

# Labor Loss Is An Entrepreneurship And Productivity Loss

Michael Yemoh<sup>#1</sup>

*#Department of Accounting & Economics, Faculty of Business & Entrepreneurship, National University of Samoa, Apia, Samoa*

[m.yemoh@nus.edu.ws](mailto:m.yemoh@nus.edu.ws)

*Abstract - In addition to the Pacific temporary workers schemes that are running and accounting for the loss of skilled and unskilled labor in the Pacific, other factors account for labor losses out of the region. This is not the case everywhere as the developed economies in the Pacific region have developed systems that monitor and maintain a predetermined skill set, a set of occupations required in the economies, and several workers needed by the various industries and regional states. Such operate an active recruitment drive for skills that are in short supply. The apparent lack of a similar system within the emerging economies appears to account for the loss of skilled and unskilled labor or an active recruitment drive for certain types of skills. Though this may be returning short term remittances into their economies, the losses may have a long-term impact on their labor markets, occupations, industries and overall economic development in the Pacific Island countries and territories. This paper reviews literature on the implications of labor losses on entrepreneurship within the emerging Pacific Island countries and territories.*

**Keywords — entrepreneurship, labor, losses of workers, migration, occupations, Pacific region, recruitment drive, remittances, skill set replenishing,**

## I. INTRODUCTION

The production of goods and services in its simplest form uses factors of production that are broadly classified under labor and capital. The labor factor of production is the effort, processes and human systems that are collectively brought together and used to produce services and goods. This is because various forms of productive work can be done with limited capital input. However, there's rarely a production of goods and services without labor or the human element that engages the other factors of production. This makes labor a vital factor in production and entrepreneurship. Furthermore, labor partially has a positive and significant effect on income and is a driving factor that facilitates the efficient collaboration of the other factors of production (Gani and Daulay 2021). The loss of any factor of production through whatever means will thus have a material impact on the production of goods and services, enterprising and the aggregate income to the economy.

Some of the Pacific Island countries and territories subscribe to the 1984 MIRAB model. This MIRAB model, which is considered to have limited application outside a subset of small island states, identifies migration, aid, remittances, and state generated employment bureaucracies as a “perfectly sustainable strategy” for some Island States ((Stahl and Appleyard 2007). International remittances received aid from developmental partners, as well as Migration is considered a major factor with regards to the Pacific Island economies and does explain the losses of a significant number of workers out of the region. The loss of workers is from various forms of migration and the temporary work schemes. The migration out of the Pacific does not only affect the labor force but also has a corresponding impact on the industries, entrepreneurship, and business operations. There is a loss of opportunity of employing the workers and the aggregate consumption element of the produce that these enterprises would have produced.

The literature on Pacific Island workers, labor market characteristics, markets and entrepreneurship is scattered and limited (UN 2011). From the recently released data, 17,320 workers were engaged under the Seasonal Worker Programme(SWP), between Australia and selected island countries in the Pacific(Chattier 2019). Due to a recently announced 19% increase in the recruitment cap, New Zealand is welcoming 3,000 overseas employees in 2022 under the Recognised Seasonal Employer (RSE) Scheme to a total of 19,000 workers (Tilo 2022). The Countries currently participating in Pacific labour mobility are Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu (DFAT 2022). The very recent academic research conducted has centred around the nation-specific impacts of the seasonal workers programs (Bedford and Bedford 2021), seasonal workers' social support(Wu 2021), seasonal worker related human resource management(Ainsworth and Purss 2009), innovation potential in light of migrant seasonal workers(Ericsson, Overvåg, and Möller, 2020), the motivations for the migration and the triple benefits of the scheme(Fatupaito et al 2021), the potential to exploit vulnerable foreign workers(MacDermott and Opekin 2010), and the associated remittances that are returned to the economies(Bedford 2021). This paper illustrates the potential impact of the losses of labor on the emerging Pacific Island countries and territories. This summary literature on Pacific

Island economies and territories has been compiled with the intention of providing practitioners and policymakers a concise implication of the current process that may have a long-term impact on the labor pool systems and framework in the region.

## **II. KEEPING SKILLED MIGRATION RECORDS AND WORKERS LOSSES IS NOT A NUISANCE**

Agriculture continues to be an important source of sustenance and national income in most Pacific Island countries and territories. It therefore receives material attention and investment. However, with some of the islands prone to natural disasters in addition to the lower technological development being used in Agriculture, the quality and yields are also relatively low. Efforts are also underway to build a much more technologically developed integrated agricultural industry which may generate benefits in the foreseeable future. The current industry is highly dependent on the seasons and nature. As such, economies such as Fiji, Papua New Guinea, Solomon Islands and Vanuatu that are land-rich have development strategies that focus on the rural sector, improving agricultural productivity, research into crop varieties and farming systems, and in activities servicing the rural sector (UNESCAP 2006). The income earned attempts to keep families out of poverty, supports various households, and goes towards the settlement of school fees, utilities, food, shelter, and other expenses. Despite its potential for wealth creation, the unpredictable market trading of agricultural produce, loss of workers, bad weather, poor or unsafe transport conditions, and other economic factors impact on the earnings (UN 2011).

As a result of the focus and investments into agriculture within the region, a larger percentage of the working population are also employed in various capacities within the agricultural industry. However, an industry that relies heavily on nature, low level technology, limited technologically enhanced and integrated agricultural systems and tools, affects the aggregate income, and yields from their efforts. This income to the companies and businesses engaged in the industry also impacts the remuneration that is afforded the workers. The follow on effect is that the workers who may not be on long term employment contracts or not on restrictive engagements in formal work settings, will be keen on pursuing other employment opportunities especially if those options provide a stable income or income that is above what they will earn.

Research undertaken by others has confirmed the South Pacific region's sustained high rates of population growth which further compounds the unemployment situation (Stahl and Appleyard 2007). The growth of the population of the Melanesia, Micronesia and Polynesia and the potential to develop the Pacific countries, have led to the exploration and growth of the temporary work in Australia and New Zealand (Ramasamy et al 2019). These policies and schemes (PLS and

RSE) have been running in the Pacific since 2006 and have been evolving over years due to its successes, the growing interest from the participating countries and the triple benefit generated to the workers, and countries involved. Additionally, some of the initial challenges and concerns are also being solved with the amendments being made with the changes. This has led to further increase in the recruitment caps that the schemes started with. The increase in the intake of workers from the Pacific has come as a welcome boost to the economies, the workers and recruiters. It is also having an impact on the pool of labor force, the quality of skills available, and is contributing to the possible long term dynamics within various industries in the Pacific (Yemoh and Yemoh 2022). It will also have an impact on entrepreneurship as the labor force and population changes to reflect the human movements.

Globalization and international migration in the labor market leads to the crossing of national boundaries of labor factor of production. International migration does respond to legal or illegal market signals, when the policy environment allows, or when there are artificial barriers to mobility (Chiswick and Hatton, 2003). Mass migrations are reported to be driven by economic incentives which the migration schemes in the Pacific provide (Chiswick and Hatton, 2003). Such International migration alters the labor supply and the demographic characteristics of both the sending and the receiving countries. Moreover, it influences economic growth, patterns of trade, income distribution, and the distribution of political power within and between countries. Thousands of Pacific workers migrate for temporary work under the Pacific-Australia Labour Mobility (PALM) scheme in Australia either for the Seasonal Worker Programme (SWP) and the Pacific Labour Scheme (PLS) (DFAT 2022). The schemes provide seasonal low-skilled employment for up to nine months per year, and semi-skilled jobs for between one and three years as well as the Recognized Seasonal Employers scheme in New Zealand. With so much human capital being lost by the respective economies, it is a reasonable assumption that it will have an impact on their economies. The size of the population of some of these economies and therefore the number of workers within the suitable age bracket that could provide productive services in their economy, that are employed under these schemes, makes these numbers quite material. The opportunity cost to the sending economies may also be an area of research that could be considered in the future.

The number of workers migrating and being employed under the seasonal workers scheme, the number of people emigrating out of the economies may be readily available. What may not be readily available is the aggregate loss of skills set, occupations and required list of workers vacancies because of the labor losses. Statistics like the labor force records that are replenished or need to be replenished, the records of skills, occupations and shortages that exist is not something that is readily available within the Pacific region for various reasons. Besides this, the largest suppliers to the

RSE workforce have been Vanuatu (38%), Tonga (19%), and Samoa (16%), along with the combined supply from Asian countries especially Indonesia, Malaysia, and Thailand, comprising 18% (Gibson and Bailey 2021). The loss of labor from the labor force, especially if it happens to be trained workers, would have a significant impact on the productivity and aggregate economic output regardless of the level of development of that nation. Although the official intent and purposes of the RSE, PLS, PALM and SWP schemes have been to target and recruit the unemployed from the region, there are confirmations that some skilled and employed staff are being lost in the process (Yemoh and Yemoh 2022). The motivations are the comparative remuneration between the work that they will have to provide overseas and the work they do in their own country. With a much higher wage from working overseas, it becomes easier to leave the home workforce. Those who could also potentially be involved in the informal sector or be involved in creating other entrepreneurial ventures are lost to the schemes.

In many of the economies within the Pacific region, the labor markets are still undergoing developments. There is a lower number of recruitment agencies, or recruitment service providers whilst many of the other labor market participants that are found in many of the developed economies are yet to be created. Much of the recruitment, search and selection of workers are done by a comparatively smaller number of agents, whilst in some cases social media and personal networking is the main medium of finding suitable employment or workers (Yemoh 2022). Although it could be argued that the relative size of the economies and labor markets do not warrant such labor market participants, another reasonable argument that could be put forth is that the state, quality, and level of development within the Pacific labor market may be explained by the limited number of these participants. There are also a limited number of government departments that do not only keep some of the vital records of workers who have been employed under the migration schemes but who are also actively undertaking steps to ensure that labor that is lost is replenished in the economy. This would be in addition to the designing and recruitment of prospective learners from a very early age to ensure that skills and labor is not lost.

Keeping an eye on the workers' losses may also lead to a stronger recruitment policy at grassroots level to ensure some occupations are not killed off. For example, Australia provides a list of jobs that are in short supply every year. The recent list suggests that General practitioners and registered nurses remain on the list (Martin 2022). From the most recent published circulation in 2022, of the top 50 in-demand jobs for the Australia labor market, the five most in-demand workers are registered nurses, software and applications programmers, aged, disabled and child carers and construction managers. From the same report, Australia's National Skills Commission's annual update suggested that there are 286 occupations with national shortages on the skills priority list.

Such data when provided in the Pacific region could shape many of the policies including having an impact on the training, education, and skills development plans in the economies. Any gradual loss of skills, occupation and labor markets participants do and will have a short-medium term impact and ultimately a long-term impact on the workforce and their productivity. A reduction in aggregate supply of workers will further have an impact on the wages and remuneration structure of the labor market as well.

### III. THE LONG-TERM REALITY OF MIGRATIONS ON SOCIETY AND ECONOMY

Any of the forms of migration which the Pacific region faces, exposes the economies to loss of workers. In the short term, this loss of labor is affecting the cost of labour, the quality of labor in the labor pool, the loss of occupations, skills and trained workers. With no confirmed records of an active replacement strategy or system in place, the region may have to consider a long-term effect from such losses. Such impact will include impact on the industries, communities, markets, and the economy as a whole. The impact will also include associated societal problems because of the absence of some key family figures, economic problems and long-term reality of permanent migrations by the workers and their families.

The reasonable expectation is that in the long run, there could be a loss of certain professions like tradies, or semi-skilled workers. Without an Australian equivalent of the National Skills Commission, it is probable that the composition of the losses will not be known. Reasonable estimates and other data may thus be relied on for policy formation and analysis. Fifty percent of the workers in the hospitality industry have reportedly been lost to the seasonal worker schemes in Samoa, in addition to more nurses and more tourism workers among the latest groups to join the exodus (Hald 2022). What is significant is that most of the workers lost to the scheme are not expected to return in the short term and should they prove themselves to be good workers, may potentially continue working under the scheme. They may therefore be lost from the labor force in their home country for an undetermined period to the foreseeable future. Also, the trend of the scheme from the start of the scheme has only known an increase. Thus, more and more workers from the Pacific region will reasonably be expected to be recruited into these schemes. In the long run, a lot more of the suitable workers and workers within the most productive years of their life which could have been engaged in the agrarian based economies will be lost to the schemes and only available to their home economies after they reach the age of 40 years. If anyone is to take a cue from the recruitment requirements under the seasonal workers scheme, the best age range for workers to be engaged in the type of sectors that they recruit for is within the ages of 18 and 40 during which they are not available to contribute to their own economies.

Statistically, there's a larger informal sector in many of the emerging economies within the Pacific, which already imply a material section of the workforce without structured work contracts and income (ILO 2022). The informal economy within the Pacific region does constitute a significant portion of the labor force, such that many are technically classified as unemployed. This then makes them suitable and liable candidates and open to these migration schemes and similar opportunities for the temporary workers schemes. Although they may be classified as unemployed, they may be engaged in activities that may be providing informal wages for their households. Although it is hard to quantify or generalize the nature of informal work engagements, it does provide some level of socio-economic benefits to all levels of the economy. This is irrespective of the limited protection for the workers, occupational health and safety conditions or absence of social benefits. One of the alternatives available for those who are suitable is the Australian labor market that has a regulatory framework governing workplace relation that imposes a range of worker protections through equality laws, occupational health and safety principles, dispute settlement procedures and trade union involvement (MacDermott and Opeskin 2010). Whilst, exploration, trade, social reasons, as well as economic reasons have been noted to be the main drivers for Pacific Islanders migrating (Parker 2022), unregulated migration will have material implications for the states, civil society, and on the balance of security and domestic stability.

The current schemes running in the Pacific treat labor as a factor of production that can be consumed, distributed, removed, relocated, or exchanged if they are classified as unemployed in their country of origin (Yates 2011). This further allows the easy movement of labor in and out of the region. The absence of the system that monitors and regulates the number of skills, occupations and labor force within the region also allows for the unrestricted flow of workers. If records are not being kept and no active recruitment for replacements are being regularly effected, the effects will soon be felt. Many economies that do not even have such schemes that allow for the losses of workers from their workforce are reporting an increase in vacancies in certain occupations and professions. For example, a 2022 report on the Australian job market suggests that skilled trades are in highest demand with a resulting effect of pushing up wages and making it more expensive to build and renovate client's homes (Bakan 2022). The demand for electricians, laborer's, and automotive workers is expected to continue until 2023 due to new projects and the clearing of Covid-19 created backlogs. Having such labor market developed systems has allowed such significant research figures to be provided which then allows for appropriate solutions to be acted on. If such a relatively developed economy without an official scheme of losing workers to other economies faces labor shortage in some occupations, it will be a reasonable expectation that economies that are increasing the loss of workers will also be facing similar issues. However, this will only be realised and acted

upon when similar labor market systems are developed and used.

The labor force of an economy changes naturally through the birth and deaths within the economy. However, some unnatural movements also do impact the available workforce like the various forms of migration. When the migration is temporal or permanent regardless of the associated remittances that are generated, it still has an impact on the quality and quantity of workers available. With the current temporary scheme running in the Pacific region, the younger islanders are being introduced to earning wages that is above what they are and will be earning in their home economies as they get the opportunity to work overseas. Having tasted and earned such higher wages, presents a challenge for those who may have to return to a materially lower wage home. Some may prefer to only work under the scheme instead of returning to the workforce in their home country. After some time of not working in their home economy, they may face the inertia of returning to work again. This a significant loss as circular migrant workers under the Australia's Seasonal Worker Programme (SWP) have been found to possess knowledge, skills, expertise, technological capabilities, productivity inducing and specific exposure, that is transferred through the international migration and implicitly lost to their home economies (Dun, Klocker, and Head 2018). This will not only be limited to agriculture but in every industry where trained and skilled worker may be lost from their originating economies through to the receiving countries. The workers who may already have experience from their originating economy are suggested to be knowledge holders instead of being not 'unskilled' or 'low-skilled' labourers. All such wealth of skills, knowledge, attitude, experience, and expertise from the various industries they are recruited from will be lost after the cost of providing them in the first place by their economies.

Finally, the labor consumption profile and economic development model of the Pacific region is like other regions. Economic growth is a function of Government spending, investment, balance of payments, and consumption. Aggregate consumption is driven by entrepreneurship that also depends on the quality and quantity of the labor force. The wealth of labor available to the Pacific region is shaping entrepreneurship, business decisions, business developments, the constraints and requirements for entrepreneurship, the ability to operate businesses or expand businesses in the region. As such, the potential loss of labor and its impact to the participating economies and the impact on wages will be felt in the quality and quantity of labor available for local production, the goods and services available within the economies, and the volume of consumption in the economies. As aggregate consumption decreases, the firms and businesses that provide the goods and services also receive a reduction in their aggregate revenue. There are also material replacement costs for the losses of labor to keep businesses in operation.

## VI. CONCLUSIONS

The New Zealand Government has announced an increase of 3000 places for the Recognized Seasonal Employer (RSE) scheme which brings the total number of RSE workers allowed in the country per year to 19,000(Nath 2022). The Seasonal Worker Programme now attracts a significant number of workers each year from the Pacific and Timor-Leste to Australia to work on Australian farms. The size of the population of some of these economies and therefore the number of workers within the suitable age bracket that could provide productive services in their economy, that are employed under these schemes, makes these numbers quite material. The loss of labor input is having an impact on entrepreneurship within the emerging Pacific Island Countries and Territories. Some of the pertinent questions raised includes how many of these aggregate losses are recorded, how many of the participating economies are keeping records of the skills and occupations that are being lost in the process? Within the same region, Australia keeps a record and responds with caps or limits and has a system of recruitments of various skills, occupations, and unskilled workers to ensure they keep a certain skill set in the country. This normally comes from a well-structured and efficient labor market that places value on the productive qualities of her trained workforce. To do this, a set of skills that are pre-determined as vital for the development, and growth of the economy is first defined and serves as the basis for the recruitment.

It may be necessary to take a cue from what the developed economies are doing, to understand why they are recruiting, and to understand how much is being gained by the recruiters on aggregate for the recruitment of the workers compared to how much is being lost by exchanging the workforce for remittances. This will lead to an effective labor economic policy (McConnell and Brue (2017)). The opportunity cost to the sending economies continues to be an area of research that could be considered in the future.

## REFERENCES

- [1] Ainsworth Susan and Purss Alice, 2009, Same time, next year?: Human resource management and seasonal workers, *Personnel Review* 38(3):217-235, DOI: 10.1108/00483480910943304
- [2] Bakan Sezen, 2022, Construction industry 'desperate' for tradies, <https://thenewdaily.com.au/finance/work/2022/04/13/construction-tradies-jobs/>, accessed 26 October 2022
- [3] Bedford Charlotte and Bedford Richard, 2021, Recognised Seasonal Employer (RSE) Scheme Country Reports, 2021 KIRIBATI, The University of Waikato, DOI: 10.13140/RG.2.2.30673.86887
- [4] Bedford Richard, 2021, Recruitment for the RSE Scheme, 2020/21: An exceptional year, DOI: 10.13140/RG.2.2.18142.36164
- [5] Chatter, P., 2019, Beyond development impact: gender and care in the Pacific Seasonal Worker Programme. *Gender & Development*, 27(1), 49-65.
- [6] Chiswick, B., & Hatton, T. J., 2003, International migration and the integration of labor markets. In *Globalization in historical perspective* (pp. 65-120). University of Chicago Press.
- [7] DFAT, 2022, Pacific Labour Mobility, <https://www.dfat.gov.au/geo/pacific/engagement/pacific-labour-mobility>, accessed 25 October 2022
- [8] Dun, O., Klocker, N., & Head, L., 2018, Recognising knowledge transfers in 'unskilled' and 'low-skilled' international migration: insights from Pacific Island seasonal workers in rural Australia. *Asia Pacific Viewpoint*, 59(3), 276-292.
- [9] Ericsson Birgitta, Overvåg Kjell, and Möller Cecilia, 2020, Seasonal Workers as Innovation Triggers, *Tourism Employment in Nordic Countries*, DOI: 10.1007/978-3-030-47813-1\_12
- [10] Fatupaito et al, 2021, Samoas New Labour Trade, *Journal of Samoan Studies*, 2021/10, Vol11, No1
- [11] Gani, A., & Daulay, Z. R., 2021, Maximizing Income Through Capital, Raw Materials, Labor and Production. *International Journal of Science, Technology & Management*, 2(4), 1058-1065.
- [12] Gibson John and Bailey Rochelle-Lee, 2021, Seasonal Labor Mobility in the Pacific: Past Impacts, Future Prospects
- [13] Hald Fuimaono Lumepa, 2022, More nurses, tourism workers join exodus, Samoa observer, <https://www.samoobserver.ws/category/samoa/100204>, accessed 18 October 2022
- [14] ILO, 2022, Informal economy in Asia and the Pacific, <https://www.ilo.org/asia/areas/informal-economy/lang--en/index.htm>, accessed 26 October 2022

- [15] MacDermott, T., & Opeskin, B. (2010). Regulating Pacific seasonal labour in Australia. *Pacific Affairs*, 83(2), 283-305.
- [16] Martin Sarah, 2022, Occupations facing skills shortages in Australia almost doubled in past year, The Guardian, <https://www.theguardian.com/australia-news/2022/oct/06/staggering-occupations-facing-skills-shortages-in-australia-almost-doubled-in-past-year>, accessed 25 October 2022
- [17] McConnell, C. R., and Brue, S., 2017, *Contemporary labor economics*. McGraw-Hill Education.
- [18] Nath Rachael, 2022, Vanuatu concerned about labour drain from expanded RSE scheme, RNZ 2022, <https://www.rnz.co.nz/international/pacific-news/475900>, accessed 26 October 2022,
- [19] Parker Rita, 2018, Unregulated population migration and other future drivers of instability in the Pacific, Lowy Institute, <https://www.lowyinstitute.org/publications/unregulated-population-migration-other-future-drivers-instability-pacific>, accessed 25 October 2022
- [20] Ramasamy, S., Krishnan, V., Bedford, R., & Bedford, C. (2019). The Recognised Seasonal Employer policy: seeking the elusive triple wins for development through international migration
- [21] Stahl Charles, and Appleyard Reginald, 2007, *Migration and Development in the Pacific Islands: Lessons from the New Zealand Experience*
- [22] Tilo Dexter, 2022, New Zealand to welcome 3,000 more seasonal workers, <https://www.hcamag.com/nz/specialisation/recruitment/new-zealand-to-welcome-3000-more-seasonal-workers/421992>, accessed 26 October 2022
- [23] UN, 2011, *Pacific Markets and Market Vendors Evidence, Data and Knowledge in Pacific Island Countries*, Pacific Sub-Regional Office, Suva, Fiji
- [24] UNESCAP, 2006, *Economic and Social Survey of Asia and the Pacific 2006*, <https://www.unescap.org/sites/default/files/11-sv06-chap2-PIC.pdf>, accessed 25 October 2022
- [25] Wu Annie Yuan Cih, 2021, Migration, family and networks: Timorese seasonal workers' social support in Australia, *Asia Pacific Viewpoint*, DOI: 10.1111/apv.12308
- [26] Yates, M., 2011, The human-as-waste, the labor theory of value and disposability in contemporary capitalism. *Antipode*, 43(5), 1679-1695.
- [27] Yemoh Michael, and Yemoh Vicky, 2022, Participating Pacific Island Nations in Temporary Overseas Work Schemes; Facing Labor Market Disruptions and Productivity Opportunity Cost, *International Journal of Business Diplomacy and Economy*, ISSN: 2833-7468, Volume 1, No 3
- [28] Yemoh Michael, 2022, SEASONAL WORKERS RECRUITMENT IN THE PACIFIC; LABOR MARKET IMPACT ON NON-AGRICULTURAL PRIVATE BUSINESSES IN SAMOA, *Rajasthali Journal*, Vol. 2, Issue 1, October-December, 2022, Pages 45-54, DOI:- <https://doi-ds.org/doilink/10.2022-65845865/Rajasthali.v2.i1.06>