihoods, can be broadly categorised into five groups. The first group comprises large rich nations of Australia, Canada, Japan, New Zealand, and the United States of America. These countries

are characterised by high levels of (purchasing power parity adjusted) per-capita GDP, large populations relative to the rest (New Zealand relative to PNG is slightly different in this regard), and favourable social indicators of development in comparison to the rest. Australia, France, Japan, New Zealand, and the USA are the major donors to the region (Chand, 2004).

The next broad grouping comprises French Polynesia and New Caledonia, colonies of France, that share the features of the first group but for the fact that the high incomes and accompanying social indicators of development are sustained via large net transfers from the mainland. Per-capita aid to French Polynesia and New Caledonia for 2001, for example, amounted to US\$1636 and US\$1359 (see table 2). It is, however, arguable as to whether such high living standards for the respective island communities can be sustained without the large transfers from France. Countries with strong links with their former colonial rulers/administrators such as those governed under the Compact of Free Association with the US (this includes FSM, Palau and Marshall Islands) and in free association with New Zealand (this includes Cook Islands, Niue, and Tokelau)² have large transfers from their rich country partner as well as access to their labour markets. Under the arrangement of being governed in free association with New Zealand, the respective island states are fully responsible for internal affairs while New Zealand retains responsibility for external affairs and defence. Such an arrangement allows the inhabitants of Cook Islands, Niue, and Tokelau access to New Zealand passports and thus to the New Zealand and the Australian labour markets. Inhabitants of FSM, Marshall Islands, and Palau carry their own passports but are allowed to work and live in the US as ‘non-immigrants’.³ The above-mentioned island states have had

² Tokelau as of 2004 was a self-administering territory of New Zealand but in the process of moving towards being governed in free association with New Zealand.

³ See section 141 of *The Compact of Free Association*. US citizens do not have similar rights to the labour markets of the Compact countries; clause (b) of Section 142 of the Compact states that: “the Government of the Marshall Islands or the Federated States of Micronesia shall accord to citizens and nationals of the United States treatment no less favorable than that accorded to citizens of other countries”. Section 311 of the Compact states that: “The Government of the United States has full authority and responsibility for security and defense matters in or relating to the Marshall Islands and the Federated States of Micronesia”.

privileged access to rich-country labour market due to their historical links, and their more favourable social indicators of development is principally due to this privilege.

The third grouping is made up the Melanesian states of Fiji, Papua New Guinea, Solomon Islands, and Vanuatu. These countries have relatively large populations but even a larger landmass; thus have low population densities. The economic performance of this group as a whole has been poor, particularly over the recent past as shown by low rates of growth of per-capita GDP over the 1999 to 2001 period (see table 1). Life expectancy for this group as a whole is low, and particularly so given rich natural resource endowments. Papua New Guinea provides an extreme case; being the largest country within the PICs with a population and land mass (and potentially mineral, marine, and timber resources) greater than New Zealand but with the lowest life expectancy of 57 years (see table 2). Importantly for the discussion here, none of the Melanesian countries have special arrangements for access to the labour markets of their former colonial powers. All of the countries in this group face varying degrees of social and political instability.

At the bottom of the ladder of economic development lie the Micronesian states of Kiribati, Nauru, and Tuvalu (the last two are not members of the World Bank, thus economic information on them is scarce) that have limited resources, high population growth rates, and rising pressure on their limited natural resources. Even though population density within a few of the PICs is high, on the whole the PICs have low population densities relative to economically successful island economies such as Maldives, Malta, and Mauritius (see table 1). This is true even if the limited amount of agricultural land available in the respective island states taken into account. Malta, as an example, has minimal arable land and yet is able to sustain in excess of 1200 people per square kilometre while Maldives at 934 is more than three times the population density of Marshall Islands, the most density populated PIC. What

is clear for the PICs is that population densities have risen several-fold over the last century, however.

The ability of the natural environment to support subsistence living has diminished over time and in some cases surpassed the sustainable carrying capacity. Nearly every PIC faces poverty of some degree. The capacity of the natural environment to sustain subsistence living in Nauru, Kiribati and Tuvalu may have even declined as population pressures (and mining in the case of Nauru) have led to degradation of the natural environment. For example, due to urban pollution, the fish caught in Tarawa lagoon are no longer considered fit for human consumption. Populations in Kiribati, Nauru, and Tuvalu have reached a stage where subsistence living for the current generation is not feasible. These communities have little choice but to open up to trade with the rest of the world.

The annual supply-demand imbalance in formal sector employment is alarming, particularly for the Melanesian countries that lack access to foreign labour markets. The Solomon Islands' formal sector employment stood at 14300 in 2000, accounting for less than 15 percent of the total work-age population. Unemployment build-up will continue with associated social problems unless some 14700 new jobs are created each year. This is not an easy task for an economy that has just beginning to recover from a devastating civil conflict. For many of the PICs in economic strife, labour migration over the immediate to short-term is perhaps the only viable option for sustainable livelihood. Urban populations are likely to grow given that the bulk of the population in the majority of the PICs reside in rural areas and draw their livelihoods from subsistence farming. The proportion of the total population dependent on the rural sector (figures for 2001 and provided in parenthesis) has been the highest for PNG (87%), Solomon Islands (84%), and Vanuatu (79%). Rural to urban migration has been rapid and at current rates, Tarawa's population will double to 73,400 by 2013 while those for Honiara and Port Vila will reach 98,000 and 60,000, respectively, by

2016. None of these cities are built to carry such large populations; the pressure this will put on the natural environment could be extreme. The challenges faced by Cook Islands and Niue, in sharp contrast, is that of depopulation as an increasing number of residents move to New Zealand on a permanent basis.

A number of the governments are facing budgetary problems that in turn limit their ability to provide basic services. Access to public goods, primary education and basic health in particular, differs as much between the individual countries as across regions within PNG, the largest country. According to World Bank data for 2001, the most recent available, some 24 percent of PNG youth in the 15 to 24 age group and some 35 percent of those above 15 years were illiterate. This, assuming a life expectancy of 60 years, implies that nearly a quarter of the next generation of workers, parents, and voters will remain ill-equipped to take full advantage of the opportunities offered by the modern and global economy. The trends are equally worrying for some of the PICs. Life expectancies in Nauru and Tuvalu have fallen over the decade to 1994.⁴ HIV is a pressing issue in PNG where the rate of new infections at 20 percent is alarming and could have severe consequences for the nation as a whole.

Subsistence affluence for the majority of the Pacific islanders may be a distant and rapidly fading memory. While population density at less than 15 per square kilometre for the PICs as a whole is low, the spatial distribution of population across the individual PICs is far from uniform. This holds true within individual PICs. Even in the Melanesian countries where population densities are low, communal land tenure arrangements have impeded long-term and secure access to this resource. The contrast between Fiji and Mauritius on this front is most instructive. Fiji has nine times the land area but a population that is only 70 percent to that of Mauritius; population density in Mauritius, consequently, is 13 times that of Fiji. Yet,

⁴ Males in Nauru as of 2004, for example, had a life expectancy of 52.5 years (compared to 55 years in 1994), the lowest in the region (data from Haberkorn. 2004) and falling!

per capita income in Fiji is approximately half that of Mauritius. Land tenure arrangement is the key distinguishing feature between the two island nations. While in Mauritius all land is held in individual title, some 90 percent of the land in Fiji is communally owned. The uneven distribution of natural resources, and land in particular, even in Melanesia has wedged some of the communities into positions untenable with subsistence living. The many squatter settlements around the urban fringe in the major capital cities are testimony to the fact that long-term secure access to land is a serious problem. Lack of secure long-term access and individual title rather than lack of land may thus be a major hurdle to private investment in the PICs.

3. Role and significance of labour mobility

The PICs as a group face the challenges of creating the conditions at home that will then lead to investment and job creation. The resource-rich members are in a position to achieve such a goal. Impediments to investments at home include regulatory barriers, the high cost and limited availability of land for long-term investment, and the high cost of trade given small domestic markets and being remote from the major industrial country markets. For example, in its 2004 survey on the business environment for 145 countries, the World Bank notes that to enforce a debt contract in PNG involves 22 procedures, takes some 295 days to resolve and costs an average of nearly 110 percent of the value of the debt. This compares with the average for East Asia and the Pacific (corresponding figures for the OECD in parenthesis) of 27 (19) procedures, 316 (229) days, and 54 (11) percent, respectively.⁵ In many cases, resources for the necessary investments are either unavailable or the returns from such investments are insufficient to justify, on commercial considerations, the requisite investments. In some cases, social returns are considerably higher than private returns, but a

⁵Data drawn from <http://rru.worldbank.org/DoingBusiness/ExploreEconomies/BusinessClimateSnapshot.aspx?economyid=150> accessed on 5 November 2004.

lack of funds to the public sector has meant that such investments have not taken place.

Labour mobility, thus, provides a way out of the current malaise.

Permitting unskilled workers to have access to industrial country markets on a temporary basis offers a way out for island nations trapped in a position of economic stagnation. Six specific advantages arising out of a scheme allowing for a rotating pool of unskilled workers into industrial-country markets are enumerated next. First, it enables access to training including exposing the workers to the disciplines of the formal sector work in an advanced country. Reporting to work on time, spending the whole day at the work site, and observing the disciplines of the workplace all constitute training for an unskilled subsistence-sector worker from the PICs. Second, such placement enables workers to earn financial capital that in turn could be invested in productive activity on returning home. Workers often lack capital and exposure to the opportunities offered by the market. Third, the departure of a group of unemployed people relieves pressure on the physical and social environment at home. Fourth, a rotating pool of workers from small developing Pacific island states into large industrial country counterparts exposes the population to the operation of efficient governments and a competitive private sector. Such exposure will raise expectations of the returnees of their governments and private sector service providers, thus creating demands for better governance at home. Fifth, a rotating pool of workers from far-flung communities will build regional cohesion and promote cultural exchange at the level of the general community. There is a strong case for reverse flows, that is, from the rich nations into the islands, to consolidate the gains from such exchange. Last, the workers contribute to output in the labour-receiving country thus the earnings constitute a sustainable source of income for the sending country. The challenge is in the design of such a scheme that maximises net benefits from temporary movement of unskilled workers.

Temporary worker schemes do entail risks. (1) Concern is being raised of ‘brain drain’, that is loss of the skilled and professional workers to the neighbouring industrial countries. In the cases where the education and training of the emigrants is supported through public sector subsidies, ‘brain drain’ could constitute a transfer from the sending country to the receiving country.⁶ This problem is not an issue for unskilled labour, however. (2) There is a risk of depopulation of some of the smaller PICs. PICs such as Niue and Cook Islands that have unlimited access to industrial country labour markets have not been depopulated, allaying fears that this will happen when access is limited. (3) Labour unions in receiving countries have expressed concern about the depressing effect on wages of a large influx of foreign workers. This is least likely to be an issue given the relative size of the PICs, and even less so if the number of entrants is controlled and their impact on domestic labour market conditions closely monitored. (4) Receiving countries have voiced concern about risks of letting in criminals; and, (5) the entrants accessing taxpayer-funded services. The last two concerns can be addressed through an efficient vetting process for applicants and an effective tracking system for those allowed into the country. Guest worker schemes in Europe and North Americas demonstrates that the above-identified risks can be contained.

Deepening labour markets can be welfare enhancing for the region as a whole. Martin (2003: 2), for example, notes that: “properly managed guest worker schemes can contribute to economic growth and development in sending and receiving countries”. There is already a large and growing literature on the potentially large gains from allowing temporary movement of natural persons from developing countries to developed countries (see Winters *et al*, 2003 and Martin, 2003). The main difference in the case of the Pacific islands is that the population of workers from the region is small, and particularly so relative to the size of the labour market in the host nations. The challenge for policy is to design a scheme that will maximise the benefits of a temporary worker scheme. We next draw on the international

⁶ Remittance flows would have to be factored in such calculations.

experience to sketch out how a temporary worker scheme of the nature canvassed above could be made operational.

4. Logistics of enabling movement of unskilled workers from the PICs

Firms in host countries could be allowed to subcontract work to Pacific islanders for a fixed term not exceeding the legal ceiling. These firms would be required to comply with home country regulations and be liable for violation of the entry conditions in relation to the work visa. In the case of German guest worker scheme, for example, a fixed quota of foreign workers without family is allowed into the country for a maximum of 2 years.⁷ The USA has a similar scheme where unskilled workers are allowed into the country under their H-2 visa programme. PICs given access to industrial country labour markets could be required to give similar access to workers from the partner industrial country. The latter scheme would be attractive to tourists on working holidays and to retirees and volunteers wishing to work and travel the region.

Incentives would have to be created to induce workers to return home on the expiry of their work-visa. This could entail employers being required to hold a mandated portion (say 20 percent) of after-tax wages of their guest workers in a trust fund that can only be accessed by the worker on returning home. Visa conditions could specify the duration of stay, the unique employee number (much akin to the Australian tax file number), an explicit commitment by the applicant to return to the country of origin on the expiry of the visa, and the conditions of employment and remuneration. Workers, for example, may be required to save a fixed proportion of their income in a fund that would be accessible only on return. Such a fund, in addition to being an incentive to return home, will act as a compulsory savings device and a potential resource to draw upon to enforce compliance should the worker jump conditions of

⁷ The 1992 quota was 100,000 for the country as a whole that was made up of industry level quotas.

their visa. Any social security and tax contributions could all be added to the fund after the worker has satisfied all of the visa conditions.

Since demand for places is likely to exceed supply, country quotas would have to be devised under a government-to-government memorandum of understanding. While the actual size of the country-quota would have to be negotiated, the broad principle would be to ensure equity across the PIC members whilst maximising gains from such flows to the relevant parties. The availability of job opportunities at home and the potential gain to the sending and receiving countries would be the key considerations here. The latter could be inferred from the wage difference for unskilled workers between the sending and receiving country. The above conditions would apply to trainees should the scheme be expanded to include them as well.

The quota could be applied to the stock of workers from each PIC. The host nations could make a commitment not to reduce the quota such that sending countries have certainty of access to the industrial country labour market for their workers. The vetting process could require workers to pass a security clearance. The potential employer may be required to provide cover for medical and accident insurance, the costs of which may be recovered from the wages of the prospective employee. In addition to the above, a written offer of employment would be required for the issue of a visa. The Canadian seasonal worker program provides a model in this regard. Germany's guest worker scheme places responsibility for enforcement of visa conditions, the return of the temporary worker to their home countries in particular, on the local hiring company. Coordination between prospective employees located in distant communities and employers in industrial nations will require intermediaries to make the market.⁸ Such intermediation will require seeding and some level

⁸ Amigos Labour Solutions, a US based company specialising in recruiting seasonal workers for the US from Mexico, is a model in this regard (see <http://www.amigos-inc.com/index1.htm>). The Canadian Foreign Agricultural Resource Management Services (FARMS) is a user-fee model that facilitates recruitment of Caribbean & Mexican seasonal agricultural workers (see <http://www.hrsdc.gc.ca/asp/gateway.asp?hr=/en/on/epb/agri/overview.shtml&hs=hze>).

of ongoing supervision. Labour-importing nations such as the Canada, Germany, and the US all have a well-developed migration infrastructure for temporary workers and one that should be encouraged to expand its services into the Pacific.⁹

To attract the best workers and induce compliance with the stipulated regulations, rules regarding access to foreign labour markets for the unskilled workers would need to be transparent and publicly accessible (possibly on the worldwide web) across the region. Cross-border networks including community groups and NGOs that have traditionally played a major role in facilitating cross border movement of people could be given government certification as intermediaries between prospective workers and employers. Such community groups are likely to be helpful in assimilating entrants into the workforce and in providing ongoing support. Rewards in terms of access to country-quotas to such networks could be made on the basis of past success in recruitment (and returnees); this in turn will lead to the development of a self-enforcing and monitoring system with minimal overheads for the taxpayer.

Immigration authorities have raised the possibility of workers over staying their visa, a claim supported by the high rates of visitors from the region over-staying their visa. Australian over stay rates as at June 1999, the latest for which figures are available, shows an average ‘non-return’ rate for all visitors at 2.18 percent; Tonga and Samoa had non-return rates of 19.1 percent and 14.2 percent, respectively, and were ranked fourth and eighth worst (see data in table 4). Drawing inferences on the over-stay rates for temporary workers from historical records on over-stay rates for visitors, however, is flawed. This is so for at least three reasons. First, visitors who breach their visa conditions often have this as their intention when making

⁹ The UK, Switzerland, and France all have had successful and long-established seasonal workers schemes. Though they offer several lessons for design of any ‘user-pays temporary worker scheme’, it is unlikely that private providers from Europe will expand their services to the Pacific.

their initial application.¹⁰ Moreover, many are compelled to take this path as the only option to gaining access to rich-country labour market. Second, those that do breach conditions of their visa do so at little personal costs since all of the costs of enforcement of the visa conditions are borne by the host nation. Third, a revolving door for temporary workers provides the incentives to return home on the expiry of the work permit. Data on guest worker schemes that have operated within the EU and the US show: “that most migrants did rotate in and out of labor-receiving countries as expected” (Martin, 2003: 7). In the case of the 22-year US-Mexico guest worker scheme, apprehensions for violation of visa conditions fell when access was made easier. The Italian Interior Minister is reported to have asserted that a bilateral deal with Sri Lanka allowing for 1,000 young Sri Lankan migrants to enter for work and training in Italy had stopped the flow of illegal Sri Lankan immigrants (as reported in Martin, 2003: 8).

Finally, any temporary worker scheme would have to be consistent with international treaties. Two that are most pertinent include the WTO (and GATS in particular) and ILO conventions relating to the rights of migrant workers. The scheme proposed here deepens regional trade, thus is consistent with the broader principles of the WTO. Allowing local labour regulations to apply to migrant workers, thus providing national treatment to such workers, is also consistent with ILO principles. The details of any proposed agreement, however, would need to be thoroughly checked to ensure conformity with international treaties.

5. Conclusion

The PICs face the challenge of ensuring sustainable livelihood for their growing population. Economic performance in the majority of the PICs has remained weak over the past two decades, trapping the poor in a difficult situation. Subsistence agriculture that has sustained small remote island communities is under increasing pressure given the limited natural

¹⁰ That is, there is a selection bias in the data.

resources and expanding populations. These pressures have led to urban drift as migrants from rural areas have moved to areas with public services and employment prospects. Further, job growth within the island has lagged the number of entrants into the workforce. It would be wrong to claim that the seriousness of the poverty problems is uniform across the individual PICs; what is clear however is that those PICs having access to industrial country labour markets have done better in terms of social indicators of development than those without.¹¹ It can be asserted that it is the privileged access to industrial countries - as a function of historical and colonial links - that causes the better income and social indicators.

Given the growing problems in several PICs that do not have access to industrial country labour markets, could the extension of such privilege by Pacific-rim industrial countries be a means of generating sustainable livelihoods in these small remote communities? The analysis presented here suggests this may indeed be the case. Donors could keep small remote communities such as Nauru afloat with aid; they have been very generous to date with aid to the PICs relative to other developing countries. But such support is inimical to the very notion of sustainable livelihood. Generosity over the indefinite future cannot be assumed, such generosity in any case is counter-productive as it creates dependency. Relaxation of regulations governing mobility of unskilled workers from the PICs to neighbouring industrial countries offers standard gains from such trade with the bonus of inducing demand for better governance at home. A well-managed program that facilitates the rotation of a given number of workers from the PICs into the neighbouring metropolis accompanied by reciprocal movement of visitors on working holidays, retirees, and volunteers is likely to offer significant economic benefits whilst deepening cultural ties across the wider region. Allowing workers to circulate between the island nations and the surrounding metropolis

¹¹ This observation is consistent with a detailed household level study for Guatemala that showing that remittances reduce both the breadth and depth (severity) of poverty (see Adams, 2004).

benefits both societies by making the market for unskilled workers whilst creating a bridge between the communities.

International experience with migrant worker schemes offers several lessons on the design of a temporary worker scheme for the PICs. Some of the core features of the design would be transparent rules governing the scheme such that costs of compliance is minimised. An efficient vetting process is a necessary prerequisite to ensure that those who enter as temporary workers do so at minimal costs to the host economy. An equally efficient tracking system is required to guarantee compliance with regulations would be necessary. Finally, individual governments would need to build incentives into any temporary workers scheme in order to ensure, and reward, voluntary compliance with the scheme.

Table 1: Basic Indicators for Pacific Island Countries (PICs), Australia, New Zealand, Maldives, Malta, and Mauritius

	Land area (‘000 Km ²)	Population (‘000s (2001))	Density people/K m ² (2001)	Annual growth % 1999-2001 Real Populatio n	GNP per capita	Aid per capita (US\$) (2001)	GDP per capita (PPP \$US) ¹ (2001)
Australia	7682	19387	3	1.06	2.22	..	25370
Cook Islands	0.24	21	88	..	..	..	5000
Fiji	18	817	45	0.92	2.06	32	4850
French Polynesia ^a	4	237	65	1.19	2.39	1636	17500
Kiribati ^a	1	93	127	2.30	-1.85	134	800
Marshall Islands ^b	0.18	53	293	2.29	-1.05	1410	1600
Micronesia, Fed. Sts. ^c	0.70	120	171	1.78	-2.00	1145	2000
Nauru ^d	0.021	12	610	1.87	..	..	5000
New Caledonia ^a	18	216	12	1.72	-0.35	1359	15000
New Zealand	268	3849	14	0.51	2.92	..	19160
Niue ^d	0.26	2	8	0.01	..	..	3600
Norfolk Islands ^d	0.035	2	53	-0.01	..	..	..
Northern Mariana Islands ^a	0.48	80	167	2.71	..	..	12500
Palau ^c	0.46	20	42	1.46	-0.78	1753	9000
Papua New Guinea	453	5253	12	2.36	-1.50	39	2570
Samoa	3	174	61	1.12	5.73	248	6180
Solomon Islands	28	431	15	2.77	-9.58	137	1910
Tokelau ^d	0.01	1	141	-0.01	..	..	1000 ^e
Tonga ^a	1	101	140	0.52	3.42	201	2200
Tuvalu	0.026	11	441	1.44	1.56	..	1100
United States	9159	285320	31	1.14	1.63	..	34320
Vanuatu	12	201	17	2.10	-3.37	157	3190
Maldives ^a	0.30	280	934	2.28	2.29	89	3900
Malta	0.32	395	1234	0.76	2.07	4	13160
Mauritius	2	1200	591	1.06	3.84	18	9860

Notes: .. indicates unavailability of data; *The World Fact Book* was used to source the following information as it was unavailable from the World Bank, ^a GDP per capita; ^b Land Area, and GNP per capita; ^c Population growth (data is estimate for 2004) and GDP per capita; ^d Land Area, growth rate of population and per-capita GDP, and GDP per capita (for 2000); ^e figures for 1993.

Source: Unless otherwise stated, the source for all data is *World Development Indicators* via the *International Economic Databank* (IEDB), The Australian National University, Canberra.

Table 2: Demographic indicators, Pacific Countries

	Fertility rate (births per woman)	Life expectancy at birth (years)	Population ages 0-14 (% of total)	Urban population (% of total)
Australia	1.75	79	20	91
Fiji	2.68	69	33	50
Cook Islands	..	..	..	..
French Polynesia	2.57	73	32	53
Kiribati	3.72	62	38	39
Marshall Islands ^a	4.02	70	39	66
Micronesia, Fed. Sts.	3.56	68	37	29
Nauru ^a	3.29	62	38	..
New Caledonia	2.54	73	29	78
New Zealand	2.01	78	22	86
Niue	..	..	..	..
Norfolk Islands	..	..	20	..
Northern Mariana Islands ^a	1.33	76	20	53
Palau ^a	2.46	70	27	69
Papua New Guinea	4.36	57	40	18
Samoa	4.13	69	36	22
Solomon Islands	5.33	69	45	20
Tokelau	..	69	42	..
Tonga	3.52	71	34	33
Tuvalu	3.02	68	31	..
United States	2.12	78	21	77
Vanuatu	4.35	68	41	22

Notes: ^a Data for Fertility rate, life expectancy, and population 0 to 14 years are for 2004, extracted from *The World Fact Book*, <http://www.cia.gov/cia/publications/factbook/geos/> accessed on 11 October 2004. Data is for 2001 and sourced from World Bank Development Indicators, unless otherwise stated.

Table 3: Annual supply-demand imbalance for formal sector employment.

Country	Total formal sector employment ^a (‘000)	Formals sector share in work-age population (%)	Fresh entrants into the workforce per year (‘000)
Fiji	131.5	26.6	19.3
FSM	30.9	49.1	3.7
Kiribati	7.9	15.8	2.6
Marshall Islands	10.3	37.4	1.6
Palau	na	na	0.4
Samoa	na	na	5.0
Solomon Islands	34.2	14.6	14.7
Tonga	33.9	59.5	2.7
Vanuatu	14.3	14.4	5.6

Note: ^a data is for 2000 except for Kiribati, Solomon Islands, and Tonga where the most recent data available, that for 1996, has been reported. Work-age population defined as those in the 15 to 64 year age cohort. Data for column 3 are calculated assuming a uniform distribution of the population of under-14s. Source: ADB, 2001.

Table 4: Non-return rate from Australia by country of citizenship, at 30 June 1999.

Country	Non-return rate (per cent)
Vietnam	24.3
Federal Republic of Yugoslavia	21.6
Lebanon	20.7
Tonga	19.1
Turkey	15.1
Pakistan	15.0
Philippines	14.4
Samoa	14.2
Poland	13.9
People's Republic of China	12.8

Data sourced from: Australian Departments of Immigration and Multicultural and Indigenous Affairs (DIMA) Annual Report, 1998-99.

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