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FORUM ECONOMIC MINISTERS MEETING

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Suva, Fiji

AGENDA ITEM 8: ASSESSMENT OF SOCIO-ECONOMIC IMPACTS OF HUMAN MOBILITY IN THE REGION

Purpose and Recommendations

Purpose

This paper provides an update on the work undertaken by the Secretariat to progress the 2023 Forum Economic Ministers Meeting (FEMM) discussions around the economic implications of the regional labour mobility schemes and the need to consider the socio-economic impacts of human mobility more broadly including labour mobility.

Summary

At the 2023 FEMM, Members, whilst acknowledging the positive impacts of labour mobility in supporting growth and development aspirations of Forum Island Countries (FICs) emphasised the need to focus on a win-win situation noting that there have been challenges in addressing issues related to workers welfare, loss of skilled workers, and the overall socio-economic impacts on families. The FEMM also welcomed the inclusion of labour mobility as a regular update to FEMM, given its broader economic implications and urged the Secretariat to work with CROP agencies and development partners to approach this issue holistically.

Issues around the socio-economic impacts of labour mobility have also been discussed in Forum ministerial meetings, particularly the 52nd Pacific Islands Forum (PIF) Leaders Meeting where Leaders reaffirmed the role of the Forum Trade Ministers as the principal Ministerial meeting with oversight on labour mobility issues whilst acknowledging the complementary role of FEMM particularly when it relates to the socio-economic impact of labour mobility on Pacific economies. Other sectoral meetings such as PIF Women Leaders, Pacific Health Ministers and Conference of Pacific Education Ministers also raised similar concerns about the impacts of labour mobility. Despite positive economic impacts that labour mobility has brought about, due consideration must also be paid to the unintended consequences of these schemes on labour shortages and its impact on the economies of sending countries. Of particular importance are the impacts on vulnerable population such as women and girls, children, persons living with disability and older persons.

Labour shortages cannot be wholly attributed to labour mobility schemes alone noting other avenues such as skills migration and outmigration, whether temporary or permanent, that also influence the movement of people away from domestic economies in search of better economic opportunities. For the context of this paper, the term human mobility is then used to capture all

dimensions of outward movement of people from domestic economies including labour mobility.

While increased human mobility has reduced under- or unemployment in many Forum Island Countries, it has also depleted the domestic labour market of both skilled and unskilled labour in some. This will have implications for achieving sustainable socio-economic recovery of FICs as the (remaining) skilled working age population is already stretched. The significant decline in the available domestic skilled and unskilled labour led to FICs struggling to fill skilled labour gaps domestically. Consequently, this is likely to have implications on the productivity of key sectors of FIC economies and their respective economic development aspirations.

It is also important to note that socio-economic benefits and challenges of human mobility have far-reaching impacts, beyond economic and labour sectors. It disrupts and affects the delivery of quality basic services such as health, education, and quality of life, as well as the wellbeing of rural communities where those left behind are mainly the elderly, children and persons with disabilities.

As human mobility and socio-economic implications on sending countries' economies have become a challenging issue, the Pacific Islands Forum Secretariat (PIFS) recognises the sovereignty of FICs in determining their respective human mobility policies and key development partners already in the human mobility space. Considering the above, the proposed approach is to mobilise resources with the support of key development partners, to undertake a comprehensive socio-economic impact assessment on FICs economies, formulate evidence-based solutions or initiatives that could cushion or deal with these impacts and propose forward-looking recommendations for consideration by Members. The proposed scope of this comprehensive socio-economic impact assessment will seek to assess and incorporate social and economic dimensions of human migration aligned to regional priorities, as documented in the 2050 Strategy for the Blue Pacific Continent (2050 Strategy), the Pacific Roadmap for Economic Development (PRED) and Pacific Partnership for Prosperity (PPfP) to enhance economic prosperity and wellbeing of the Pacific people.

A. Problem/Opportunity Identification

The World Bank's April 2024¹ Pacific Economic Update notes that short-term risks have become more balanced since the August 2023 update with global commodity prices and inflation declining. However, it notes that shifts in global economic growth, trade, and international tourism pose significant challenges to economic prospects and poverty reduction, risks that could heighten due to geopolitical tensions. The global economic environment remains fragile and therefore its implications pose significant threats to the Pacific. Forum Island Countries have experienced both volatile and overall low average growth trends, especially through the period of the COVID-pandemic and its current aftermath.

2. Development and progress on the narrowly based economies of many FICs are hindered by isolation, inflation, uncertainties in global commodity price movements, geopolitical tensions, vulnerability to disaster and climate change risks. FICs are also faced with high infrastructure costs

¹ Pacific Economic Update March 2024 (worldbank.org)

both for new infrastructure as well as for rehabilitation and mitigation when disasters occur. Global and regional developments as well as slow recovery to shocks are manifested in the severity and long-lasting impacts of these economic challenges.

3. Therefore, building economic resilience and exploring initiatives that build and/or strengthen economic pathways in recovery are critical. Strengthened collaboration between Governments, national private sectors, development partners and all stakeholders, to establish meaningful solutions that foster economic prosperity that is equitable and sustainable, is key. One of these initiatives that development partners such as the World Bank has explored is migration, both permanent and short-to-medium term labour mobility. The World Bank reports that *'migration contributes significantly to human development, shared prosperity, and poverty alleviation. Managing migration's drivers and impacts allows origin and destination countries to share the gains'*²

4. The International Labour Organisation (ILO) also undertook an assessment on Seasonal Worker Schemes in the Pacific and referred to a World Bank Study that found multiple positive development impacts on the sending households particularly on the substantial increases in remittances that workers were sending home. The World Bank reported that six of the top 10 remittance recipients by share of GDP in the East Asia and Pacific region are in the Pacific (World Bank, 2021), while Tonga and Samoa were in the top five (5) globally.

5. In that assessment, Tonga topped the list, with remittance inflows amounting to the equivalent of almost 50 percent of GDP in 2022. The World Bank report also referenced the positive impacts of remittances in supporting macroeconomic stability for economies and foreign exchange earnings in supporting the livelihoods of sending households. Studies have also been undertaken to support the view that remittances expand consumption therefore creating domestic demand for goods and services and as demand increases, it fosters employment creation and stimulates investment in the domestic market. However, remittances can also lead to increased consumption of imported goods because prices of domestic agriculture produce increases as reserve wage rates increase for rural labour as fewer workers are available.

6. In the first quarter of 2024 it is estimated that there were approximately 40,000 Pacific Islanders working on the Australian PALM and the NZ RSE Schemes³. Whilst the number of workers on the RSE scheme was stable compared to mid-2023, the number of workers on the PALM scheme was down by almost ten percent. This decline has been attributed to the more stringent regulations recently introduced governing the conditions of employment for Pacific Island workers making them more expensive to employ than the less regulated backpackers. Although this cannot yet be regarded as a trend it is necessary to keep in mind that labour markets are competitive, and employers are always very cost conscious with labour costs being a major component.

7. However, there have also been negative references to human mobility particularly considering issues around human capital flight as reported by the World Bank in 2023⁴. The report highlights that

² <https://www.worldbank.org/en/topic/migration/overview>

³ <https://devpolicy.org/the-falling-demand-for-seasonal-workers-20240424/><https://devpolicy.org/rse-in-2024-growing-employer-frustration-20240606/>

⁴ <https://www.worldbank.org/en/country/pacificislands/brief/pacific-economic-update-recovering-in-the-midst-of->

there has been anecdotal evidence of labour shortages in Fiji and Samoa’s tourism industries, Fiji and Kiribati’s health sectors, and Vanuatu’s agriculture sector specifically in communities where a large share of the population migrates. In addition, a joint assessment by the World Bank Group and the Australian National University report ‘brain drain’, amongst other things, as one of the concerns on the adverse impacts on labour-sending countries and that there has not been any independent, rigorous, and large-scale study to collect data and examine these concerns.

8. A Strategic Analytic Report issued by the Pacific Fusion Centre in May 2024 also highlighted concerns around the unintended consequences of labour mobility one being the Pacific labour supply shortages impacting critical industries and professions in the region which may have consequential impacts on economic and development progress. In addition, the report also calls on the need for a regional study to assess the opportunity cost of Pacific labour mobility and the value-add of Pacific workers to recipient economies may further assist to fully understand the impacts of labour mobility on Pacific economic security and resilience.

9. Whilst the negative impacts of human mobility specifically on labour drain or labour supply shortages have been highlighted in various regional reports, none of those reports provide a full impact assessment of the socio-economic impacts of the shortage of labour in sending countries’ economies. Given that labour shortages could potentially create significant consequential impediments to economic development and resilience aspirations of sending countries, it would be essential that a regional socio-economic impact assessment of human mobility on the economies of sending countries is undertaken to inform Members on potential solutions.

10. It should also be noted that the social consequences of human mobility may also be of concern to the families of those remaining at home. A recent Pacific Attitudes Survey for Vanuatu found that 60% of survey respondents noted that “worse family relations” was the biggest negative aspect of labour mobility⁵. This is an important issue for the long-term sustainability of labour mobility programmes; the latest Australian pilot initiative to provide for families to accompany long-term PALM scheme workers will assist in addressing this issue.

B. Background

11. Forum Economic Ministers, while agreeing for labour mobility to be a priority consideration for greater economic integration at their 2023 meeting, also reaffirmed the importance of including a comprehensive societal, social, and economic cross cutting assessment of the costs, benefits and social impacts of the regional labour schemes in the development of a proposed regional labour mobility strategy. This was later changed by Forum Leaders in November 2023 to the Pacific Regional Labour Mobility Principles. While it is important to undertake an assessment of the labour mobility schemes, it is also important to expand this assessment to look at skill out-migration beyond the schemes and the impact this has had on other sectors such as agriculture, health, education and the private sector.

12. Issues around labour mobility have also been discussed in other Forum ministerial meetings.

[uncertainty-august-2023](#)

⁵ ANU Department of Pacific Affairs; [Pacific Attitudes Survey: Vanuatu](#); June 2024

At their meeting in 2023, Forum Leaders reaffirmed the role of FTMM as the principal Ministerial meeting with oversight on labour mobility issues while acknowledging the complementary role of FEMM particularly where it relates to the socio-economic impact of labour mobility on Pacific economies. Generally, and while there is acknowledgement of the benefits of labour mobility schemes, due consideration must also be paid to the unintended consequences of these schemes, including the breakdown of family structures, re-adjustment issues on return, risks to wellbeing and access to superannuation, and impacts on vulnerable population such as women and girls, children, persons living with disability, and older persons.

13. During recent PIFS-led in-country consultations, Smaller Island States (SIS) raised concerns around labour shortages in the domestic market attributed to several factors including out-migration and ease of access to developed countries such as the United States, Australia and New Zealand for education and employment opportunities. Human resources play a critical role to meet increasing development demands of SIS members. However, labour shortages have been felt in essential areas such as the education sector, for which greater attention has been necessary to basic numeracy and literacy skills at the essential levels.

14. In addition, the unintended consequences of human mobility on the economies of sending countries must also be considered critically. There have been significant increases in Pacific migrant workers and increased labour migration which has significantly depleted the domestic labour market⁶ in some FICs, which have implications for the sustainable economic development of these countries. With the skilled working age population already stretched, further significant decline in available domestic skilled labour will lead to FICs struggling to fill labour gaps domestically.

15. In endorsing the 2050 Strategy for the Blue Pacific Continent, Forum Leaders recognised the importance of economic prosperity and wellbeing to the security and resilience of Pacific countries. Leaders also underscored the importance of creating accessible services and infrastructure to enable all Pacific peoples to participate in and benefit from development outcomes. The Resources and Economic Development (RED) thematic area of the 2050 Strategy Implementation Plan, as endorsed by Leaders, highlights the importance of improving socio-economic wellbeing of all Pacific peoples, through diversifying economies, supporting private sector growth in creating employment and entrepreneurial activity in the micro, small and medium-sized enterprises (MSMEs), including improving trade and sustainable labour mobility. The FEMM welcomed the inclusion of labour mobility as a regular update to their meeting given its broader economic implications.

16. Despite positive impacts of human mobility including labour mobility, there are socio-economic implications that require deeper analysis as these may create predicaments in the development aspirations of FICs that seeks to enhance the prosperity and wellbeing of the Pacific people. Forum Leaders' 2050 Vision is for *a resilient Pacific Region of peace, harmony, security, social inclusion and prosperity, that ensures all Pacific peoples can lead free, healthy and productive lives*. Critical to realising this vision are two (2) key sectors: health and education. With recent publication in the media of significant teacher shortages and medical practitioners including nurses in some of the Forum members, this will have detrimental consequences to realising the Leaders' Vision. Whilst it may be acknowledged that the intra-movement of people within the region to fill

⁶ <https://blogs.adb.org/blog/rough-sailing-navigating-labor-shortages-and-remittance-needs-pacific>

skills gap in these sectors has been occurring between countries, it is unknown whether the intra-regional movement of people to fill the labour gaps would be sustainable in future.

17. The concerns around significant numbers of Pacific people leaving FICs for better opportunities abroad, shrinking the available human resources to fill in the labour gaps may have serious implications in creating an enabling environment that will ultimately enhance the well-being and prosperity of Pacific people. Respecting the rights of Pacific people to choose to migrate and the sovereignty of FICs to pursue human mobility initiatives as national priorities is critical. Addressing therefore the socio-economic impacts of human mobility, which includes both skilled and unskilled workers and families, is equally vital to creating an enabling environment that will allow FICs to enhance the socio-economic wellbeing of its people.

C. Proposed Approach

18. The Secretariat acknowledges the assistance of development partners that have worked bilaterally with FICs on human mobility including those that are currently undertaking regional initiatives around human mobility for the Blue Pacific including the International Organisation for Migration (IOM), ILO, World Bank, the Australian National University (ANU) and the Asian Development Bank (ADB). It is also important to note that various assessments have been undertaken by the Secretariat and development partners to assess labour mobility schemes and/or labour mobility arrangements in the Pacific. One of which is the '*Comprehensive Assessment of Regional and Sub-Regional Labour Mobility Arrangements in the Pacific*' and the '*Seasonal Worker Schemes in the Pacific through the lens of international human rights and labour standards*' by the ILO.

19. Both technical reports refer largely to the welfare of those participating in labour mobility schemes including accommodation, workers' rights protection, health of workers and families of workers as social impacts, recruitment costs, remittances, taxation and social pension as economic dimensions of labour mobility. Less focus has been given to assessing the unintended consequences or the socio-economic impacts on labour drain or labour shortage on sending countries' economies, reducing the productive capacity of the domestic economies.

20. The intention is to reaffirm the decision by FEMM to undertake a comprehensive societal, social, and economic, cross-cutting assessment of all costs, benefits, social and economic impacts of human mobility including labour mobility schemes. Noting the various gaps in scope of the various studies and assessments that have already been undertaken, as well as the need to continuously align to the 2050 Strategy and its Implementation Plan and PRED, this comprehensive assessment would need to take a deep dive into all the dimensions of human mobility and outward migration on sending countries' economies. The proposed socio-economic impact assessment will need to identify realistic evidence-based solutions that are effective in dealing with the socio-economic impacts of loss of people or labour shortage.

21. An independent *Strategic Analytic Report* issued by the Pacific Fusion Centre in May 2024 acknowledges that whilst there are benefits of Pacific labour mobility to the lives of Pacific Islanders, concerns around the negative impacts remain. The report highlights the unintended consequences of the significant increases in demand which also aligns to the issues discussed in FEMM, calling for a regional study on the opportunity cost of Pacific labour mobility in order to fully understand the

impacts of labour mobility on Pacific economic security and resilience.

22. Considering the above, the proposed approach is to mobilise resources to undertake a comprehensive socio-economic impact assessment on FICs economies, formulate evidence-based solutions or initiatives that could cushion or deal with these impacts and propose forward-looking recommendations for consideration by Members. The proposed scope of this comprehensive socio-economic impact assessment will seek to assess and incorporate social and economic dimensions of human migration with emphasis on specific issues including:

- i. Impact of human mobility on FICs' productivity levels and potential impacts on economic development;
- ii. Impacts of human mobility on critical service sectors tourism, health, education and infrastructure, and other critical sectors as identified by Members;
- iii. Impacts on food security due to labour shortages in communities and its implications on family, community structures and productivity of key sectors such as agriculture and fisheries;
- iv. Impacts on community resilience especially in their effort to rebuild from disasters due to unavailability of able-bodied people in the community;
- v. Impacts on cultural values as communal way of life is influenced when communities move more towards monetisation;
- vi. Potential regional evidence-based solutions to mitigate the impacts of socio-economic implications of human mobility at all levels, from policy level to technical to sectoral level; and
- vii. Through the PRED, explore ways to retain people such as increasing employment opportunities by strengthening private sectors and reducing transaction costs for remittances.

23. It is important to recognise that appropriate categorisation of countries affected by human mobility will be considered noting that workers in labour mobility schemes are likely to return whilst outward migration is permanent loss to the domestic labour market.

D. Outcomes

24. The following are potential outcomes anticipated to be achieved from this impact assessment:
- a. Policy advice, development, and advocacy** with a more focused FEMM standing agenda paper on the socio-economic impacts of human mobility on sending countries' economies to provide technical advice or solutions for consideration;
 - b. Progress Implementation** through formulating a point of convergence of various Forum standing meetings in relation to human mobility through the provision of more coordinated technical support in collaboration with development partners to coordinate work in addressing the socio-economic impacts of labour drain or labour shortage; and
 - c. Enhanced advocacy** by PIFS on areas that entail significant socio-economic implications for FICs, including more regular engagement with all stakeholders to collaborate and formulate solutions to counter the socio-economic impacts of labour

drain, support and raise the centrality of people in our economic development aspirations, and for human mobility to be a priority for consideration for greater regional cooperation and integration.

Pacific Islands Forum Secretariat
25 July 2024