

Pacific seasonal workers: Learning from the contrasting temporary migration outcomes in Australian and New Zealand horticulture

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Abstract

“Crowding out” is a widely accepted claim in migration analysis, which posits that the preference of profit-maximising employers for irregular and minimally regulated migrants overregulated alternatives will undermine, if not condemn to failure, well-regulated temporary migration schemes. In this paper, we test the crowding out hypothesis by examining the experience with well-regulated seasonal migrant worker programs in the horticultural sectors of Australia and New Zealand. This experience, which in both countries has involved recruitment of workers from the Pacific Islands, has been divergent, despite the two programs being similar in design. Our findings suggest that the relative attractiveness of regulated and unregulated migrant labour sources depends on a range of factors, including the export orientation of the sector, the costs of collective action and regulation, differences in policy design and implementation, and external factors. Depending on industry and economy-wide characteristics, quality and reputational benefits for employers can offset the cost of regulation.

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KEYWORDS

horticulture, labour mobility, Pacific island countries, public policy, seasonal workers

1 | INTRODUCTION

“Crowding out” is a widely accepted claim in migration analysis. It is often argued that profit-maximising employers will prefer irregular and minimally regulated migrants to more regulated alternatives, given the costs of regulation. Thus, poorly regulated temporary migration schemes will crowd out better regulated ones.

This paper revisits the crowding out hypothesis by comparing and contrasting the experience with well-regulated seasonal migrant worker programs in the horticultural sectors of Australia and New Zealand (NZ), which in both countries has involved recruitment of workers from the Pacific Islands. This experience has been divergent despite strong similarities between the two programs and despite the fact that both economies are structured on the same liberal market principles and have labour markets that exhibit high proportions of migrants. In NZ, a regulated labour supply of temporary migrants has thrived in horticulture, whereas in Australia, an unregulated migrant labour supply has dominated.

This paper sets out to explain these contrasting outcomes, which are highly relevant for the future of labour mobility programs involving workers from Pacific island countries. It first surveys the relevant literature and provides the context, after which a detailed analysis of the Australian and NZ horticultural sector labour markets is presented. The final sections of the paper explain the contrast revealed by this analysis.

2 | LITERATURE REVIEW

Since Castles' (1986) obituary for European guest worker systems, written on the premise that these programs “inevitably lead to permanent settlement” (Castles, 1986), much has changed in global migration. The apparent resurrection of temporary migration programs was acknowledged by Castles (2006) himself. However, he then cautioned that “the frequent preference of employers for undocumented workers undermines temporary worker programs” (Castles, 2006, p. 755). We call a generalised version of this claim the “crowding out” hypothesis: the argument that the preference of employers for unregulated workers undermines regulated temporary worker programs.¹

The evidence for the crowding out hypothesis typically rests on within-country comparisons between small regulated schemes and large unregulated ones. For example, Castles (1986, p. 764) documents how Belgian and French employers came to rely heavily on migrants with a tourist visa but no work rights in the late 1960s. More generally, Wickramasekera (2002, p. 5) finds that “businesses and employers in host countries reap enormous profits by exploiting migrant workers, especially irregular workers.”

Exploring these labour dynamics in the context of “immigration policy and labour shortages,” Anderson and Ruhs note how profit-maximising employers will choose to hire migrant workers illegally based on three “business and recruitment objectives”:

¹This is a labour market equivalent of Gresham's law that bad money will drive out good.

(i) minimising labour costs, (ii) recruiting 'good workers' with the preferred qualities and attitude, and (iii) minimising immigration costs, i.e. the economic and other costs arising both from state sanctions and from complying with bureaucratic requirements of the legal employment of migrants ... Employers may also use illegally employed migrants to lower costs through non-compliance with employment and tax laws. (Anderson & Ruhs, 2010, p. 198)

There are two possible policy implications of the crowding out hypothesis, both of which are relevant to current efforts in Australia to expand labour mobility opportunities for Pacific Islanders. One is for more enforcement. Ruhs and Martin (2006, p. 12–13) argue that “in both the US and UK, the debate over how to deal with irregular migration includes the argument that better enforcement of employment laws would reduce the demand for irregular migrant labour by raising its cost” Ruhs (2006, 2013) himself argues in favour of well-designed, regulated, and enforced temporary migration from existing sources. The other possible implication is more defeatist: that temporary work programs are bound to fail. Castles (2006, p. 755) writes that, because of crowding out, guest worker programs are still “unlikely to achieve their aims of meeting low-skilled labour demand and preventing settlement.”

As noted, the evidence for the crowding out hypothesis is based on single-country studies. In this paper, we re-examine the crowding out hypothesis using a comparison of Australian and NZ horticultural sector labour supply.

3 | CONTEXT

Australia and NZ are prime examples of liberal market economies. The two countries have similar migration regimes. The priority initially given post-war to permanent “settler” migration gave way to a strong emphasis on attracting skilled migrants, selected by points awarded for preferred characteristics. The growth in temporary skilled migration and international students has also been important. Employers have increasingly been given a direct role in skilled migrant selection, including via a two-step migration process from temporary to permanent migration through employer sponsorship (Hawthorne, 2011).

One major difference between the two countries is NZ's history of Pacific migration. From 1951 to 1972, the Pacific Islander population in NZ grew from 3,600 to over 50,000 (New Zealand Immigration, 2016). The *laissez-faire* approach of NZ policy-makers to Pacific visitors and visa overstayers in the 1960s and 1970s was gradually replaced by a more formal approach, with the introduction of the first Pacific migration program in 1975–1976 (Ongley & Pearson, 1995). Specific Pacific migration “windows” remain a feature of NZ immigration policy today (Curtain, Dornan, Doyle, & Howes, 2016).

In Australia, the White Australia policy before the 1970s and a rigid commitment to nondiscrimination thereafter ensured that special concessions for migration from Pacific countries were not forthcoming. As a result, the Pacific diaspora is much larger in NZ than in Australia. Pacific migrants make up 3% of the NZ population, whereas in Australia, it has never been more than 1%, made up mostly of Pacific migrants who have come via the NZ citizenship pathway (Curtain et al., 2016, figure 2).

Although both Australia and NZ have traditionally emphasised permanent migration, more recently, both countries have experienced massive growth in temporary skilled migration. The main focus has been on skilled temporary visas, the 457 visa in Australia (now renamed the

Temporary Skills Shortage Visa) and the Essential Skills Visa in NZ. Research themes in relation to the skilled temporary visas include precariousness (Tham & Campbell, 2011; Velayutham, 2013), fairness (Wright, Groutsis, & van den Broek, 2016), marginalisation (Walsh, 2014), and vulnerability (Yuan, Cain, & Spoonley, 2014). Other major temporary visa categories are for international students and working holiday makers, and they too have recently come under both public and academic scrutiny. Boucher (2016) convincingly argues that such programs should be considered “de-facto low-skilled programs.” Mares (2016a, 2016b) and Howe and Reilly (2015) discuss how lower skilled migrants face a more constrained environment compared with those with higher skill levels.

Another recent development is the introduction of temporary migrant worker programs specifically designed to allow skilled Pacific Islanders to work in Australia and NZ. Programs focused on occupations requiring postschool qualifications are only very recent. Tradesmen from the Pacific assisted in the Canterbury reconstruction as part of a capped pilot that NZ is now extending to other industries with labour shortages. In Australia, the new, less restrictive Pacific Labour Scheme will see Pacific Islanders working for a period of up to 3 years in lower skilled occupations in regional areas from July 2018. That scheme is also capped, at 2,000 workers per year.

More significant than both, the aforementioned initiatives in terms of worker numbers have been temporary migrant worker programs in horticulture. Both Australia and NZ established such schemes in the mid-2000s.² These schemes have been analysed separately (see Hay & Howes, 2012, Doyle & Howes, 2015, and Howe, Reilly, van der Broek, & Wright, 2017, on Australia, and Bedford, 2013, and Gibson & McKenzie, 2014, on NZ), but their comparative performance has only been analysed to date in a presentation and blog post by Curtain (2015, 2016), on which this paper builds.

4 | HORTICULTURAL LABOUR IN AUSTRALIA AND NEW ZEALAND

The horticultural industries in Australia and NZ provide a useful comparison to evaluate the crowding out thesis and, in doing so, to assess the prospects for well-regulated labour mobility schemes designed to provide Pacific Islanders with employment opportunities. Both the Australian and NZ labour markets have a large share of migrant workers, and both have experienced similar policy changes with the introduction of seasonal worker programs, albeit with some important differences in timing.

The RSE scheme in NZ and the Seasonal Worker Programme (SWP) in Australia are broadly similar. They are both highly regulated schemes for the employment of low-skilled migrant labour. The contrasting use and different employer preferences for the RSE and SWP show how the context within which schemes operate shapes the use or otherwise of temporary low-skill migration programs.

The following subsections explore the size and composition of the horticultural workforce in the two countries and then look in more detail at the three main types of labour employed.

²A number of the major employers who engaged with the Recognised Seasonal Employer (RSE) from 2007 already had experience of Pacific workers (and some had Pacific employees on their permanent staff as supervisors). These pre-RSE experiences and relationships with Pacific workers contributed to the early quick uptake of the scheme in NZ (Bedford, 2013; Bedford, Bedford, Wall, & Young, 2017).

TABLE 1 An estimate of the composition of the horticultural workforce in Australia and New Zealand (%)

	Domestically sourced workers	Seasonal workers	Backpackers and other migrant workers	Total
Australia	32	8	60	100
New Zealand	55	16	29	100

Note. Based on the discussion in the text above, we assume a labour market of 60,000 in each country. Seasonal worker numbers are closely monitored by government and available through official data sources. For Australia, we derive backpacker numbers from second-year visa issuances and domestic workers as a residual. For New Zealand, we take the share of domestic workers from Bedford (2013) and derive the backpackers/other migrant category as a residual. *Source.* Table 2 and 3 sources, Bedford (2013), Herbert (2017), and Australian Senate (2006).

4.1 | The horticultural workforce: Size and composition

The size of the horticultural labour market in both countries is difficult to estimate due to the complexity of the sector and its high reliance on temporary workers and, in the case of Australia especially, illegal workers. The Department of Employment and Workplace Relations estimated a workforce of 55,000 to 65,000 in 1999 (Australian Senate, 2006).³ In NZ, Horticulture NZ estimated a workforce of 50,000 for 2009, which grew to 60,000 by 2016 (Herbert, 2017).

Assessing the composition of the horticultural workforce is also difficult, given the lack of empirical data and the incentives for employers not to reveal any reliance on illegal labour. We have excellent data on seasonal workers, some data on other migrant workers, and poor data on domestic or locally sourced workers. Our best estimates for the two countries are presented in Table 1. They suggest that backpackers and other migrants dominate the horticultural workforce in Australia, but that domestic workers dominate in NZ. Although seasonal workers are the smallest category in each country, their share is more than twice as large in NZ than in Australia.

4.2 | Domestically sourced workforce

In Australia, the share of the domestically sourced workforce is declining. Howe et al. (2017) find that “although local workers traditionally formed the bulk of the harvest workforce, they are no longer the primary source of labour for growers” (p. 20).

Domestically sourced workers are a more important contributor to the NZ horticultural labour market. Charlotte Bedford suggests a local workforce of approximately 55% of the total for the period 2007–2011 (Bedford, 2013, table 6.5). This is roughly equivalent to Horticulture NZ’s own estimates of the domestically sourced labour supply (Herbert, 2017). According to Bedford (2013), the share of locally sourced labour is also falling in NZ.

There are a number of reasons behind domestically sourced employment declining in the horticultural industry. Bedford (2013) finds retention is the “crucial problem” because of low-wage rates combined with the prospect of only temporary work (p. 57). In both countries, an increasingly urbanised workforce is less interested in undertaking agricultural work (in relation to Australia, see Thompson, 2018).

³The horticultural subgroup Australian and New Zealand Standard Industrial Classification cohorts in the 2011 Australian Census only record a total 37,000 people. However, the census occurs in early August, which is outside the time most harvest seasons occur.

TABLE 2 Number of second-year backpacker visas granted in Australia and New Zealand, financial year 2005–2006 to 2016–2017

	New Zealand		Australia	
	Second backpacker visas	Second backpacker visas as proportion of all backpacker visas (%)	Second backpacker visas	Second backpacker visas as proportion of all backpacker visas (%)
2005–2006	—	—	2,692	2
2006–2007	—	—	7,822	6
2007–2008	—	—	11,826	7
2008–2009	—	—	21,775	11
2009–2010	1,163	3	25,315	14
2010–2011	1,475	3	22,500	12
2011–2012	1,963	4	30,501	14
2012–2013	2,127	4	38,862	15
2013–2014	2,911	5	45,950	19
2014–2015	3,087	5	41,339	18
2015–2016	3,731	5	36,264	17
2016–2017	4,108	6	34,506	16

Source. Department of Home Affairs (2018) and New Zealand Immigration (2016).

4.3 | Backpackers and other minimally regulated migrants

Working holiday makers, known colloquially in both countries as backpackers, are granted visas based on minimal eligibility criteria such as age, a return ticket or equivalent, evidence of support funds, and, in most cases, a level of postsecondary educational attainment. The visa entitles them to live in Australia or NZ without dependants and to work without any supervision by migration authorities. From the perspective of the employer, backpackers are identical to domestically sourced workers except that they are not able to work for one employer for longer than 6 months.⁴

In 2005, the Howard Government introduced a second-year Working Holiday Maker visa extension available to first-year visa holders who had done at least 3 months of regional work. This was in response to pressure from horticultural employers to address labour market shortages. This new policy was implemented as an alternative to a seasonal worker program, which NZ was then introducing but which the Howard Government was opposed to. This decision transformed the Australian horticultural labour market, as backpackers actively chose horticultural employment in order to extend their residency in Australia. The Department of Immigration and Border Protection reported that 93% of second Working Holiday Maker visas are granted due to work in horticulture (Department of Immigration and Border Protection, 2016, p. 25).⁵ The number of second-year backpacker visas grew dramatically from less than 2,700 in 2005 to nearly 46,000 by 2013–2014 before declining to 34,506 in 2016–2017 (Table 2).

⁴Additional changes to backpacker employment rules were announced in the 2015 Northern Australia White Paper, which relaxed single-employer employment limits.

⁵The second-year working holiday visa is approved for backpackers who work in agriculture, which is further defined as “the harvesting and/or packing of fruit and vegetable crops, fishing and pearling, tree farming and felling.”

Although not all backpackers who work on a farm apply for a second-year visa, this figure of second-year visa applicants is the best proxy available for the number of backpackers working on farms. Although the growth has moderated and even turned negative in recent years due to a fall in the number of backpackers coming to Australia, the absolute number of backpackers applying for a second-year visa has remained large (Table 2).

Hay and Howes (2012), in their nationwide survey of horticultural employers in Australia, found that 73% of growers report that backpackers are their main source of labour. Doyle and Howes (2015), in a second survey of horticultural employers, found that 46% of growers reported that backpackers are their main source.

NZ also promotes additional backpacker residency for work in horticulture, but the incentive it offers is more limited than in Australia. Whereas a backpacker in Australia can gain an additional 12 months of residency by working for 3 months in regional agriculture, in NZ, the additional residency is limited to 3 months, and the backpacker must continue to work in horticulture. This change was implemented in 2009, well after the introduction of its seasonal worker program.

Many backpackers working in the regional horticultural labour markets are not motivated solely by income, as they are also seeking to obtain a longer term skilled work visa. Approximately one in five backpackers from 1991 to 2014 eventually ended up with some form of permanent residency (Productivity Commission, 2015, p. 373). The first aim for many is simply to get the second-year visa. This puts them in a vulnerable employment situation, as they are dependent on their employer for work certification. The Fair Work Ombudsman (2016) recently found through an inquiry into the wages and conditions of people working under the 417 Working Holiday Visa Program that “unreasonable and unlawful requirements are being imposed on visa holders by unscrupulous businesses” (p. 4).

Illegal migrants also work in horticulture. These may be people who enter Australia on a tourist visa and/or are visa overstayers. Four out of five (79%) employers surveyed in 2015 recognised that “undocumented workers were used to at least some extent in the horticultural industry” (Doyle & Howes, 2015, p. 13). Data from the Australian Department of Immigration and Border Protection show that more than 64,000 people are living in Australia illegally after overstaying work and tourist visas (McIlroy, 2017). The department estimated that 20,000 overstayers are also working illegally (McIlroy, 2017). Media reporting, including investigative reporting in the Fairfax Press, has suggested that tourist visas are used as part of an organised labour sourcing regime rife with middle men and “fixers” in clear contravention of government regulations (Baker & McKenzie, 2016).

Finally, it is important to recognise that the illegal and backpacker categories overlap. Backpackers are a legal source of labour but, as noted above, are often paid less than they are entitled to. This is confirmed by the evidence from a 2017 online survey of 4,322 temporary migrants in Australia, which showed that the worst paid jobs are in fruit and vegetable picking and farm work, where 15% of respondents said they had earned \$5 an hour or less and 31% had earned \$10 per hour or less (Berg & Farbenblum, 2017).

4.4 | Seasonal workers

The use of migrant workers in the horticultural sector has differed between Australia and NZ. NZ has long had managed temporary migration programs for workers from the Pacific in horticulture (Ramasamy, Krishnan, Bedford, & Bedford, 2008; Lovelock & Leopold, 2008, pp. 218–219). In Australia, farmers had been lobbying the government for such schemes unsuccessfully.

Mares (2016a, 2016b) notes that the Australian Senate's Standing Committee on Foreign Affairs, Defence and Trade in its 2003 report "A Pacific Engaged" recommended that "a pilot program to allow for labour to be sourced from the region for seasonal work in Australia."

The 2006 World Bank report, *At Home and Away: Expanding Job Opportunities for Pacific Islanders through Labour Mobility*, with its solid evidence base, endorsed the need for and helped to legitimise the value of managed seasonal work programs for the Pacific to address labour shortages in horticulture in Australia and NZ (World Bank, 2006). The NZ government set up a pilot scheme in April 2007, based on a design that was already well advanced at the time the World Bank report was published in late 2016. The World Bank worked with the NZ government to pilot the sourcing of workers from Vanuatu (McKenzie, Garcia Martinez, & Winters, 2008, p. 4). This later became the RSE.

The development of a similar program in Australia was less rapid and more contested. The Howard Government, re-elected for a fourth time in 2004, did not support temporary seasonal migration programs from the Pacific. Instead, as noted above, in response to horticultural employer pressure, it introduced the second-year backpacker visa in 2005. At the same time, in response to pressure from Pacific island countries for greater labour mobility opportunities, it funded the Australia-Pacific Technical College to upgrade the skills of Pacific workers to enable them to migrate to work in Australia as skilled workers.

An Australian Parliamentary Inquiry into Pacific Region Seasonal Contract Labour was set up in December 2005 but recommended against a seasonal worker program for the Pacific. This was despite most submissions arguing there were major labour shortages in the Australian horticulture sector (Australian Senate, 2006).

With the election of a labor government in 2007, the new PM Kevin Rudd said the new government "will closely monitor New Zealand's experience of seasonal employment of workers from the Pacific to decide whether Australia should create its own seasonal worker program" (Maclellan, 2008). Australia introduced a pilot scheme in August 2008, which became an ongoing program in 2012.

The two schemes are similar in design, not least because the design of the Australian pilot drew heavily on the pre-existing NZ scheme. Employers who wish to employ seasonal workers in both Australia and NZ must engage with a robust regulatory framework. Employer obligations include obtaining prior approval from government to employ seasonal workers, testing the local labour market (advertising job vacancies), and meeting pastoral care responsibilities, such as arranging accommodation and helping with some costs (particularly flights). Under the Australian scheme, workers must be sourced from the Pacific or Timor-Leste. The NZ scheme allows employers to recruit from Asian countries, due to legacy arrangements, but in practice, the focus of recruitment for the RSE is also from the Pacific. The NZ scheme has always been capped to ensure that domestic workers have priority. However, the cap has been gradually increased over time (see Table 3). The Australian scheme was initially capped, but after several years of low growth in which the cap was not met, the cap was removed in 2015.

Seasonal workers are a more expensive option for employers than backpackers. Employers have to cover part of the airfare of their workers; they also have to incur the costs of meeting government approval and reporting requirements, as well as costs such as recruitment and pastoral care. These costs can, however, be offset by the productivity, quality, and reliability benefits of using seasonal workers.

For NZ, Bedford (2013) finds seasonal workers are more efficient than both backpackers and domestically sourced workers. This leads to productivity gains from "the timely removal of the crop from the tree/vine as well as more skilful selection of the individual pieces of fruit that are

TABLE 3 Seasonal workers in New Zealand and Australia, 2007–2008 to 2016–2017

	New Zealand—RSE- approved visas (cap)	Australia—SWP- approved visas (cap)
2007–2008	4,426 (4,500)	—
2008–2009	7,617 (8,000)	57 (2,500 over 4 years)
2009–2010	6,829 (8,000)	63 (2,500 over 4 years)
2010–2011	7,619 (8,000)	423 (2,500 over 4 years)
2011–2012	7,742 (8,000)	1,067 (2,500 over 4 years)
2012–2013	8,175 (8,000) ^a	1,473 (2,000)
2013–2014	8,415 (8,000) ^a	2,014 (2,500)
2014–2015	9,275 (9,000) ^a	3,177 (3,250)
2015–2016	9,757 (9,500) ^a	4,490 ^b
2016–2017	11,102 (10,500) ^a	6,166 ^b

Note. RSE arrival numbers broken down by nationality by financial year (July 1–June 30) and various government documents. RSE: Recognised Seasonal Employer; SWP: Seasonal Worker Programme. *Source.* Australian Government Department of Home Affairs (2018) and New Zealand Immigration (2016).

^aRSE visas approved exceed the cap, but the numbers who actually arrived does not exceed the cap.

^bCap removed for SWP for the 2015–2016 financial year onwards.

picked” (Bedford, 2013, p. 311). She shows that seasonal workers have “significantly higher rates of attendance at work, higher maximum, minimum, median and average earnings, and there is much less variability in earnings between Pacific RSE workers than there is among the non-RSE workers” (Bedford, 2013, p. 312).

Productivity studies in Australia have produced similar findings. Analysis of payroll data for a large Australian horticultural employer found that Pacific seasonal workers were “significantly more efficient than working holiday makers”, with seasonal workers earning an average of \$24 per hour, whereas backpackers earned \$20 (Leith & Davidson, 2013, p. 1). A more recent study, also undertaken by the Australian Bureau of Agricultural and Resource Economics and Science, came to the same conclusion, with seasonal workers found to be on average 20% more productive than backpackers (Zhao, Binks, Kruger, Xia, & Stenekes, 2018, p. 14).

There is also evidence from both Australia and NZ to suggest that returning seasonal workers are more productive (Bedford, 2013). Bedford found returning seasonal workers to be 10% more productive than new seasonal workers in her study of workers in Hawke’s Bay, NZ. Zhao et al. (2018, p. 15) found seasonal workers to be 15% more productive, on average, than new seasonal workers in a sample of Australian farms.

Despite their similar designs and benefits, the two schemes show very different trajectories (Table 3). The NZ scheme quickly reached its initial cap of 8,000 and has since grown in size in line with or more recently more than the modest increases in the cap (Table 3). NZ employers constantly call for an increase in or removal of the RSE cap to address labour shortages (e.g., Horticulture New Zealand, 2016), both of which would lead to a large increase in seasonal workers. The Australian program has grown much more slowly. Even in 2016–2017, after more rapid recent growth, there were, despite the NZ cap, just under twice as many seasonal workers in NZ as in Australia (Table 3).

The limited take-up of the SWP in Australia supports the claim that employers in horticulture prefer low-cost and irregular migrant workers. However, the NZ experience contradicts this

TABLE 4 Number of seasonal workers per thousand backpackers with a second visa in horticultural industry, 2009–2010 to 2016–2017

	Australia	New Zealand
2009–2010	2	5,872
2010–2011	19	5,165
2011–2012	35	3,944
2012–2013	38	3,843
2013–2014	44	2,891
2014–2015	77	3,005
2015–2016	124	2,615
2016–2017	179	2,703

Source. See Tables 2 and 3.

claim. As Table 4 shows, the ratio of seasonal workers to backpackers in horticulture is approximately 1:2 in NZ but only 1:10 in Australia (measuring backpackers using the second-year visa data). Although these ratios are only estimates, they are telling, especially when it is recognised that demand for seasonal workers in NZ is suppressed by the cap, which is binding. It is clear that there is a much higher employer preference for regulated seasonal workers in NZ than in Australia.⁶

The differences in policy formation also suggest that in NZ, there is a much greater interest in regulated labour options than in Australia. According to two key participants in this process (Whatman & Van Beek, 2008), NZ government officials saw the horticulture industry as facing a crisis in the early 2000s. This was due to tight profit margins, a growing demand for labour, low wages and poor working conditions, poor quality work, and low productivity due to the use of casual, often illegal workers (Whatman, Bedford, & Bedford, 2017, p. 2). The push for the RSE came from employers facing a “crisis in the profitability of the horticulture industry because of an inability to get sufficient high-quality fruit and vegetables picked, packed and to the market in time” (Whatman et al., 2017, p. 2). The RSE also had a long period of preparation over 12 months, involving a series of workshops with growers, government officials from different agencies, and researchers (Whatman et al., 2017, p. 3). By contrast in Australia, the SWP was designed and introduced with very little direct employer input.⁷

Survey evidence from Australia confirms a historical lack of interest from employers in the scheme. Doyle and Howes (2015, p. 11) show that even in 2015, after 6 years of operation (including the pilot), only two out of three horticultural employers were even aware of the program. Doyle and Howes (2015) also note that “28 out of 43 industry associations had not received any information about the SWP from Government” (pp. 12–13). Although this lack of awareness can superficially be regarded as a cause of the lack of take-up of the SWP, it is

⁶Another interesting difference in the two schemes is that in NZ, the majority of seasonal workers are hired directly by farmers in horticulture, whereas in Australia, the majority are hired by labour hire companies. However, in viticulture in NZ, labour hire contractors predominate. This different situation for horticulture in the two countries may reflect the greater fragmentation of the Australian horticultural sector.

⁷The name of the NZ RSE scheme stresses the employer; that of the Australian scheme (SWP) the worker. The objectives of the two schemes are defined in similar terms, but the wording of the objectives in the NZ case places greater weight on the benefits for business. Both of these facts are consistent with the greater role business had to play in introducing the RSE.

more an indication of the lack of employer interest in seeking out a stable, reliable, and experienced workforce. The employer surveys also reveal a lack of aggregate labour shortage in the horticultural labour market in Australia. Most employers, when surveyed, responded that they had no need to use the SWP program to provide a supply of workers, with this figure rising from 60% in 2011 to 67% in 2014 (Doyle & Howes, 2015, figure 4.2).

5 | ECONOMIC, POLICY, AND SOCIAL FACTORS SHAPING LABOUR MARKET OUTCOMES

Why has a regulated labour supply of temporary migrants been crowded out in Australia but not in NZ? This section of the paper attempts to answer this key question, with reference to four sets of factors: the greater export orientation of the NZ horticultural sector, differential costs of collective action and regulation in the two countries, differences in scheme design and timing, and external factors.

5.1 | Export orientation⁸

Horticulture is NZ's fourth largest export industry. The sector exports 61% its total production to some 124 countries, particularly Europe, the United States, Japan, and China (Horticulture New Zealand, 2017, p. 1). In Australia, domestic consumption for a limited number of retailers is the major product destination. For example, over 60% of NZ's apple harvest in 2014 was exported, but only 1–2% of Australia's total marketable production of apples was exported (Apples and Pears Australia, 2014–2015; Pipfruit New Zealand, 2015).

This has important implications for horticulture, both for the labour market and for the prospects of temporary migrant worker schemes in the industry. In NZ, growers wanted to remove any threat to their export trade through bad publicity by stopping the use of illegal workers and improving the working conditions of the workforce. This provided a powerful incentive for supporting the RSE. More generally, high-value export markets put external pressure on employers to meet quality standards through compliance with a sourcing code of quality and employer conduct, supported by consumer preference for ethically sourced products. The European code of practice, GLOBALG.A.P., requires growers to show that they have production practices that meet specified quality and environment standards. It includes the requirement of “Ensuring a responsible attitude towards worker health and safety.” Compliance with the code is independently audited (Tipples & Whatman, 2010, p. 49). Related to GLOBALG.A.P. is an add-on assessment tool called Good Risk-based Agricultural Social Practices. This 11-point checklist is used to audit a grower's compliance with employment law and worker rights on farms (Tipples & Whatman, 2010, p. 49).⁹

Employer compliance with GLOBALG.A.P. is much more widespread in NZ than in Australia. According to the 2012 annual report of GLOBALG.A.P., there are 1,516 accredited producers in NZ and only 153 in Australia. Horticulture NZ notes that about 80% of the produce grown in NZ is covered by a third-party assurance certification program (Horticulture New Zealand, 2017, p. 13). Meeting higher product quality standards means employers place more value on

⁸This subsection draws on Curtain (2015, 2016).

⁹See the NZ webpage: “GLOBALG.A.P. Risk Assessment on Social Practice (GRASP) Add-on,” <http://www.newzealandgap.co.nz/programmes/grasp/>.

workforce reliability and quality. As a result, NZ employers are more likely to be willing to incur the additional costs of hiring seasonal workers and more eager to employ more productive return workers.

Australian growers, by contrast, have been more focused on domestic markets with their strong emphasis on price competition and cost minimisation. This means that Australian growers are more likely to view transient, inexperienced backpackers as adequate for the task. Without codes of conduct and quality requirements related to export markets, Australian producers have had little incentive to incur greater costs to meet quality standards. Indeed, the opposite has occurred. The incentives for Australian growers have been to cut operating costs. This is partly the result of the monopsony power enjoyed by Coles and Woolworths, the country's two largest supermarket chains, which together control 73% of the Australian market and which in turn are supplied by 350 to 400 fresh food suppliers (Leigh, 2016).

The supermarkets' trading terms with suppliers require that they abide by all laws, regulations, and community standards in Australia. However, in practice, there has been little monitoring of suppliers to see whether they are doing so (Australian Senate, 2016, pp. 283–287). In contrast, the supermarkets confirmed in their evidence to the Senate Inquiry into the Seasonal Worker Programme that they place strong pressure on fresh food producers to cut their costs (Australian Senate, 2016, pp. 178, 282).

5.2 | Collective action and the costs of compliance

Another difference between horticulture in Australia and NZ is the relative ease of collective action and, linked to this, the cost of compliance. The decision in NZ to turn to seasonal workers was a collective one, made at the sectoral level, with the active participation of growers. In Australia, growers played a passive role in setting up the SWP and continue to have no direct role in shaping how it is implemented.

This was itself the result of the structure of the horticulture industry in both countries. Industry representation in NZ is strong, with Horticulture NZ representing 5,500 commercial fruit and vegetable growers. A key aim of Horticulture NZ has been to develop and encourage industry-wide projects to benefit all growers. An example is the association's funding of a National Labour Steering Group, which represents the key horticulture and viticulture employers and master labour contractors.

In contrast, industry representation for horticulture in Australia is fragmented, both by geography and by product focus. The Australian Department of Agriculture lists 43 horticulture industry associations. The two organisations that play a national role, the National Farmers Federation and the Voice of Horticulture, appear to be little more than lobby groups whose main activity is making submissions to government. As one report put it: “agribusiness in Australia today is highly fragmented and many industry-wide intentions ‘fail at the gate’ because of a lack of an agreed peak industry body to represent this ...sector of the Australian economy” (Agribusiness Council of Australia, 2012, p. 4). The same report noted that “government-industry interfaces can be fractious, adversarial, and politicised at times, given the historical past of some representative groups” (Agribusiness Council of Australia, 2012, p. 4).

The costs of using the regulated migration option are also lower in NZ. Wages in the horticultural sector are closely linked to the minimum wage in both countries. In NZ, the minimum wage is \$NZ15.25 per hour as at January 2017 (Ministry of Business, Innovation & Employment, 2017). In Australia, the minimum wage in the same month was \$AUD17.70. Although the NZ\$/

A\$ exchange rate is variable, typically one Australian dollar buys more than one NZ dollar. The higher the regulated wage, the greater the incentive to avoid it by using an unregulated option.

The weaker the enforcement regime, the greater the incentive to use the unregulated option. Enforcement tends to be much stronger in NZ, for at least two reasons. First, the NZ government has put in more enforcement effort. Alongside the development of the RSE program, the NZ government established a national contractor registration in 2008 for new and existing labour contractors for seasonal labour (Bedford, 2013). Similar reforms are only now being put in place in some Australian states (Sherrell, 2017). Second, the horticulture sector in Australia is much more geographically dispersed than in NZ. This not only makes collective action harder to achieve in Australia, as discussed earlier, but also makes both self-regulation and external regulation cheaper options in NZ.

5.3 | Differences in horticultural labour market policy

Although Australia and NZ's seasonal worker and backpacker programs are broadly similar, there are three differences in the design, history, and implementation of these schemes, which may also help explain their different trajectories.

First, Australia provides a much stronger incentive than NZ to backpackers to work in horticulture. In Australia, the prize is another year of work anywhere in the economy, whereas in NZ, the incentive is just 3 months more and only of horticultural work. This helps explain why 16.4% of Australian backpackers applied for the second-year visa in 2016–2017, but only 5.6% of NZ backpackers did in the same year.

Second, NZ developed and implemented its RSE first (in April 2007) and then introduced a backpacker visa extension (2009). In Australia, the sequence was reversed with the backpacker visa extension coming in 2005 and the SWP pilot becoming operational in early 2009. Hysteresis may play a role here. It seems clear that there was a labour shortage in the Australian horticultural sector prior to 2005. It is hard to understand the industry lobbying the government if this were not the case. The second-year reform got rid of the labour shortage problem. In the words of one experienced industry insider, that one change “almost singlehandedly ... pretty much rectified the issue of labour shortages in horticulture for unskilled workers.” (Hayes quoted in Howes, 2012). Once that problem was overcome, employer and government interest in the seasonal worker option naturally waned. In NZ, by contrast, the labour shortage problem was solved by the regulated option. If Australia had introduced a seasonal work program a couple of years before its backpacker reforms, it is likely that industry would have gotten behind it, and take-up would have been much faster.

Third, the NZ government agencies involved in implementing the RSE have been better coordinated than those involved in Australia. The RSE was an initiative of Immigration NZ, which was located originally within the NZ Department of Labour (Whatman et al., 2017, p. 3). Immigration NZ was later subsumed into the Ministry of Business, Innovation and Employment (MBIE). This location means there is a strong focus on the needs of employers. A senior MBIE manager told the RSE Employers Conference in Apia in July 2015 that “the government will continue to support RSE ... we do want to make it as easy for you as possible” (Mannering, 2015).¹⁰

¹⁰In NZ, two other major government agencies are also actively involved in the operation of the RSE. One is the Ministry of Social Development, which has a say in approving employers for engagement in the RSE as well as in specifying the numbers that can be recruited for each of the major regions. The other is the Ministry of Foreign Affairs and Trade, which provides funding for programmes that support the operation and delivery of the RSE in the Pacific.

In Australia, the program is operated by the Department of Employment (which became in 2018 the Department of Jobs and Small Business).¹¹ This department approves employers for participation in the scheme. Approved employers are then required to enter into a Special Programme Agreement with the Department of Immigration and Border Protection (now the Department of Home Affairs). Australia's employers, therefore, have to deal with these two departments, instead of one in the case of NZ. In addition, whereas NZ's MBIE sees its primary role as providing support to employers to engage seasonal workers, the Australian Department of Employment acts as a gatekeeper, based on its primary objective, which is, as per its website, to "help Australians find and keep employment and work in safe, fair and productive workplace." The Department does little to promote the scheme, and it has a reputation for imposing a heavy regulatory burden on employers.¹²

5.4 | External factors

Finally, there are two other explanatory factors between Australia and NZ that are external, that is, have nothing to do with horticulture. First, Australia is more attractive as a destination for backpackers than NZ, so the potential unregulated migrant horticulture labour supply is much larger in the former. According to the official data of the two governments, in 2016–2017, Australia had 211,011 backpackers and NZ 74,235 (Department of Home Affairs, 2017; New Zealand Immigration, 2016). If NZ had as many backpackers as Australia but still only 5.6% applying for an extension, that would give them not 4,000 but 11,860 backpackers working in horticulture.

Second, it is possible that NZ's greater Pacific diaspora has facilitated the higher take-up of the RSE. Massey et al. (1994, p. 1,525) argue that the development of migrant networks "makes migration an increasingly common social and economic practice and lowers the costs and risks of movement." Diaspora networks have contributed to recruitment of Tongans and Samoans in both NZ and Australia under the RSE and SWP. The role of Tongan labour hire agents in Australia, for example, is well known. However, it should be noted that the largest worker-sending nation in the RSE is Vanuatu, which has a very limited diaspora in NZ. This would suggest that migration networks are not essential for participation in such schemes, even if they do at times play a role.

6 | CONCLUSION

This paper explains the greater success of a regulated low-skilled migration program in NZ relative to Australia with reference to four sets of factors. First, there is a stronger focus by employers on reputation and quality in NZ horticulture due to its greater export orientation. This makes NZ growers value the benefits of the more expensive regulated option more highly. Second, the costs of both collective action and regulation for employers are lower in NZ's horticultural sector, due to stronger industry organisation and lower enforcement costs—both at

¹¹In addition, the Australian Department of Foreign Affairs and Trade funds the Labour Mobility Assistance Program, which has operated offshore since 2014 in Pacific countries with some limited marketing activities only Australia in 2018.

¹²Though whether the regulatory burden is bigger than in NZ is unclear. Recent reforms aim to reduce the regulatory burden of the Australian SWP (Minister for Employment Senator the Hon. Michaelia Cash, 2017).

least in part due to the lower degree of geographical dispersion and product fragmentation of the industry in NZ—as well as lower minimum wages. Third, subtle differences in policy settings, timing, and implementation arrangements have worked in favour of regulated labour in NZ. Fourth, factors completely external to the two countries' horticultural sectors may favour the greater use of regulated workers in NZ and unregulated ones in Australia.

It is certainly not possible to assign quantitative weights to this mix of economic, institutional, geographical, and policy factors. However, we would argue that the differences in policy design, implementation, and timing are likely to reflect the different preferences of the two national groups of employers. Given that Australian horticultural employers in general prefer unregulated employees, it is not surprising that backpackers got a first-mover advantage and a stronger incentive to work in horticulture in Australia than in NZ. The diaspora argument, though a factor in some cases, cannot explain Vanuatu's success. We would therefore stress four factors when comparing the relative success of the schemes: NZ horticulture's export orientation, its lower costs of regulation *and* of collective action (both tied to its lesser geographical and product dispersion), and Australia's status as a more attractive backpacker destination.

In terms of the implications of our findings for the broader migration literature, the crowding out hypothesis of Castles (2006), Anderson and Ruhs (2010), and others is oversimplistic. There is no guarantee that unregulated will crowd out regulated migration labour options. It will depend on the extent to which regulated employees are more valued than unregulated ones and on the costs of going with the regulated option. The trade-off employers make between these costs and benefits will vary from sector to sector and country to country.

In terms of policy, those who support regulated migration options should take heart from our findings. Preferences for regulated labour will depend on a wide range of factors, some of which will be amenable to policy influence. First, over time, Australia's horticultural sector might itself become more export oriented; certainly, Australia aspires to be "Asia's food bowl." Second, repeated media exposure and consumer pressure on supermarkets might lead those supermarkets to be more concerned with labour supply issues. Both these developments would shift employers' preferences in favour of the SWP. The same pressures might also lead governments to invest more in enforcement, in particular, to follow NZ's example and require labour contracting companies to be licenced: an approach that has the advantage of pushing many of the costs of regulation back onto the private sector. Indeed, these developments are not just hypothetical; supermarkets and peak bodies are already working on stronger codes of conduct to improve labour practices on farms (Field, 2016), and three Australian state governments have moved to regulate labour hire companies (Sherrell, 2017).

It is hard to see backpackers losing their place as Australian horticulture's preferred labour source, and there seems to be no appetite for radical reform such as reduction in the incentive for backpackers to work in horticulture. It is possible, nevertheless, to envisage a scenario in which Australia's SWP, now uncapped, continues to grow, notwithstanding the fact that the number of seasonal workers in Australia remains small when compared with both the number in NZ and with the number of backpackers in Australian horticulture. Two recent trends are worth noting. One is the rapid growth in SWP numbers (by 73% in 2016–2017 from the previous year, see Table 3). The second is the decline in the number of backpackers from 258,000 in 2012–2013 to 211,000 in 2016–2017 (Department of Home Affairs, 2018). These trends give cause to think that workers from the Pacific Islands will become an increasingly important source of labour for the horticulture industry. This bodes well for the future of temporary migrant worker schemes that benefit Pacific Islanders.

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