



# ISSUES PAPER

## WHY DO SO FEW PACIFIC ISLANDERS TAKE ADVANTAGE OF OPPORTUNITIES IN PAPUA NEW GUINEA'S LABOUR MARKET?

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### Key Points

- Labour mobility from the Pacific Islands into Papua New Guinea (PNG) as the largest economy and the only labour-importing country among all Pacific Island countries (PICs) is discussed.
- The labour market in PNG is characterised by a small workforce in the formal sector and a large workforce in the informal and subsistence sectors. Due to a shortage of skilled workers in PNG, employers have increasingly imported skills from other countries. Work permit data, which is recorded by the Department of Labour and Industrial Relations (DLIR), provides a good indication of skill gaps that cannot be filled locally.
- Although the number of work permits issued to Pacific islanders has increased in the last ten years, it remains low compared to the overall number of non-citizen workers in PNG. In 2015, 511 foreign work permit holders were from PICs, which is equivalent to 1.2% of the total 41,096 active work permits held by non-citizens. Fijians were the main group of Pacific Islanders, at 413.
- Most workers from the Pacific Islands are employed in managerial and professional occupations and are under-represented among technicians and trade workers, indicating that Pacific Islanders are unable to fill PNG's skill gaps in technical fields.
- Labour mobility arrangements under three Pacific regional trade agreements – the MSG TA, PICTA and PACER Plus – are discussed. None of these agreements has so far led to increased labour mobility.
- The main reasons for the small number of Pacific Islander workers in PNG include insufficient labour supply in the other PICs in PNG's shortage areas, a lack of economic integration in the region, a lack of a functioning regional or bilateral labour mobility scheme, the role of recruitment agencies, a lack of networks and reputation of Pacific Islanders in PNG, a lack of a qualifications recognition framework, high travel costs and government considerations in PNG.
- There is scope to increase labour mobility from the PICs to PNG by improving the collection of labour market data, promoting the MSG SMS, increased efforts by Labour Departments and the introduction of a preferential work permit scheme for Pacific Islanders in PNG.

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## WHY DO SO FEW PACIFIC ISLANDERS TAKE ADVANTAGE OF OPPORTUNITIES IN PAPUA NEW GUINEA'S LABOUR MARKET?

By Carmen Voigt-Graf

This paper discusses labour mobility from the Pacific Islands into Papua New Guinea (PNG) as the largest economy in the Pacific Islands region. It builds on an NRI Issues Paper in which PNG's work permit system was discussed (Voigt-Graf 2016b). PNG's work permit system has the twin objectives of filling skill gaps in the labour market by issuing work permits to skilled workers from other countries and ensuring a skills transfer from the non-citizen workers to Papua New Guineans. PNG is the only labour-importing country among all Pacific Island countries (PICs) yet, when discussing labour mobility in the Pacific region, intra-Pacific mobility is generally overlooked. Instead, the analysis focuses on migration and labour mobility from the islands to Australia and New Zealand. Given the rhetoric around regional integration, and the fact that Australia and New Zealand provide migration and labour market opportunities only for a relatively small number of Pacific Islanders, the existing research and awareness gap about opportunities in PNG is noticeable. This research gap is likely to be linked to the small scale of intra-Pacific migration—out of a total of 41,096 work permits held by non-citizens who worked in PNG's private sector in 2015—only 511 were held by workers from PICs. Recently there have been some indications of a growing awareness of intra-Pacific labour mobility within international organisations. One example is the inclusion of a presentation on opportunities in PNG's construction industry held at the "Pacific Islands Labour Sending" (PAILS) Forum in Vanuatu in April 2016 (Voigt-Graf 2016a). In addition to filling a gap in the literature, this paper also seeks to explain why few Pacific Islanders have so far taken advantage of opportunities in PNG's labour market.

The paper is based on an analysis of available reports and statistics including work permit data and census data. It also draws on consultations that were held between March and June 2016 with the Department of Labour and Industrial Relations (DLIR) and the Department of Higher Education, Research, Science and Technology (DHERST), recruitment agencies in Port Moresby (including Fircroft Group, Van-

guard International, Concept, JDA Applus Velosi) and with training providers (including POM Business College, POM Technical College, Australia Pacific Technical College, South Pacific Employment Institute, Don Bosco, and IT Job Training Centre in Port Moresby, International Training Institute in Port Moresby and Alotau, and Madang Technical College in Madang)<sup>1</sup>.

This paper will start by providing an overview of PNG's labour market in order to set the context for the subsequent summary of PNG's non-citizen workforce in general and of Pacific Islanders in particular. This will be followed by an overview of three regional trade agreements with labour mobility provisions and a discussion of the reasons for the small number of Pacific Islander workers in PNG. Finally, the scope for increasing intra-Pacific migration will be explored and some policy implications will be discussed.

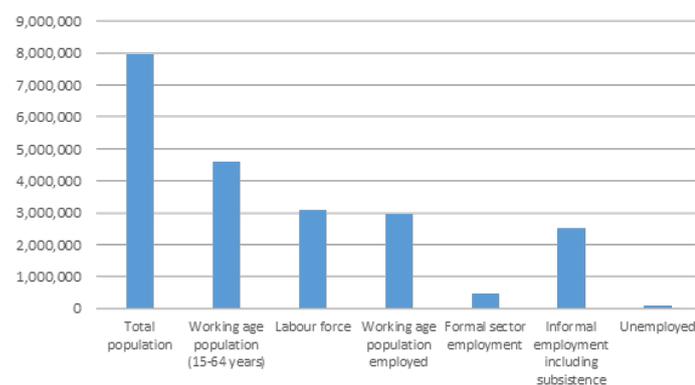
### An overview of PNG's labour market

There is a lack of reliable and up-to-date labour market data for PNG. Labour market assessments are therefore largely based on statistics and reports published by the National Statistics Office (NSO) and the Bank of PNG (BPNG). According to the 2011 Census, more than 70% of the country's workforce (ages 15 years and above) were active in the labour market, with few gender differences in terms of labour force participation (NSO 2013). Based on Jones and McGavin (2015), PNG's total population in 2014 was almost 8 million, and the working age population (15-64 years) was 4.6 million equivalent to 58% of the total population. 3.1 million persons or 67% of this working-age population were part of the labour force. The labour force was comprised of the employed and the unemployed with the vast majority being employed, and only 90,000 persons or 3% of the labour force being unemployed (see Figure 1). The low percentage of unemployed persons, which are defined as not being employed but available for work and actively seeking work, is linked to the huge subsistence economy which allows workers to exit the formal sector and, rather than being unem-

<sup>1</sup> I would like to thank Ms. Eunice Kivan of PNG NRI for her assistance in arranging these consultations for me.

ployed, earn subsistence income. PNG's low unemployment rate is therefore likely to mask a high incidence of underemployment. While the vast majority of the labour force was employed, less than half a million or 16% of the employed persons were in formal wage employment, with the majority working in the informal and subsistence economies (see Figure 1). In short, the two main characteristics of PNG's labour market are the large proportion of the labour force in informal employment, and the very low unemployment rate.

**Figure 1: Snapshot of PNG's labour force in 2014**

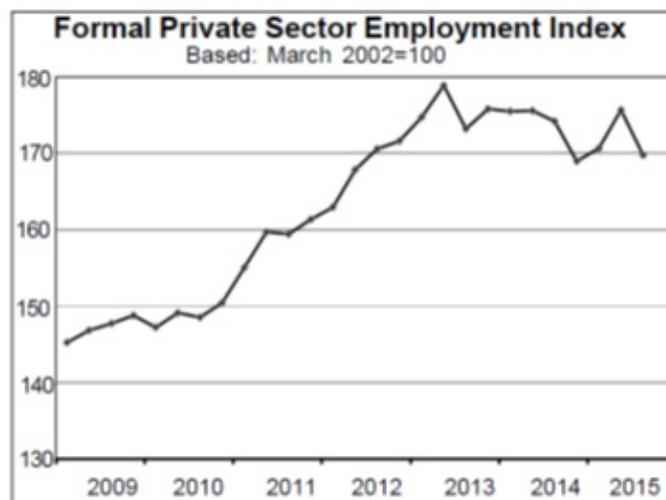


Source: Based on data provided by Jones and McGavin, 2015.

Over the past decade, the strong performance of PNG's non-mineral economy has seen formal employment grow by an average of 6% per year, leading to an almost doubling of the size of the private sector workforce and to the creation of new opportunities for an emerging middle class. Investments and developments in construction, mining and petroleum, agribusiness and related industries have placed huge demands on specialised trade skills. As Figure 2 suggests, formal private sector employment peaked in 2012 at the height of the PNG LNG construction phase. Employment in the construction sector is expected to remain strong given the ongoing upgrade of infrastructure in preparation for hosting the 2018 APEC summit, and the building of a second LNG plant in the Gulf province. Yet, as the construction phase of the first LNG project has been winding down, new opportunities for employment in the formal sector have also been slowing down (ADB 2014).

Table 1 shows the number of persons employed by industry based on the 2011 Census. It includes the formal and informal sectors, with the large number of persons employed in agriculture which also includes subsistence farming. The wholesale and retail industry was the second largest in terms of employment.

**Figure 2: Formal private sector employment, 2009 to 2015**



Source: BPNG Quarterly Economic Bulletin, September 2015.

In 2011, the mining industry including the oil and gas sub-sector contributed about 19% to PNG's GDP, while only employing 1.2% of persons (see Table 1). Although the mining industry is capital intensive and does not employ many workers, it strongly influences the labour market through the high wages offered, attracting workers from other sectors of the economy. Consultations with several recruitment agencies in PNG have confirmed that the movement of workers into mining projects was particularly obvious during the LNG construction phase, negatively affecting skills supply in other economic sectors. For instance, large numbers of tradespeople were employed in the project and the construction industry experienced severe labour and skill shortages.

**Table 1: Number of persons employed by industry and share of GDP, 2011**

Industry	Number employed	% employed	% of GDP
Agriculture	1,205,628	71.1	30.6
Mining incl. oil and gas	19,842	1.2	18.5
Manufacturing	17,028	1.0	6.5
Construction	61,010	3.6	16.2
Wholesale & Retail Trade	171,167	10.1	8.1
Education	34,899	2.1	n/a
Other	185,200	10.9	18.1
Total	1,694,774	100	98

Source: Census 2011; 2013 National Budget.<sup>2</sup>

<sup>2</sup> Since the number and percentage of employed persons by industry is known for 2011 based on the census, the percentage share of different industries to GDP is given for the same year, based on budget

**Table 2: Formal employment by occupation, 2011**

Occupation	Total	Male	Female
Total	360,732	261,682	99,050
Legislators and senior officials and managers	17,330	13,748	3,582
Professionals	76,512	45,866	30,646
Teaching and associate professionals	28,441	19,433	9,008
Office clerks	24,440	10,211	14,229
Service workers, shop and market sales workers	35,942	22,574	13,368
Agricultural, animal and fishery workers	14,184	9,862	4,322
Craft and building trade workers	57,937	54,333	3,604
Plant and machine operators and assemblers	29,956	28,436	1,520
Elementary occupations	72,267	54,588	17,679
Not stated	3,723	2,631	1,092

Source: Census 2011; Budget documents.

Overall, the level of skills and qualifications in the PNG formal labour market is low by international standards — 66% of the total employees in the formal labour market have only basic education of Grade 8 or below (DHERST 2015). The Gross Enrolment Ratio for tertiary education in PNG is currently only 3% (DHERST 2015). It is estimated that between 2009 and 2011, formal employment increased by 26,449 each year while the average number of graduates from higher education institutions for 2009 and 2010 was only 7,843 (DHERST 2015). The number of graduates has increased since 2010, reaching 9,316 in 2013 (DHERST 2015). Despite the gradual increase, it is likely that the formal economy would be able to absorb a larger number of local graduates in areas of skill shortages if they were available. Consultations with training providers and recruitment agencies in Papua New Guinea have confirmed that at present, the quantity and quality of higher education graduates, particularly in technical fields, do not fill the needs of the private sector in PNG. Consequently, businesses fill some of their skilled positions with non-citizen workers. It remains to be seen whether DHERST’s National Higher and Technical Education Plan 2015–2024 will facilitate the successful delivery and management of higher and technical education and prepare graduates for skilled work in PNG (DHERST 2015). Improving technical and vocational education and training (TVET) is crucial as there are mismatches between training provided by technical and vocational training insti-

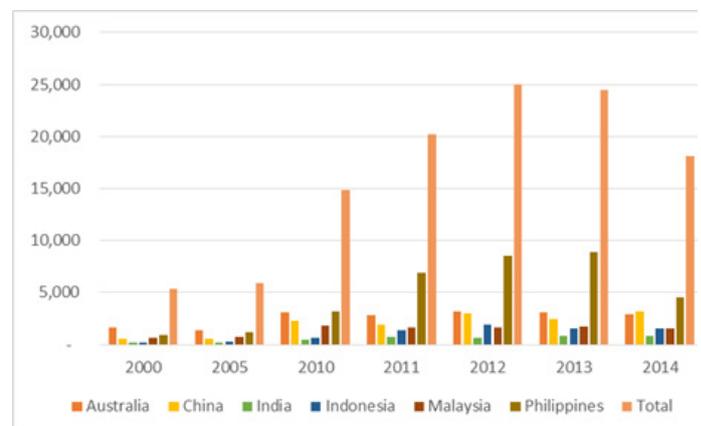
tutions, and employers’ needs in PNG. PNG’s TVET system will be discussed in more detail in a subsequent NRI Issues Paper.

## The non-citizen workforce in PNG

Given the shortage of skilled workers in PNG, it is not surprising that employers have increasingly imported skills from other countries. Work permit data is recorded by the Department of Labour and Industrial Relations (DLIR) as all non-citizens who seek employment in the private sector in PNG must possess a valid work permit, issued by DLIR (see DLIR 2009a and 2009b, and Voigt-Graf 2016b for more details on the work permit system). DLIR maintains a database of work permits issued per year and of active work permits at a given time.

Figure 3 shows that the number of new work permits peaked in 2012 at the height of the LNG construction phase (around 25,000 that year) and has declined since. Australia, the Philippines and China are the three largest source countries of non-citizen workers in PNG (see Voigt-Graf 2016b for more details).

**Figure 3: Work permits issued by major source countries, 2000 to 2014**

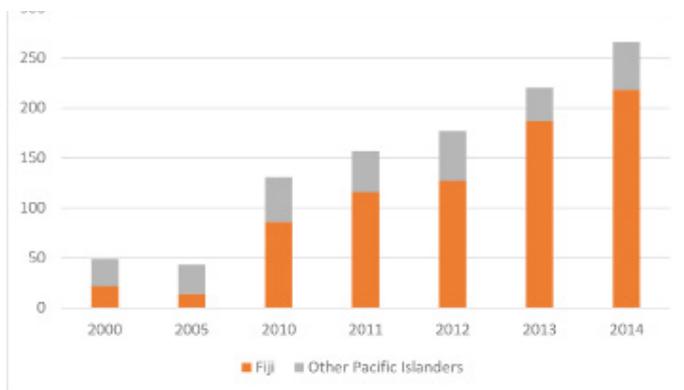


Source: DLIR, annual work permit data.

Figure 4 shows the number of work permits issued to Pacific Islanders. Numbers for all countries except Fiji are low and therefore comprised under “other Pacific Islanders”. The number of work permits issued to Pacific islanders has increased in the last ten years, from a low of 43 in 2005 to 266 in 2014. Fiji dominated the numbers in all years for which data are available, except for 2005, when the largest number of work permits were issued to Solomon Islanders. The occupational distribution of Pacific Islanders in the PNG labour market will be discussed later.

documents. It is not clear why the sum of the industries’ share of GDP adds up to 98 rather than 100.

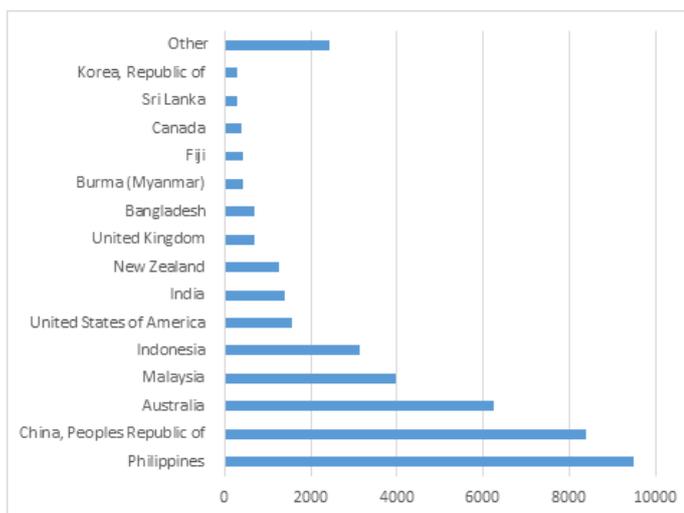
**Figure 4: Number of work permits for PNG issued to Fiji citizens and to other Pacific Islanders, 2000 to 2014**



Source: DLIR, annual work permit data.

The overall number of active work permits held by non-citizens in May 2015 was 41,096, with Figure 5 showing the 15 largest source countries. With 413 work permit holders, Fiji is ranked 12th and is the only PIC in the list. Most foreign workers in PNG are from various Asian countries, Australia and other industrialised English-speaking countries. While the numbers of workers from PICs has increased in line with the increase of foreign workers in PNG generally, the figures suggest that geographic proximity, shared membership in Pacific regional organisations, and the existence of trade agreements with labour mobility provisions have not resulted in any significant movement of workers into the region's largest economy.

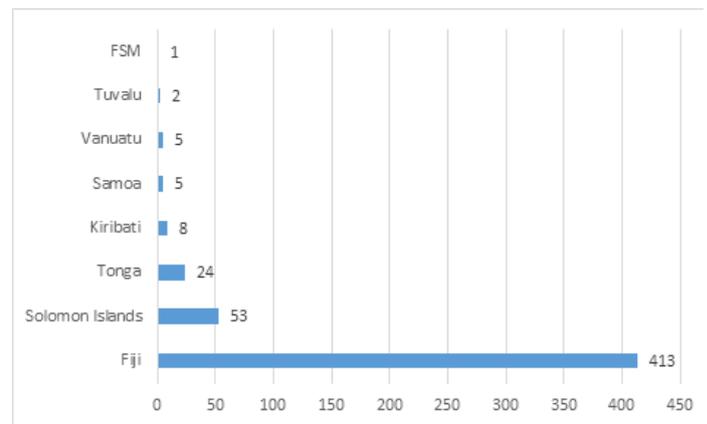
**Figure 5: Nationalities of work permit holders, May 2015**



Source: DLIR, active work permit data, May 2015.

In May 2015, 511 foreign work permit holders were from PICs, which is equivalent to 1.2% of the total 41,096 active work permits held by non-citizens. Except for Fiji, Solomon Islands and Tonga, numbers from the other Pacific source countries were less than ten permits per country (see Figure 6), and there were no workers in PNG from several other PICs such as Cook Islands, Palau, Republic of Marshall Islands and Nauru.

**Figure 6: Number of work permits held by Pacific islanders, May 2015**



Source: DLIR, active work permit data, May 2015.

## Characteristics of workers from the Pacific Islands in PNG

Looking at some demographic characteristics of work permit holders from PICs in PNG in May 2015, there were 96 women (18.8%) and 415 men (81.2%). The presence of Pacific Islander women in the workforce was slightly higher than for all work permit holders, where women made up only 12.3%. At 41.0 years, the average age of Pacific Islanders was similar to that of work permit holders in general (42.6 years).

The Work Permit System uses a classification system of 19 major industries. However, the industries in which work permit holders are employed have not been recorded for a considerable number of permit holders. For the 511 Pacific Islanders in May 2015, for example, the industries were unknown for 233 workers. For the industries that were known, the largest number were employed in "Transport, Postal and Warehousing" (56 workers), reflecting the employment of Pacific Islanders in the aviation industry in particular. This was followed by "Construction and Infrastructure" (30), "Accommodation and Food Services" (22), "Health Care and Social Assistance" (22), "Information Media and Telecommunications" (21), and "Other Services" (21).

**Table 4: Number of Pacific Islander work permit holders by industry, May 2015**

Industry	Number of Pacific Islanders
Agriculture, Forestry and Fishing	2
Mining	10
Manufacturing	14
Construction and Infrastructure	30
Wholesale Trade	12
Retail Trade	18
Accommodation and Food Services	22
Transport, Postal and Warehousing	56
Information Media and Telecommunications	21
Financial and Insurance Services	10
Rental, Hiring and Real Estate Services	2
Professional, Scientific and Technical Services	4
Administrative and Support Services	9
Public Administration and Safety	9
Education and Training	14
Health Care and Social Assistance	22
Arts and Recreation Services	2
Other Services	21
Unknown	233

Source: DLIR Work Permit data

Table 5 shows the number and percentage of work permit holders from all countries, from PICs and from Fiji for each major occupational group. The data shows that various types of managers, technicians, trades workers, and professionals were the largest occupational categories of non-citizen workers in PNG, indicating local skills shortages in these areas. For Pacific Islanders, 44% were employed as managers and 42% as professionals. Most other Pacific Islanders worked as technicians and trades workers. In the case of Fijians, the proportion of managers was higher (50%), and that of professionals was lower (33%) than for all Pacific Islanders. Comparing Pacific Islanders with the entire non-citizen workforce, it is noticeable that Pacific Islanders are over-represented among professionals and under-represented among technicians and trade workers, indicating that Pacific Islanders are unable to fill PNG's skill gaps in technical fields. This is partly a reflection of the quantitative and qualitative shortcomings in the TVET sector throughout the region, similar to those that characterise the sector in PNG.

**Table 5: Major occupational groups of all non-citizen workers, Pacific Islanders and Fijians in PNG, May 2015**

Major occupational group	Total number of work permits	%	Number of Pacific Islanders	%	Number of Fijians	%
Managers	17,551	42.7	226	44.2	208	50.4
Professionals	8,100	19.7	212	41.5	138	33.4
Technicians and Trades Workers	13,440	32.7	64	12.5	61	14.8
Community and Personal Service Workers	159	0.4	2	0.4	0	0
Clerical and Administrative Workers	69	0.2	3	0.6	3	0.7
Sales Workers	27	0.1	0	0	0	0
Machinery Operators and Drivers	737	1.8	3	0.6	3	0.7
Labourers	857	2.1	1	0.2	0	0

Source: DLIR, active work permit data, May 2015.

Looking at the occupational level, Pacific Islanders worked in over 200 different occupations. The most important occupation was "Sales and Marketing Manager" with 7.0% of all Pacific Islanders and 8.7% of all Fijians (see Table 6), followed by "Technicians and Trade Coordinators and Supervisor" and "Minister, Father and Pastor". The ten most important occupations listed in Table 6 are consistent with Pacific Islanders being mostly employed as managers and as professionals in PNG. In fact, six of the 10 most important occupations are managers of various descriptions, three are professionals, and only one comes under technicians and trades workers. The relatively high number of Pacific Islanders working as religious professionals (minister, father or pastor) is particularly noteworthy.

In this section, Pacific Islanders entering PNG under the work permit system was discussed. This system is used to employ non-citizen workers from all countries, with Pacific Islanders not receiving special or preferential treatment. In contrast, the next session briefly discusses three regional trade agreements with labour mobility provisions under which Pacific Islanders have or will have preferential access to the PNG labour market.

**Table 6: Ten most important occupations of Pacific Islander and Fijian workers in PNG, May 2015**

Occupation	Number Of Pacific Islanders	% Pacific Islanders	Number of Fijians	% Fijians
Sales and Marketing Manager	36	7.0	36	8.7
Technicians and Trade Coordinators and Supervisor	27	5.3	26	6.3
Minister, Father and Pastor	26	5.1	10	2.4
Aeroplane Pilot	25	4.9	22	5.3
Operations Manager	24	4.7	24	5.8
Corporate Services Manager	23	4.5	21	5.1
Ship's Engineer	21	4.1	19	4.6
General Manager	17	3.3	16	3.9
Security Manager	17	3.3	17	4.1
Chief Executive or Managing Director	13	2.5	13	3.1

Source: DLIR, active work permit data, May 2015.

## Labour mobility under Pacific Islands regional trade agreements

In 2001, PICs signed the Pacific Island Countries Trade Agreement (PICTA) in order to promote regional integration. In the same year, the Trade Ministers of the Pacific Islands Forum decided to broaden the scope of PICTA to cover Trade in Services (TiS). Some PICs have ratified the PICTA TiS Agreement and are developing schedules detailing their offers. Trade in Services Agreements generally include chapters on the cross-border movement of people (termed natural persons to make the distinction from legal persons, such as companies and organisations) as one of four modes of service delivery. Part of the Trade Ministers' decision was to explore options for a scheme for the temporary movement of natural persons (TMNP).

A 2009 report prepared for the Pacific Islands Forum Secretariat (PIFS) sets out how a labour mobility framework might look in the Pacific including a quota-based system for semi-skilled occupations and a free labour mobility scheme for professionals. In preparation for the start of negotiations over the proposed PICTA TMNP, labour market and skills

assessments have been undertaken in the PICs by PIFS since 2015. If a TMNP scheme is adopted by the PICs, it is likely to lead to an increase in labour mobility flows within the region especially if procedures are adhoc. Therefore, this scheme is attractive to potential employer sponsors, and also if semi-skilled occupations are included. This would give regional workers an advantage over workers from outside the region.

In addition to the envisaged PICTA TMNP, labour mobility is also being negotiated as part of the negotiations of the Pacific Agreement on Closer Economic Relations (PACER) Plus between the 14 Forum Island Countries (FICs), Australia and New Zealand. However, as a result of Australia and New Zealand's reluctance, labour mobility is likely to be dealt with in a separate "Labour Mobility Arrangement" rather than as a dedicated chapter in PACER Plus. It is envisaged to largely refer to the already existing seasonal work programs (i.e., the Seasonal Work Program (SWP) in Australia and the Recognised Seasonal Employer (RSE) scheme in New Zealand) under which Pacific Islanders move to Australia and New Zealand for seasonal agricultural work. The objectives of this labour mobility arrangement include establishing a broad regional framework for labour mobility cooperation; enhancing existing labour mobility schemes; promoting the utilisation of new labour mobility opportunities in Australia and New Zealand; and strengthening the legislative, regulatory and institutional frameworks for labour mobility. Given that this arrangement deals with labour mobility from the FICs to Australia and New Zealand, it is unlikely to affect mobility between the FICs.

The Melanesian Spearhead Group's (MSG) Skills Movement Scheme (SMS) is the only labour mobility scheme that is already in place, working at the sub-regional level between Fiji, PNG, Solomon Islands and Vanuatu. Under the SMS, up to 400 skilled workers from other members are allowed to work in each MSG country.

The agreement came into force in September 2012 and procedures and administrative mechanisms have been established. The MoU provides for the recognition of certain qualifications awarded in the MSG countries. The four participating countries in the SMS have identified occupations for which they admit workers from other members, numerical caps, qualification requirements, the maximum duration of employment, and any additional conditions. These commitments are included as schedules in the annexes to the MoU. PNG has identified as many as 50 occupations from a vast range of areas, including agriculture, tourism, health, teaching, mining, construction, various trades and professional services. The MSG Secretariat coordinates and moni-

tors the implementation of the MoU and makes information accessible on its website ([www.msgsec.info](http://www.msgsec.info)).

In PNG, DLIR is the focal point for implementing the MSG SMS. It has created a dedicated MSG SMS desk, and set up a mechanism for the movement of workers under the MSG SMS. Under the mechanism, work permits for workers moving under the MSG SMS will be issued by DLIR. The format of the work permits under the MSG SMS is slightly different from the general work permit system, but the turn-around time of 42 days and the work permit fees of K1,000 per annum are the same. While Fiji has waived work permit fees for workers entering under the MSG SMS, PNG is yet to introduce a similar concession, especially as other MSG countries have asked for concessional work permit fees. PNG has already introduced a general MSG visa for visitors from MSG countries free of charge. According to the DLIR, there are plans to introduce a low-cost long-term MSG SMS visa. For reasons discussed below, not a single worker has moved under the SMS between any of the participating countries in almost four years of its existence.

In May 2016, the Trade Ministers of the MSG endorsed the conclusion of negotiations for a new Melanesian Free Trade Agreement. The aim of the Agreement is the establishment of a Melanesian Free Trade Area by 2017. The new agreement will be broader in scope than the existing agreement. In addition to trade in goods, it will cover trade in services, labour mobility and cross-border investments. It is expected that the Melanesian Free Trade Agreement enter in force by 1 January 2017. It remains to be seen whether the MSG SMS will be revised or whether operationalisation will be improved after the establishment of the Melanesian Free Trade Area.

The Government of PNG has announced that it will relax its travel visa and work permit requirements for Pacific Islanders coming to visit and work in Papua New Guinea. On the eve of the Pacific Islands Leaders' meeting in September 2015, PNG Prime Minister Peter O'Neill announced that citizens of the Federated States of Micronesia and other smaller countries in the region travelling to PNG will be granted visas on arrival, and work permits will not be required for those who want to come and work in PNG. These announcements have yet to be translated into legislation.

## Reasons for small labour mobility flows from the Pacific to PNG

Geographic proximity and the existence of regional trade agreements have not resulted in many Pacific Islanders taking advantage of opportunities available in the PNG labour market. The main reasons for the small number of Pacific

Islander workers in PNG can be summarised as follows:

### a) Labour supply

Most PICs have small populations and workforces. Their labour markets are characterised by skill shortages particularly in the technical and trade areas which are also in demand in PNG. There is therefore limited capacity to supply skills in areas that are in PNG's skill shortage areas. In addition, Pacific Islanders looking for overseas employment opportunities traditionally look towards Australia and New Zealand and might not be aware of, or be interested in opportunities in the PNG labour market.

### b) Lack of economic integration

Despite the existence of regional institutions and trade agreements, the economies of the PICs are not closely integrated with each other. Instead, they mostly rely on trade with and investments from the Pacific Rim countries (particularly Australia, New Zealand, China, Japan and the USA). It is widely acknowledged that increased trade and investment flows between countries lead to increased labour mobility between them. In PNG, this is the case as many foreign-owned companies operating in PNG employ workers from the countries where their headquarters are located. Many overseas contractors from Australia, China, the USA or other countries that work on specific projects in PNG bring most or part of their workforce into the country for the duration of these projects.

The gradually growing economic links between PNG and Fiji is the main exception to a lack of economic links between PICs. As the largest economies and the two most populous countries in the region, PNG and Fiji have taken regional leadership roles. There has been growing PNG investment in Fiji, particularly in the tourism industry. The Mineral Resources Development Company, which manages the assets and investment of landowners from the Ok Tedi Mine and the Kutubu Oil and Gas Project, has invested FD85 million into the redevelopment of the Pearl Resort in Fiji's Pacific Harbour— its first major investment outside of PNG. The Grand Pacific Hotel in Suva has been reopened as a joint venture between PNG's NASFUND, Lamana Development of PNG and the Fiji National Provident Fund (FNPF). There have also been some notable Fijian investments in PNG including FNPF's investment in Bmobile PNG Ltd. Investments like these have already impacted the flow of labour. One relatively recent labour flow is that of hospitality and tourism workers who have moved from Fiji to PNG which can be linked to Fiji's developed tourism industry, the existence of high quality training in hospitality and tourism in Fiji, as well as increased economic links between Fiji and PNG.

### **c) Lack of functioning regional or bilateral labour mobility scheme**

As discussed above, the MSG SMS is the only regional labour mobility agreement that is currently in place. The PICTA TiS is still in the process of being ratified, while the PACER Plus negotiations have not been concluded.

Procedures and administrative mechanisms for the MSG SMS have been established, and the MoU provides for the recognition of certain qualifications awarded in the MSG countries. Yet, not a single worker has moved under the SMS between any of the participating countries in the four years of its existence. According to the MSG Secretariat, implementation of the scheme has been delayed due to the private sector not having demanded any workers under the scheme, which in turn can be attributed to the low level of awareness of the scheme among recruitment agencies and employers. According to DLIR, the lack of reliable labour market information in PNG means that information on the supply and demand of workers by occupation and industry is not available. The long list of 50 occupations included in PNG's schedule to the SMS might not reflect actual skill shortages. In addition, the conditions between the general work permit system and the MSG SMS scheme are relatively similar. Hence, even if employers were aware of the MSG SMS, they would probably not see the need to utilise the MSG SMS when recruiting workers from the other MSG members to PNG. Therefore, the few Pacific Islanders who work in PNG have entered the PNG labour market under the general work permit system. For movements in the other direction, there is as yet no work-ready pool of Papua New Guineans to move under the SMS, and there is generally little awareness of the scheme within the PNG workforce.

During discussions with DLIR, it was noted that PNG has not entered into bilateral agreements with any of the PICs. Fiji, on the other hand, has signed bilateral agreements with several countries including Vanuatu and has supplied retired teachers to Vanuatu under the scheme.

With the regional agreements either yet to be finalised or to be promoted, and PNG not having any bilateral agreements, Pacific workers have no particular advantages in the PNG labour market compared to workers from all over the world.

### **d) Role of recruitment agencies**

Most large companies operating in PNG use recruitment agencies to recruit skilled workers. These recruitment agencies generally operate internationally with offices in major labour-sending countries such as the Philippines. Other agencies draw on their databases that include workers from around the world. Few agencies have offices in PICs and few

Pacific Islanders have registered in the global databases of recruitment agencies. They therefore have little chance to be recruited through an agency.

### **e) Lack of networks and reputation**

Workers from countries with a sizeable number of migrant workers in PNG, such as workers from the Philippines, China and Australia, have developed networks along which additional workers are recruited. For instance, employers already employing Filipino workers frequently use their existing Filipino workforce to recommend additional workers who might then be recruited.

Filipinos in particular have gained a reputation among employers as being competent, qualified, hard-working and relatively affordable. Filipinos are therefore often the first choice, especially for technical and trade workers. Fijians and other Pacific Islanders have not been able to establish similar networks or a similarly good reputation.

### **f) Lack of qualifications recognition**

The lack of a Pacific Qualifications Framework means that qualifications obtained in different PICs are not directly comparable, and not necessarily recognised between PICs, although the Secretariat of the Pacific Board for Educational Assessment (SPBEA) is working towards the establishment of a Pacific Regional Qualifications Framework.

### **g) High travel costs**

Travel costs between PICs and PNG are high. The cost of flights from Port Moresby to Manila and Brisbane is lower than to any PIC including the neighbouring Solomon Islands, or the air traffic hub of Nadi. With companies paying for bringing workers into PNG, Pacific Islanders are more expensive than workers from some other countries.

### **h) Government considerations in PNG**

Consultations in PNG have revealed a sense of unease among officials in PNG about labour mobility within the region because few Papua New Guineans have had the opportunity to work in neighbouring countries. In Fiji, conditions to obtain work permits are stringent and few Papua New Guineans have been able to obtain work permits for Fiji. On the other hand, a considerable number of Fijians has been able to take advantage of opportunities in PNG. This has led to the perception of unbalanced flows to the disadvantage of workers from PNG within the Government of PNG.

## Discussion of the scope to increase labour mobility from the PICs to PNG

The labour market in PNG offers opportunities for skilled workers in various industries, particularly in the construction, mining, and hospitality/tourism industries. The next LNG project will create many additional opportunities. The work permit system serves the twin objectives of filling skill gaps in the labour market and ensuring that skill transfer occurs from non-citizen workers to Papua New Guineans. While the PNG Government would like to see more Papua New Guineans taking advantage of opportunities in PNG, consultations with DLIR have shown that there is also an interest to increase the number of work permit holders from PICs, based on the acknowledgement of cultural similarities and the absence of language barriers. The latter is particularly important as it is a condition for successful skill transfer.

Therefore, in order to expand labour mobility flows from PICs to PNG, the following policy recommendations are made:

### a) Improving the collection of labour market data

The Pacific region as a whole needs to strengthen efforts to improve the collection and compilation of labour market statistics, including labour demand and supply, in order to improve the monitoring of labour market trends. Through such efforts, areas of high quality training and skill supply in other PICs can be matched to PNG's skill shortage areas. At present, hospitality and tourism workers from Fiji who work in PNG are one successful example. It is possible that other skill areas can be identified. The coordination of data sharing is required so that labour market opportunities are publicised, and information is widely available within the region. Without such efforts, it is unlikely that geographical proximity, trade agreements, or even the introduction of preferential schemes will lead to an increase in labour mobility.

### b) Promotion of the MSG SMS

With the PICTA TiS not being implemented and PACER Plus still being negotiated, the only existing regional scheme is the MSG SMS. A major reason why no workers have moved under the scheme is the lack of awareness of the scheme within the region. It is therefore recommended that the labour departments in the MSG region make a concerted effort to promote the MSG SMS among jobseekers and employers, and that they facilitate the process of recruitment and of sending workers abroad.

### c) Increased efforts by labour departments

If other PICs were interested in their workers accessing op-

portunities in the PNG labour market, the departments of labour in other PICs could organise marketing and promotion campaigns of their workers among PNG-based businesses, focusing on areas where training is known to be of a high quality. Labour departments could also establish links with PNG-based recruitment agencies, and encourage and assist job seekers in their countries to register in the agencies' databases.

### d) Introducing a Pacific preference

Given that Pacific Islanders are not competitive in the PNG labour market compared to workers from countries such as the Philippines and China, the PNG government could look into alternatives if it wanted to facilitate access for Pacific Islanders. If there was a political commitment for such a step, PNG's work permit system could include a preferential treatment clause for Pacific Islanders, similar to an in-built Pacific preference under New Zealand's Seasonal Work Scheme. For this political commitment to be forthcoming in PNG, opportunities for Papua New Guineans to work within the region would need to be improved. As a first step, it is recommended that a dialogue between the Departments of Labour in the PICs be initiated to discuss the extent to which the labour departments can increase intra-regional labour mobility, and can decide on an action plan detailing steps to achieve this.

In sum, Pacific Islanders have not yet taken advantage of opportunities in PNG. Mostly, Pacific Islanders do not have the skills that businesses in PNG need. However, there are niche areas in which skills are available. Hospitality and tourism workers from Fiji are one example. Political interventions could be taken with a view to increasing labour mobility from PICs to PNG.

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