

Situational Analysis of Employment in Nauru



This report has been produced as part of the Pacific Climate Change and Migration (PCCM) Project entitled, 'Enhancing the Capacity of Pacific Island Countries to Manage the Impacts of Climate Change on Migration'. The PCCM Project is a three year project (2013-2016) funded by the European Union and implemented by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the International Labour Organization (ILO) and the United Nations Development Programme (UNDP).

The vision of the project is to:

- To increase protection of individuals and communities that are vulnerable to climate change displacement and migration through targeted national and regional policies; and
- To increase labour mobility opportunities for Pacific Islanders, through well-managed labour migration schemes.

The Project covers the Federated States of Micronesia, Fiji, Kiribati, Nauru, Republic of Marshall Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. In the 'target countries' of Kiribati, Tuvalu and Nauru the Project will have national actions aimed at institutional strengthening through developing migration indicators and sharing of information on labour migration; gathering data on community attitudes to climate change induced migration; assisting with the development of climate change responses and national action strategies to mitigate the risk of displacement; and enhancing national capacity to effectively participate in regional, bilateral and global schemes on labour migration.

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First published 2015

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SITUATIONAL ANALYSIS OF EMPLOYMENT IN NAURU

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Publication prepared by the
International Labour Organization
Office for Pacific Island Countries

53 pages

ISBN:

978-92-2-130423-4 (print)

978-92-2-130424-1 (web pdf)

national employment / labour migration / Nauru / Pacific

ILO Cataloguing in Publication Data

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This publication has been produced as an input for the Pacific Climate Change and Migration Project with the support from the European Union. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) or any other organization of the United Nations system.

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Acronyms used

ADB	Asian Development Bank
AHRI	Australian Human Resource Institute
AMU	Aid Management Unit
APTC	Australian Pacific Technical College
DFAT	Department of Foreign Affairs and Trade (Australia)
EEZ	Exclusive Economic Zone
EU	European Union
FAD	Fish Aggregating Device
FAO	UN Food and Agriculture Organization
GDP	Gross Domestic Product
GIO	Government Information Office
HIES	Household and Expenditure Survey
ILO	International Labour Organization
IMF	International Monetary Fund
MOU	Memorandum of Understanding
MBIE	Ministry of Business, Innovation and Enterprise (NZ)
MCIE	Ministry of Commerce, Industry and Environment
MoF	Ministry of Finance (RoN)
NCBO	Nauru Community Based Organization
NSDS	National Sustainable Development Strategy
NBS	Nauru Bureau of Statistics
NDF	National Development Framework
NEDC	Nauru Entrepreneurship Development Centre
NEP	National Employment Policy
NFMRA	Nauru Fisheries and Marine Resources Authority
NPBSO	Nauru Private Business Sector Organization
NPRT	Nauru Phosphate Royalties Trust
NRC	Nauru Rehabilitation Corporation
NSA	Non State Actors
NSS	National Secondary School
NVTC	Nauru Vocational Training Centre
NZ	New Zealand
PCCM	Pacific Climate Change and Migration
PIC	Pacific Island Country
PIF	Pacific Islands Forum
PIPSO	Pacific Island Private Sector Organization
PSIDS	Pacific Small Island Developing State
RoN	Republic of Nauru
RSE	Recognised Seasonal Employer
SME	Small and micro enterprise
SOE	State-owned Enterprise
SPC	Secretariat of the Pacific Community
SWP	Seasonal Worker Program
SWPC	Seasonal Worker Program Committee
TSA	Transfield Services Australia
TVET	Technical and Vocational Education and Training
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USP	University of the South Pacific
VDS	Vessel Day Scheme
WRP	Work-ready Pool

Note: All currency is Australian dollars unless otherwise specified.

Executive summary

The Republic of Nauru faces acute economic, social, and environmental challenges. The rapid decline of phosphate production, which delivered prosperity in the period following independence, and a simultaneous collapse of the national investment fund led to hardship and heavy dependence on overseas aid. Agricultural production is negligible, contributing to chronic health problems.

The economy emerged from crisis with the re-opening in 2012 of the Australian-funded Regional Processing Centre (RPC). There is also strong growth in fisheries income due to a new licensing scheme, and revenue diversification with new customs duties and taxes. However there is still massive public debt; an under-developed transport and utilities infrastructure; and a lack of technical and vocational education and training (TVET) which limits employment growth.

Notwithstanding recent problems, there is little outward migration but there is a strong likelihood of population displacement due to economic risk compounded by the effects of climate change.

The government has thus developed plans to support its citizens in obtaining decent work, under the overall framework of a National Sustainable Development Strategy (NSDS).

Economy, employment and labour market

The economic crisis exposed a lack of investment in alternative industries, human capital and the environment. Recent growth is predicated on the RPC, and supported by foreign aid, which are politically contingent. The private sector is particularly under-developed.

Many households continue to benefit from economic rents, which has constrained engagement in education and employment in the past. Nauru has a young population with a rapidly expanding working age cohort. Education is improving following reforms though there remain severe limitations in TVET.

Employment regulation and policy framework

There is little employment law. There are general commitments to freedom of association under the Constitution and certain employment rights granted by a Workers (Contract of Service) Act 1922 though these have not been given effect. The most significant employment-related legislation is the Public Service Act 1998, which is under review.

There is no law restricting the movement of Nauruan workers out of or into the country, nor governing employment of workers overseas, notwithstanding recent participation in the seasonal work programs of Australia and NZ.

Employment policy is shaped by the NSDS which has five long-term goals relating to stable and fiscally-responsible government; enhanced social, infrastructure and utilities services; economic diversification; land rehabilitation and development of domestic food production. Private sector employment growth is an important concern. A National Employment Policy (NEP) would help specify and coordinate the objectives, process and outcomes of the NSDS in terms of sustainable decent work.

Employment challenges and opportunities

Nauru is structurally constrained by its small size, isolation, and capacity limitations. Key challenges involve economic diversification; improvements in energy, water and transport (especially the port); and upskilling through education and training.

Employment is dominated by the public service, the RPC and the state-owned enterprises (SOEs). In the public service, the focus is on improved labour utilisation through training and management development, and in health and education the need to develop local skills capacity. An important employment concern for the RPC is the quality as well as number of jobs in order to provide a legacy of skills and qualifications for local employees. The most potential for jobs growth within the current employment path lies in the SOEs due to the need for land rehabilitation and infrastructure investment. Reform of SOE governance to introduce greater managerial independence and commercialisation could also promote employment growth.

The economy is at high medium-term risk due to reliance on the RPC and aid donors for revenues and employment. Many of the options available to other PICs, such as tourism and fish processing, are available to Nauru only as niche industries due to its size, isolation and competition from already established operations. The most immediate source of employment diversification is activities complementary to mining and rehabilitation, such as the production of dolomite tiles and food production. This is however complicated by land tenure issues. The private sector remains small but the re-introduction of banking will help support growth, as would better support for micro-business start-ups.

Employment growth is also constrained by skills supply and TVET is under-resourced. Systemic problems include a long-term lack of qualified instructors and poor equipment; limited connection to employers' needs; a lack of quality assurance standards and accreditation of learning; and low student demand. This is compounded by a lack of an overall policy framework.

Participation in the Australian and New Zealand seasonal work schemes offers potential for the accumulation of skills and capital. This needs further support, for example in terms of re-integration training, and more effective oversight.

The development and evaluation of social and employment policy needs to be better informed by evidence, including demographic and employment data. A series of labour force and business surveys is planned to commence in 2017.

Recommendations

National Employment Policy: There is a need for a NEP to prioritise, coordinate and evaluate employment-generation initiatives within the broader context of the NSDS and a NEP Committee to ensure effective policy development, implementation and review.

Job creation: There is a need to investigate and develop alternative means to support employment and economic growth. A business feasibility study undertaken within the NEP is required to assess employment diversification and related matters such as stimulating domestic food production and supporting small business start-ups.

Upskilling: The provision of TVET needs to be expanded and mainstreamed in the NSS, by dedicated facilities for adult learning, and ensuring closer integration with employer-provided training. Further work is required in the accreditation of prior learning, especially in the public sector, to encourage participation in TVET; to ensure that workers in the RPC accumulate accredited skills; and that aid projects most effectively upskill local workers.

SOEs: There is a need for continued investment in energy, water and transport infrastructure and land rehabilitation. This will support employment and skills development,

which would be further stimulated by greater operational and financial independence and a systematic review of job grades, training needs and workforce planning.

Employment Regulation: There is a need to complete the review of Public Service Act and to consider advisory Codes of Practice to promote management objectivity, fairness and efficiency. A basic framework of employment law covering the private sector would clarify the rights and obligations of the parties and contribute to jobs growth by making work more attractive. Self-regulation in the emerging private sector would also be encouraged by the provision of information and advice and the participation of legitimate private sector representatives in the NEP process.

Labour mobility: Seasonal work provides opportunities for income and skills development, and needs to be supported by effective oversight arrangements in terms of relevant legislation, a migration policy embedded in the NEP, and a functioning Seasonal Work Committee. Reintegration training would maximise accrued knowledge, skills and savings.

Labour market analysis: New labour force and business surveys are needed for policy planning and evaluation. The NBS needs to be involved in the NEP and supported in its coordination activities with other departments.

1. Introduction

Nauru is a single coral island with an area of 21km² (15km in circumference) located 53km south of the equator in Micronesia. It is the world's smallest independent state, after Vatican City and Monaco. The island is largely flat, with a highest elevation of 71m, and its population of just over 10,000 almost exclusively inhabit urban coastal areas. This is due in most part to the effects of intensive phosphate mining of the interior.

The Republic of Nauru (RoN) faces acute social, environmental and economic challenges. Fundamentally, the economic base is narrow and unpredictable. A heavy dependence on phosphate mining delivered great wealth for a time, supporting substantial population growth and social welfare, but these reserves are now almost exhausted and revenues subject to the volatilities of global markets. The rapid depletion of reserves provoked an economic crisis as the country entered the 21st century, which led to hardship and dependence on overseas aid. The legacy of mining also means that agricultural production is negligible, which contributes to chronic health problems.

The economy emerged from crisis in recent years. Strong growth in fisheries income was delivered by active management of a new licensing scheme, though this is now at capacity in terms of allocated quota vessel days. Most significant was the re-opening of the Regional Processing Centre (RPC) for asylum seekers and refugees which is funded by the Australian government. Nauru's participation in Australia's so-called 'Pacific Solution' policy, which involves the processing of its asylum seekers in partner countries, began in 2001. The RPC closed in 2008 but reopened in 2012 following changes of government in Australia. The re-opening generated huge investment and employment growth but the RPC is increasingly controversial and fundamentally contingent on political developments overseas.¹

The RoN government has been judicious in using a relatively strong income stream to pay down debt and recommence trust fund investments for the future. However it remains highly dependent on aid to support its core activities. Nauru is the highest recipient of aid of any Pacific Island Country (PIC) as a proportion of Gross Domestic Product (GDP).² Australia is its most significant donor partner, contributing approximately 20 per cent of domestic revenue, or \$25.9m in 2013-14.³ This includes meeting around 45% of the Ministry of Education budget and 40% of the operating budget of the Ministry for Health.⁴ Other significant donors include Taiwan and Russia, at \$9m and \$4.2m respectively in 2012-13.⁵ New Zealand (NZ) provides NZ\$1.2 million in annual aid funding for Nauru's Justice Department, which has been brought into question following recent controversies including the expulsion of the Chief Magistrate and arrest of Members of Parliament (MPs).⁶ This general reliance on aid is a further risk factor.

Outstanding economic challenges include an under-developed port, transport and utilities infrastructure.⁷ There are also serious social challenges relating to health and education. The country has one of the world's highest rates of obesity and non-communicable disease, and limited access to safe drinking water means that Nauru has one of the highest rates of diarrhoea and other water-borne diseases in the Pacific region.⁸ Life expectancy is exceptionally low at 58 and 63 for males and females respectively.⁹ Education outcomes have improved significantly in recent years but remain below international standards, and

¹ Moss, 2015, Mathiesen, 2014, Farrell and Doherty, 2015

² ADB, 2014

³ <http://dfat.gov.au/geo/nauru/development-assistance/Pages/development-assistance-in-nauru.aspx>

⁴ DFAT 2015

⁵ Kun, 2012

⁶ Trevett, 2015.

⁷ MoF, 2014b

⁸ MCIE, 2011: i

⁹ RoN 2013

there is in particular inadequate provision of technical and vocational education and training (TVET).

Notwithstanding the economic problems of recent decades, there has been little outward migration. There is no tradition of temporary or permanent migration from Nauru, unlike in many other PICs. However there is a strong likelihood of future population displacement due to economic risk compounded by the effects of climate change. This includes more frequent and extended periods of drought and the impact of rising sea levels. While Nauru is a raised atoll, the majority of the population and much of its infrastructure is located on a narrow coastal strip due to the impact of mining on the central plateau.

The Government of Nauru has developed a series of strategies and plans to support its citizens in obtaining decent work, under the overall framework of a National Sustainable Development Strategy (NSDS). Recently, this has included technical support under the three-year (2013-2016) Pacific Climate Change and Migration (PCCM) Project. The PCCM is funded by the European Union (EU) and involves the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the International Labour Organization (ILO) and the United Nations Development Programme (UNDP). Its vision is to increase

- 'protection of individuals and communities that are vulnerable to climate change displacement and migration through targeted national and regional policies', and
- 'labour mobility opportunities for Pacific Islanders, through well-managed labour migration schemes'.

This also links to the wider generation of sustainable decent work opportunities in the domestic economy, which migration can support. In this sense 'migration is a labour mobility and decent work issue'.¹⁰

Within this context, the objectives of this Situational Analysis are to:

- review the principal economic and labour market challenges facing Nauru in terms of generating sustainable employment within the country and overseas, and
- identify areas for government strategic planning and interventions to promote effective support for employment growth under the overall framework of a National Employment Policy (NEP).

The report is based on analysis of an extensive source of documentary material (annex 1) combined with a series of stakeholder interviews conducted in April 2015 (annex 2). The following sections provide an overview of the economy, employment and labour market context; the legal and policy framework governing employment; and challenges and opportunities in sustaining decent work. It concludes with recommendations relating to the promotion of decent work and considerations relevant to the development of a NEP for Nauru.

¹⁰ ILO, 2012a: 75

2. Overview of economy, employment and labour market context

2.1 Economy

Historic context

Nauru is both a very old and very young country, being settled some three thousand years ago but gaining independence as a nation only in 1968. It was unusually isolated prior to colonisation in the late nineteenth century, a feature of its small size and remoteness, with strong westerly currents that limited exploration.

The land sustained a number of small coastal communities organised into twelve tribes sharing a unique language. Until relatively recently, villagers lived a subsistence lifestyle based on fishing and hunter-gathering.¹¹ The central plateau provided a rich harvest, as described by the Commission appointed to investigate its post-mining rehabilitation:¹²

The plateau was well covered with a mature forest of tomano, wild almond, native hibiscus and other indigenous trees... Coconut palms and pandanus grew on the plateau - generally where planted by the people. Coconut palms thrived in the lower levels of the Buada Lagoon area as also did mango and breadfruit trees. Noddy birds, terns and frigate birds utilised the trees for nesting, roosting and food and were there in considerable number. The land was easily accessible and pleasant to walk over. The Nauruans, who lived on the coastal plain, used the plateau as a source of many of their essential supplies: timber for canoes; palm fronds and pandanus leaves for hut building; timber to make tools, weapons and furniture; materials for clothing; fishing lines, etc. Nuts from the tomano trees were collected and crushed for oil to burn for light, almond nuts were collected for food. Other berries, nuts etc. were collected for food or medicine. The Nauruans prize the noddy as a great delicacy and hunting parties sought them in the tomano forests. Of particular significance were the pandanus groves. Pandanus were and still are highly esteemed as a source of food. The leaves were used for many purposes including clothing, ground mats, and for roof thatching. Woven into wall sheets they provided wind and rain protection in their huts etc. When the fruit was ripe the Nauruans moved up onto the plateau in large parties and lived there for long periods, picking the fruit, extracting and cooking the edible jelly and preserving food for the coming lean season.

Sporadic contact with Europeans through the nineteenth century eventually culminated with Germany annexing Nauru in 1888 for copra exports. This was conducted by force but the indigenous population saw some relief from a ten-year tribal conflict fuelled by the introduction of guns and alcohol by traders. A British company then discovered phosphate at the end of the century and mining profits were subsequently shared between Britain and Germany until the First World War. Following the defeat of Germany, the League of Nations granted a joint mandate over Nauru to Australia, Great Britain and NZ. Phosphate exploitation intensified and Nauruans were paid royalties for the mining of their lands. These returns were miniscule compared with the actual value of the phosphate exports, but it covered basic needs and allowed that few indigenous people worked in the mining industry. By 1940 the population comprised 1,761 Nauruans, 1,350 Chinese (mainly mine labourers), 192 Europeans and 49 Pacific Islanders.¹³

With the onset of World War Two the Japanese occupied Nauru between 1942 and 1945, during which time the population declined significantly due to deportation and hardship. Some 1200 Nauruans were evacuated to Truk (or Chuuk, now one of the four Federated States of Micronesia) to work as forced labour at the Japanese naval base, where they

¹¹ Daniel and Gowdy, 2000

¹² Weeramantry Commission, 1988, vol.5, pp.1032-1033

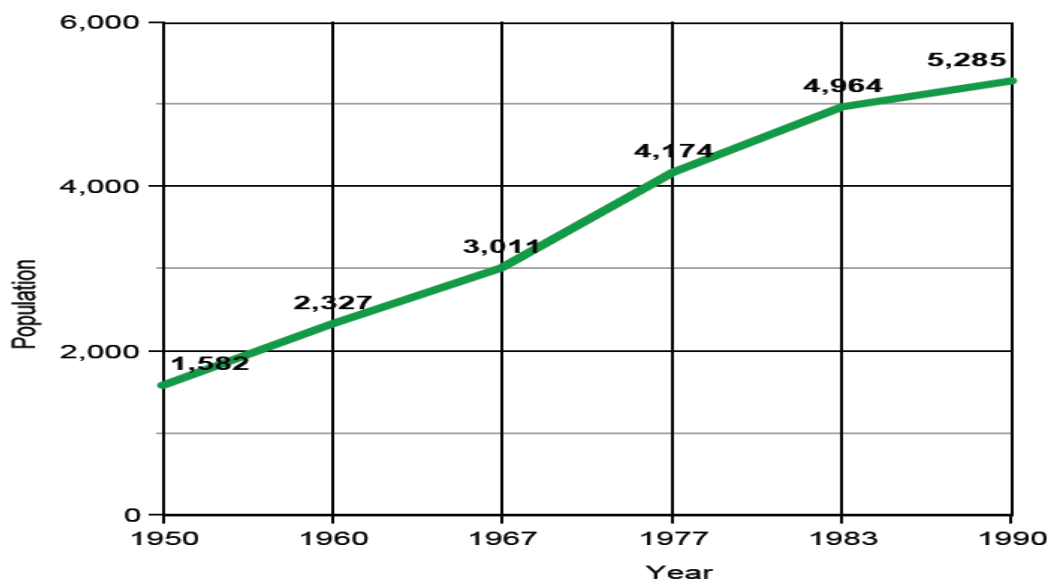
¹³ Viviani, 1970: 181

suffered from a lack of food and disease. Fewer than 800 returned at the end of the war to a land that had been heavily bombed by the Allies.

Following the war, Nauru was made an Australian trust territory by the United Nations (UN). This meant that Britain and Australia continued to benefit most from the exploitation of Nauru's phosphate resource; by 1963 Australian farmers paid a third of the world price for Nauru phosphate.¹⁴ Hammer DeRoburt, Head Chief and leader of the Local Government Council, secured assistance from the Australian Congress of Trade Unions to help provide a greater share of phosphate revenues for Nauruans. Subsequent negotiations with the three powers of Australia, UK, NZ increased the price received to world market levels (from around 10 to 30 shillings per ton), with the balance paid into communal trust funds.

The Nauruan population, which historically fluctuated between 1000 and 1500 people, grew substantially in the post-war years (figure 1). This placed growing pressure on a land resource that was increasingly destroyed by mining. The removal of the Banabans from Ocean Island, following a similar process of exhaustive phosphate mining, raised the prospect of eventual Nauruan migration to Australian territories. Instead, DeRoburt pursued independence which was achieved in 1968, and the phosphate mine was nationalised at the cost of \$20m in compensation. This proved to be a prescient investment given a subsequent rise in phosphate prices which peaked at US\$68 per ton in 1975.

Figure 1. Indigenous population, 1950-1990¹⁵



Independence

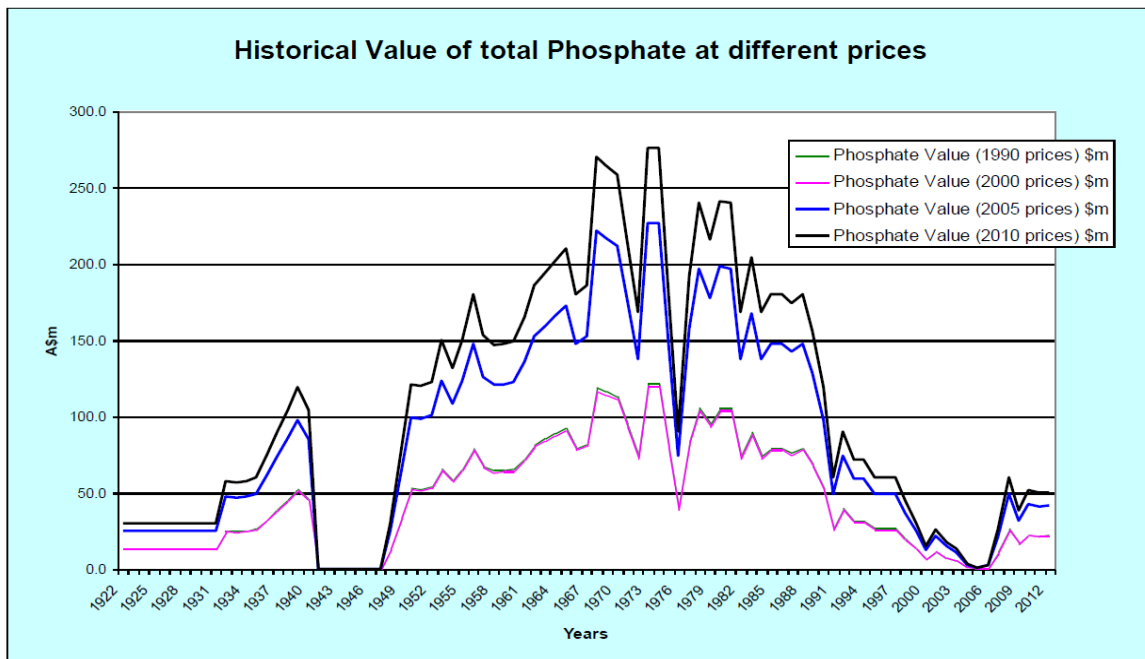
The mining boom lasted for 20 years. Annual volumes of phosphate rock production averaged around 1m tonnes per annum from 1968 but suddenly declined in 1999, reaching 266,000 tonnes in 2001 and a low of 11,000 tonnes in 2005.¹⁶ Revenues, which were also determined by world commodity prices for phosphate exports (priced in US\$), peaked in the mid-1970s and went into steep decline in 1990 (figure 2).

¹⁴ Hughes, 2004

¹⁵ Census data, 1990 estimate. Source: ICJ 1992: 89

¹⁶ Jasinski, 2006

Figure 2. Phosphate values 1922-2012.¹⁷



Lower world demand and falling prices combined with exhaustion of reserves meant that phosphate revenues in 2001 were only 5% of 1974 levels.¹⁸ Over the next few years mining virtually ceased, before resuming in 2008. Today, 'secondary mining' of the more difficult to reach (and therefore more costly to extract) deposits contributes around \$50m in annual revenues to the state and the state-owned enterprises (SOEs) involved in the extraction and export process.

On gaining independence, the leadership of the new Republic was fully aware of the finite nature of its primary resource. In the boom years of the 1970s and 1980s the per capita wealth of Nauru was reported to be second only to Saudi Arabia. Throughout this period the government invested heavily in the Nauru Phosphate Royalties Trust (NPRT), established in 1968 to manage the dividends and tax revenues accruing from phosphate mining with a view to providing post-exhaustion income.

However, as mining revenues began to decline in the late 1980s the government, which had sole authority over the investment fund, began to use NPRT assets as collateral for borrowing in order to maintain its expenditure. At one point it withdrew funds directly, demonstrating a fundamental lack of appropriate governance standards. The Fund also suffered major losses as a result of poor investment decisions, mismanagement and fraud. As a result, assets fell from \$1.5bn in 1990 to under \$100m in 2005.¹⁹

Crisis

The rapid decline of mining therefore exposed Nauru to profound economic shock. Households saw a rapid decline in income from royalties. State revenues also collapsed, challenging the welfare model that provided free or heavily subsidised education, healthcare, transport, water, electricity and housing. The budget deficit grew rapidly after 1999 and by 2002 the Bank of Nauru was insolvent. Public debt grew from \$97m in 1988 to \$317m in

¹⁷ MoF, 2013

¹⁸ Connell, 2006: 56

¹⁹ PIF, 2013: 62

1993 and \$1,005m in 2007.²⁰ Public servants and state employees (who accounted for almost all employees in the country) were owed large amounts of pay in arrears and in 2003 a special contribution of \$1.2m was needed from Australia in order to pay Christmas salaries.

By 2004 the crisis was critical, with the state defaulting on loans.²¹ The telecommunications sector was closed in March 2004 for non-payment of fees. The remaining major assets of the NPRT were sold, including the Mercure Hotel in Sydney and the iconic Nauru House in Melbourne. Australia also agreed to provide \$22m in aid for two years as an emergency measure.²² By 2008 unemployment was around 40% and a quarter of the population lived on less than US\$1 a day.²³ The scale of the crisis was indicated by agreement of a Pacific Regional Assistance to Nauru (PRAN) programme. This ran from 2004 until 2009 in order to provide for the coordination of technical assistance and aid.

The crisis clearly revealed the consequences of a lack of alternative employment strategies and human capital deficiencies in Nauru. The DeRoburt governments (which covered most of the period 1968-1989) pursued an essentially rentier approach which presumed that returns from external investments would replace the phosphate revenues, and 'there was little focus on economic planning for a non-phosphate future or on the need for skilled human resources in the short or long term'.²⁴ The lack of broader economic planning was demonstrated by the panicked attempt to develop Nauru as an offshore tax haven in the late 1990s, which yielded relatively little income but attracted international censure for the facilitation of money laundering. Nauru was sanctioned by the G7 Financial Action Task Force in 2001, and US pressure forced the closure of its overseas banking operations in 2003.

Arguably however the more profound problem was insufficient investment in human capital. In the boom years unemployment was an option for many Nauruans, and the benefits of education and a work ethic were devalued. Few students completed high school let alone enter higher education. Skilled workers and professionals such as teachers and nurses were imported, and even semi-skilled positions such as secretaries were commonly filled by other PIC nationals. Those Nauruans employed by the government often demonstrated poor attendance and performance.²⁵ Hence, when many expatriate workers returned home in the crisis years, it was impossible to recruit from within. As one report put it, 'Since 2000, the island had lost managers, lawyers, doctors, engineers, teachers, technical and trades people... The extent of the skills shortages is clearly evident in the education and health sectors'.²⁶

The rapid collapse of mining also meant a severe loss of skills to that industry. Several hundred former phosphate company workers from I-Kiribati and Tuvaluans and their families were repatriated in 2006 after waiting for several years for outstanding wages to be paid. That bill, around US\$3.5m, was met by Taiwan, while another US\$1m from Australia, New Zealand, Kiribati, Tuvalu, Nauru and the European Union paid the costs of shipping the families and their belongings home.²⁷

Overall, the case of Nauru provides an example of the 'resource curse' whereby more or less hidden long-term costs are incurred whilst the often relatively short-term benefits of resource exploitation are enjoyed. These costs include lack of development of alternative

²⁰ ADB 2014: 15

²¹ Connell, 2006

²² Hughes, 2004

²³ European Commission, 2014; purchasing power parity terms

²⁴ Connell, 2006:56

²⁵ Connell, 2006

²⁶ Grundler, 2007: 10

²⁷ <http://www.radionz.co.nz/international/pacific-news/163210/most-tuvaluans-and-i-kiribati-on-nauru-should-be-repatriated-by-end-of-july>; <http://www.radionz.co.nz/international/pacific-news/163965/nauru-to-rehire-some-of-the-hundreds-of-workers-repatriated-to-kiribati-and-tuvalu>

industries, under-investment in human capital, and environmental degradation. Most of Nauru is now unproductive land that cannot be put to alternative use without major and expensive rehabilitation. In contrast to the abundance provided by the central plateau in earlier times, 'early mined-out areas witness a substantial regeneration but owing to the pinnacle proliferation, such land is inaccessible and completely unusable'.²⁸

Return to growth

Nauru and Papua New Guinea (PNG) were the only countries to participate in Australia's offshore refugee management scheme. Under the 'Pacific Solution', Australia excised thousands of islands from its sovereign territory for the purposes of immigration and proceeded to process any asylum seekers arriving by boat abroad. Nauru accepted 310 mainly Afghan asylum seekers off the Norwegian vessel Tampa in 2001, and signed an agreement later in the year to host up to 1200 refugees. This was in return for significant Australian education, health and infrastructure investment.

The RPC closed in 2008 before re-opening in 2012. The new RPC, which had to be re-built following a riot in July 2013, was a larger operation and had a major impact on Nauru's small economy, providing a rapid boost to employment and public revenues. In its first year it provided jobs for over 500 local staff and generated substantial indirect employment - staffing for the SOE Eigu and Central Meridian, the largest local construction firm, increased fourfold and three times respectively.²⁹ It also provided additional revenue streams to the government through mechanisms such as a new long-term business visa for overseas workers and a visa charge of \$1000 per asylum seeker per month, amounting to some \$9m per annum.³⁰ Public revenues grew from \$27m in 2010-11 to \$99m in 2013-14.³¹ The RPC, which now houses 829 asylum seekers (with a further 402 in lodges around the island), employed 922 Nauruans as of January 2015.³²

Other revenue-raising initiatives included Customs duties, which were first introduced in 2006. These revenues grew by \$5.8m in the year to 2013-14 following an increase of \$6.7m on the previous budget, a product of higher duties on alcohol and tobacco as well as an overall increase in economic activity.³³ The government also benefitted from a substantial increase in fishing licence proceeds, rising to \$21m in 2013-14 from around \$10m in the preceding year. Income from sales of phosphate was also expected to increase by 10% to \$57.5m in 2012-13.³⁴

The government also sought to broaden its revenue stream by introducing the country's first income tax in 2014. This was originally envisaged as a 10% tax on all income over \$20,000 per year (or equivalent), but was eventually introduced at the much higher level of \$95,000. Specifically, it is a uniform 10% rate applicable to employment income of over \$8000 per month, \$3690 fortnightly or \$1845 per week. A business income tax is also planned for July 2015.³⁵ On the negative side of the ledger, annual payments connected to an out-of-court settlement for Nauru's compensation claim in the International Court of Justice relating to pre-independence mining ceased in 2013. Australia had agreed to pay \$57m in a lump sum to Nauru in 1993 and make an annual payment of \$2.5m (in real terms) for 20 years. The UK and NZ each contributed a one-off ex gratia payment of \$12 million.³⁶

Liquidation of the defunct Bank of Nauru and the NPRT also provided a boost to the economy. The bank's final debt repayments were delivered from October 2013, providing

²⁸ ICJ 1990: 86-7

²⁹ ADB, 2014

³⁰ Adeang, 2013

³¹ ADB, 2015.

³² President Waqa, Independence Day speech, 21 January 2015. *Mwinen Kō*, 51, Jan 2015, p. 12.

³³ Adeang, 2013

³⁴ Kun, 2012.

³⁵ Adeang, 2014

³⁶ <http://www.mfat.govt.nz/Countries/Pacific/Nauru.php>

\$6m to its thousands of account holders and creditors. The NPRT was placed in receivership in 2004 and liquidated in 2015, with its final holdings of over \$90m distributed to local landowners.³⁷

The turnaround in the fortunes of the economy and state treasury are demonstrated by table 1. Per capita GDP is now US\$6954, which is more than treble the level of 2008 and the third highest of the 15 Pacific Small Island Developing States (PSIDS).³⁸

Table 1. Economic growth and government revenues, 2010-2014³⁹

	2010	2011	2012	2013	2014
GDP per capita, annual change (%)	-11.3	3.8	4.9	4.5	10.0
Government revenues (% GDP)	49.5	62.1	85.4	110.9	141.4

In addition to increased investment in the social and economic infrastructure, the government scheduled much of its increased revenues to repayment of debt, including salary arrears, and placed \$5 million in the new Nauru Intergenerational Trust Fund. Public debt increased from \$9m to \$19.8m in the year to 2013-14, due in large part to further partial payment of owed salaries (\$6m). This subsequently reduced to \$5.6m and was planned to be extinguished within financial year 2014-15.⁴⁰ However Nauru's total outstanding debt amounts to \$869m, or 20 times GDP.⁴¹ The government has developed a debt management strategy based on seeking major remission as well as re-scheduling of this debt.

2.2 Employment and the labour market

Employment

The working age population grew rapidly during the crisis, by some 44% between 2002 and 2011 (table 2). This was the product of a high fertility rate, which was 4.2 in 2011. There was relatively high unemployment and growing economic inactivity over this period, particularly for women (50.1% compared to 21.2% for men as projected for 2013 from the 2011 census). The re-opening of the RPC has since generated full employment but the continued growth of the working age population, together with low outward migration, will maintain pressure to generate jobs.⁴²

Table 2. Labour Force Participation, 2002-2011⁴³

	2002	2006	2011
Population	10,065	9,086	10,084
Working Age Population (15+)	4,276	5,215	6,175
Not in Labour Force	996	1,109	2,223
Labour Force	3,280	4,106	3,952
Employed	2,534	2,539	3,046
Unemployed	746	1,567	906
Unemployment rate (%)	22.7	38.2	22.9
Inactivity rate (%)	23.3	21.2	36.0

³⁷ ADB, 2015

³⁸ UN Environment Statistics Snapshot, www.sidsnet.org

³⁹ ADB, 2015:288

⁴⁰ MoF 2013, 2014b

⁴¹ <http://www.mfat.govt.nz/Countries/Pacific/Nauru.php>

⁴² ILO, 2014: 9

⁴³ Census data (MoF, 2013: 17). Note that provisional Census data for 2011 was used in this document, hence minor differences to table 3 which should be treated as definitive.

Further results from the 2011 census confirm that Nauru is a young country in terms of population, with an average age of 21.5 (table 3). Most people are in waged employment, and the informal sector is very small. However the under-development of the private sector is indicated by only 25 individuals identifying themselves as employers. Low emigration rates are also suggested by almost no households receiving remittances from overseas.

Table 3. Population indicators, 2011.⁴⁴

	Total	Males	Females
Population	10 084	5 105	4 979
Median age	21.5	20.9	22.1
Average annual population growth, 2006-2011 (%)	1.8	1.6	1.9
Employed population	2 883	1 790	1 093
Employer	25	18	7
Employee for wage/salary	2 669	1 675	994
Other paid employee	31	10	21
Subsistence workers	99	82	17
Unpaid workers	64	35	29
Unemployed	908	518	390
Unemployment rate (%)	23.0	21.4	25.5
Labour Force participation rate (%)	64.0	78.9	49.3
Employment-population ratio (%)	46.7	58.2	35.2
Number of households (and by gender of head)	1 647	1 083	564
Average people per household	6.0	3.1	3.0
Households with pay as main income source (%)	85	-	-
Households receiving remittances (%)	1	-	-

The Census also collects employment data by various industry classifications (table 4). Most people work for the state. According to 2010 estimates, 42% of all people in employment worked for the government and 40% for state-owned enterprises.⁴⁵

Table 4. Employed population by industry and sex (%), 2011

	Males	Females
Agriculture, fishing, mining	12	5
Manufacturing	16	6
Administrative and support service activities	20	23
Private household employers	12	12
Public administration	7	8
Education	2	15
Health, sport, art	2	11
Trade, wholesale, retail	7	6
Transport and storage	6	2
Other	15	10

Recent figures collected since the re-opening of the RPC indicate that nearly half of Nauran employees work directly for the government, 29% for the SOEs and 21% in the RPC (table 5). Foreign employees work mainly for the RPC and the public service.

⁴⁴ Bureau of Statistics, 2012

⁴⁵ ADB 2014: 13

Table 5. Major employers in Nauru, 2014⁴⁶

Employer	Local			Expatriate			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Government	n.a.	n.a.	1875	n.a.	n.a.	168	n.a.	n.a.	2043
Rehab. Corp.	192	64	256	8	0	8	200	64	264
RONphos	356	81	437	15	0	15	371	81	452
Eigigu	220	125	345	15	7	22	235	132	367
RPC	522	286	808	500	196	696	1022	482	1504
Our Airline (Base)	32	37	69	0	0	0	32	37	69
Total			3790			909			4699

Further employment-related data is available from the 2012-13 Household and Expenditure Survey (HIES).⁴⁷ This shows that almost all households (93%) received cash income from waged or salaried employment, and 71% were due a pending salary at this time. Property was also a significant source of income, with 46% of households in receipt of land lease payments, 42% royalties, 25% home rental and 9% other property income. In contrast, subsistence income (defined as ‘income received from subsistence activities (including consumption of own produce)’) was observed in 8% of households from fishing, 6% from livestock and an insignificant 0.9% from agriculture. Relatively few households therefore have any sufficiency in terms of domestic food production.

The HIES data calculates an average annual total household income of \$21,712. This comprises \$16,134 income from employment (\$12,731 current wage/salary, \$2,152 pending and the remainder income from subsistence and other business sources), \$4,743 from property and \$835 from domestic and overseas transfers. The data also indicates significant income inequality, with the top decile in receipt of 30% of total household income and the bottom decile just 1.7%. The bottom three deciles receive 10.3% of total household income and the top three 57.4%. Hence it is likely that a significant proportion of the population, especially those who are not landowners, are in poverty and suffering from the high and rising cost of services and imported food.⁴⁸

Education and training

There is a long tradition of free and compulsory basic education in Nauru, dating back to 1896.⁴⁹ Primary education remains free for all students, including the provision of textbooks and lunches. However there is a longstanding problem with student engagement at the secondary level, both in the growth years and especially in the economic crisis when a lack of jobs discounted the perceived value of education still further. The NSDS noted fundamental problems with the education and training system in 2005:⁵⁰

“Education is free and compulsory to Year 10 or age 15 years 9 months. However, teaching and student learning standards are low. Truancy has been high at 60% for some schools, but the overall rate has been 34%. With prevailing economic and social conditions, student non-attendance has risen to very high levels; teacher non-attendance is also on the rise. Literacy is declining. Post-secondary vocational training does not exist and success rate for tertiary studies through the USP Centre averages 10%. The majority of intending students cannot afford the financial burden of continuing education locally or overseas. Spending is not adequate to meet teacher appropriation, training and teaching resources.”

⁴⁶ Source: from NBS directly. Note RPC data are not conclusive.

⁴⁷ Bureau of Statistics, 2014

⁴⁸ Stephen, 2008

⁴⁹ European Commission, 2014

⁵⁰ DET, 2008: 8

At this point, retention rates for older children were 57% for year 10 and 25% for year 12, and only 17% of students remained at school after year 10. The enrolment rate for secondary students (aged 13-18) was 68.1% according to the 2011 census, though this was a significant increase on 44% in 2002. The Footpath I education reform initiative ran from 2005-2007 and involved a research and pilot action programme, including curriculum review. Research indicated that an important concern for older students was the perceived relevance of provision. The 2006 'Hearts and Minds' survey found almost all students would be willing to continue to year 12 if academic studies could be combined with TVET and life skills courses.

Recent years have seen increased investment in education. Implementation of the Footpath II Strategy (2008-13) was supported by the return to economic growth and collaboration of aid partners. Improving education provision and outcomes was identified as one of the five core components of the Nauru-Australia Partnership for Development, 2010.⁵¹ It was noted that some 17% of GNP was dedicated to education (with 60% of this directed to teacher salaries) but there were systemic problems relating to teacher competences. In 2008 only 9% of teachers held a degree, 6% a diploma, 50% a certificate and 34% had no qualification.⁵² Other structural problems related to the quality of educational facilities (including ensuring schools had power) and the insufficient integration of TVET into the curriculum, with no appropriate qualification framework for accreditation.

A new secondary school was completed in 2009, which can also service youth, adult, and community education. A series of educational reforms also introduced a new harmonised curriculum; invested significantly in teacher upskilling in areas such as curriculum delivery, assessment, and behaviour management; and increased parental accountability for attendance.

The Education Act 2011 was the first significant reform of a sector governed by an Ordinance last amended in 1954. It makes education compulsory to age 18, with parents obligated to ensure the enrolment and attendance of their children (or suffer a first penalty of \$50 and subsequent fines of \$250). It also addresses quality issues through a new Teacher Registration and Curriculum Board and introduces minimum standards for a safe school environment. As a result there has been 'strong progress in important areas' in recent years, notably enrolments, teacher qualifications and learning outcomes such as literacy.⁵³ Primary school enrolment, for example, reached 100% in 2013-14, up from 69% in 2002. Progress was also made in the provision of TVET in the National Secondary School (NSS), though this still requires significant additional resources:⁵⁴

'The proposed Upper Secondary curriculum contains significant TVET and Life Skills offerings. These are at the Certificate I to IV level and require appropriate facilities and resources. These include facilities for students to learn skills related to the building and mining trades, hospitality services, the marine economy, and the electronic services economy. The new NSS site provides a building for these offerings, but the building needs to be equipped with appropriate facilities'

The decline of the mining industry and the need to develop the private sector makes TVET even more important, but this has long been a weak link in education provision in Nauru and was exacerbated by the economic crisis. In the year 2006-7, for example, out of an education budget of nearly \$4m only some \$18,000 was allocated to TVET teaching in the

⁵¹ Others are (1) More Efficient and Accountable Public Sector Management; 3) A Cost-Effective Health System which Delivers Improved Health Outcomes; 4) Reliable and Cost Effective Provision of Essential Infrastructure and Services; 5) Increased Private Sector Growth. Nauru-Australia Partnership for Development, 2010

⁵² DET, 2008

⁵³ DFAT, 2014: 7

⁵⁴ DFAT, 2014: 38

secondary school.⁵⁵ The teaching of metalwork and automotive engineering was discontinued after storms damaged equipment, and instruction in the remaining vocational subjects (e.g. Home Economics, Technical Drawing, and Technology) amounted to an hour of week, which was also handicapped by a lack of resources. Most students either did not sit or could not pass the USP exams.

The Nauru-Australia Partnership agreement noted a clear need to invest in TVET⁵⁶, to:

‘increase the number of Nauru’s population gaining locally, regionally and internationally recognized professional, technical and vocational skills in areas of industry, commercial and public sector demand both locally and abroad’.

In addition to the new National Secondary School (NSS) building, a Learning Village centre is under construction to provide for youth and adult TVET and to house the USP campus. The facility will finally replace the Nauru Vocational Training Centre (NVTC) which was destroyed by fire in 2001. The NVTC offered carpentry and engineering courses delivered in block mode (four units of three months attendance within four years to receive a Trade II Certificate), and also added catering and secretarial training prior to closure. Unfortunately, the absence of specialist TVET facilities for over a decade worsened the prospects of the ‘lost generation’ of under-educated and under-employed young Nauruans that endured the economic crisis.

There is also some delivery of TVET through the Australia-Pacific Technical College (APTC), an Australian initiative announced at the Pacific Islands Forum in October 2006. The APTC is organised into two Schools, the School of Hospitality and Community Services (SHCH) and School of Trades and Technology (STT), and operates from campuses based on Fiji, PNG, Samoa and Vanuatu. It offers training to Australian Certificate III (and some Certificate IV) standards in hospitality, social services, engineering and construction. Almost 100 Nauruans have graduated through the College, 31 in SHCS (3 males and 28 females) and 65 in STT (27 males and 38 females).⁵⁷ Forecast enrolment for 2013-14 was 18; four males in STT and six males and eight females in SHCS.⁵⁸

Labour migration

Historically, it has been observed that ‘very few Nauruans ever leave Nauru permanently. There is no emigration such as occurs in other Pacific Islands such as Western Samoa, Tonga or Niue. The sense of belonging is strong’.⁵⁹ The overseas diaspora of Nauruans is very small, at around 500 in Australia, 270 in NZ and 150 in the US and elsewhere in the Pacific.⁶⁰

Population migration in Nauru is more a feature of movements of overseas workers than of Nauruans themselves. For much of the post-war period foreigners outnumbered Nauruans, with I-Kiribati, Tuvaluan and Chinese workers providing most of the mining labour force. At the time of the 2002 Census there were 2,493 non-Nauruan residents including 1,259 I-Kiribati, 423 Tuvaluans and 491 Chinese people. The mining crisis meant that by 2011 the non-Nauruan population had fallen to 632, including 178 I-Kiribati, 42 Tuvaluans and 152 Chinese individuals.⁶¹

The decline of mining and subsequent economic crisis led to some Nauruan emigration. There was an average annual net loss of 218 people in the inter-censal period 1992-2002, of

⁵⁵ Grundler, 2007: 19

⁵⁶ Nauru-Australia Partnership for Development, 2010: 2

⁵⁷ APTC, n.d.

⁵⁸ APTC, 2013

⁵⁹ ICJ, 1990: 90

⁶⁰ Bedford et al, 2014: 21

⁶¹ Bureau of Statistics, 2012

which half were indigenous Nauruans.⁶² In 2007 it was estimated that between 50 and 100 Nauruans had recently moved overseas for work, mostly to Australia and Fiji.⁶³ These were mainly educated and skilled workers best able to meet the skills and points criteria for immigration overseas.⁶⁴ Recently, economic growth has stemmed the outward flow, without increasing volumes of overseas labour, such that 'Nauru, in the second decade of the 21st century, is neither a country of immigration or emigration'.⁶⁵

Few workers thus leave Nauru permanently. Still fewer leave to work overseas on a temporary basis. In recent years a growing number of workers from the PICs have been able to participate in temporary work schemes offered by NZ and Australia (Annex 3). The rationale for such schemes for sending countries is that 'seasonal and temporary migration can have large development impacts'⁶⁶ through facilitating financial and human capital accumulation in that through participation 'workers can acquire savings, skills and knowledge, as well as a more productive work ethic'.⁶⁷ Seasonal work can also reduce domestic labour market pressures and serve as a means of income diversification.⁶⁸

In many ways, however, Nauru is at a disadvantage in the seasonal work market, which is particularly competitive in Australia given the longstanding use of 'backpacker' labour. These are generally young casual 'working holiday makers' who are seen by employers as cheaper and less risky than the commitment made to PIC migrant workers.⁶⁹ Furthermore, receiving employers also have a greater familiarity with workers from countries such as Tonga and Vanuatu, who also benefit from diaspora connections in terms of expectation-setting and support. On the supply side, Nauruan workers have very little tradition of outward migration and are largely unfamiliar with hard physical labour. Agricultural skills are in short supply compared to other countries where subsistence farming is common. Few Nauruans also have relevant and recognised skills to qualify in the extended pilot sectors for the Australian seasonal worker program (SWP) such as hospitality and aquaculture. Hence, the government recognised in its inaugural NSDS that:⁷⁰

'emigration options are very limited and that education standards would have to be improved radically if significant numbers of Nauruans are to qualify under relevant emigration and work schemes in the region and beyond'

There was until recently also a difficulty in the support and administration underpinning participation in the Australian and NZ schemes. The SWP Coordinator was originally based away from government offices in the centre of the island and worked for the programme part-time. Her other responsibility was managing the 'Clean and Green' initiative, and commitments to these 150 individuals crowded out much of the SW work. This compromised service delivery to overseas employers as well as the migrant workers themselves. Before 2015, Nauru had involvement of one NZ and one Australian seasonal work scheme. These were not successful and are indicative of the problems associated with inadequate resourcing:

- Under the NZ Recognised Seasonal Employer (RSE) pilot, Nauru sent 50 workers to a large apple producer in 2005. However only six were invited back the following year. Employer feedback suggested that poor productivity, at around half the anticipated rate, was linked to poor team leadership (both groups nominated the

⁶² Demmke, 2002

⁶³ Grundler 2007

⁶⁴ Bedford and Hugo, 2012

⁶⁵ Bedford et al, 2014: 21

⁶⁶ Gibson et al, 2014: 30

⁶⁷ ILO, 2014a:4

⁶⁸ PCCM, 2014

⁶⁹ Arrowsmith and Parker, 2014

⁷⁰ RoN, 2005: 93

eldest as team leader), a lack of pre-departure training and insufficient pastoral support. Many workers also admitted that other sources of income meant that they did not feel the need to continually push themselves.⁷¹

- Nauru joined the Australian SWP scheme in 2012 and 10 workers participated, of which half were invited back. However their visas were not processed in time for them to return, and there have been no further invitations from Australian approved employers since.

The now full-time SWP Coordinator travelled to Australia and NZ in August 2014 to promote Nauru's renewed participation in the schemes, and in January NZ officials visited Nauru to approve the SW office. The then available WRP of 15 males and 5 females left in March 2015 to work for six months in the NZ kiwifruit sector. In contrast to the original preparation, the new pre-departure training programme was primarily a fitness and team building trial. Participants took three weeks (unpaid) leave from the RPC to work cleaning up heavy machinery on the Topside (central plateau) from 7am to 3pm for six days a week. In addition to physical tests, workers learned interpersonal skills and underwent tuition in practical competencies such as cooking, financial literacy, cultural awareness and goal setting.

Summary

The current economic situation is relatively strong, certainly compared to a decade ago, but remains essentially uncertain. Much is contingent on the RPC and development aid, and there is a need to investigate and develop alternative means to support employment and economic growth. This could include further development of the fisheries sector, alternative phosphate-related activities such as aggregate and dolomite tile production, niche tourism and in particular stimulation of the private-sector.

Fundamentally, there is a clear need for further investment in human resource capacity. Education and training provide the skills necessary for decent work and jobs growth, whether these are in Nauru or overseas. Nauru needs to ensure that it has a ready supply of people qualified in the trades, such as construction and engineering, and professions like law, teaching and healthcare, to lessen the reliance on overseas labour and provide opportunities for self-employment and private sector growth as well as meet skill needs in the public service and SOEs.

Upskilling is also crucial if Nauru is to effectively participate in overseas seasonal work schemes, as well as provide other opportunities for its citizens abroad. Seasonal work provides opportunities for skills and income development, and needs to be supported to raise participation rates in the programmes.

⁷¹ Curtain and Uera, 2014

3. Employment regulation and policy

3.1 Legal framework

There is little by way of employment law in Nauru. In general terms, Part II of the 1968 constitution addresses the 'Protection of Fundamental Rights and Freedoms'. This prohibits forced labour (section 6) and asserts the rights to freedom of expression (section 12) and freedom of assembly and association (section 13), in which 'persons have the right to assemble and associate peaceably and to form or belong to trade unions or other associations'. However no trade unions have been formed in Nauru.

The Workers (Contract of Service) Act 1922 remains on the statute books to regulate conditions of employment. The Act provides that a contract of employment should be registered and assures certain rights governing working time (Sunday holidays, a maximum nine-hour day plus one and a half hours meal breaks) and protections from summary dismissal. Other terms refer to employer obligations to provide housing, sanitation, and rations and medical facilities or services (depending on whether they employ more than 50 or 500 workers) and enables state inspection of workplaces. Yet for practical purposes the Act is ineffective as it applies only to those declared to be workers by Cabinet notice in the Gazette and 'it is unclear, however, if any such declaration has been made'.⁷²

The most significant employment-related legislation is thus the Public Service Act, 1998. This sets out a framework for labour management in the service including its grading structure; recruitment and promotions processes; temporary employment; absence, hours and holidays; salaries, including allowances and enhancements; discipline; and retirement. The SOEs have their own policies largely modelled on the public service but may have distinct practices in terms of for example hiring, dismissal, and the definition of temporary and permanent employees.

Other relevant legislation relate to damages for work-related injury and the new requirements for taxation. These also define the nature of 'worker' and 'employee' in Nauru. The Workers Compensation Act 1956, as in force from 15 April 2011, provides for compensation for work-related injury, illness or death. A 'worker' means a person who has entered into or works under a contract of service or apprenticeship with an employer in Nauru, whether by way of manual labour, clerical work, or otherwise, and whether the contract is expressed or implied, is oral or in writing, but does not include: (a) a member of the employer's family dwelling in his home; (b) a person whose employment is of a casual nature and who is employed otherwise than for the purposes of the employer's trade or business; or (c) an outworker. The Employment and Services Tax Act 2014, which gave effect to the new income tax of 10% for high earners, defines employment as that which includes: (a) a directorship or other office in the management of a company or a body of persons; (b) a position entitling the holder to a fixed or ascertainable remuneration; or (c) the holding or acting in any public office.

There is no law restricting the movement of Nauruan workers out of or into the country, nor governing employment of workers overseas, notwithstanding recent participation in the seasonal work programs of Australia and NZ. The Immigration Act 2014 and Immigration Regulations 2014 cover the criteria and process for the issue of visas. The only restriction of labour movement occurs in the form of a bond placed on Scholarship students, who are required to work in Nauru for at least two years after graduating before seeking employment elsewhere.⁷³ Finally with respect to employment law, the Education Act 2011 effectively ensures that 18 is the minimum age for full-time employment as it requires full-time education until that age.

⁷² Bedford et al, 2014: 22

⁷³ Grundler, 2007

3.2 Policy framework

The fundamental framework for driving and coordinating employment and social policy in Nauru is the NSDS. This was originally introduced as part of the PRAN programme in 2005 and developed with international advice and thorough stakeholder engagement. It was intended as a roadmap to guide long-term recovery from crisis:

'Our country is now on the crossroads. We have lived the good life during the height of phosphate returns. Unfortunately as a result of mismanagement and corruption that life could not be sustained. We have learnt the hard way and future generations will suffer if we do not re-build now. We have to accept the mistakes of the past as lessons for a better future... a range of far reaching structural reforms have been introduced and implemented to put in order the worst economic and financial circumstance ever to have been inherited by a government in Nauru. These have been difficult decisions to take and they represent the hard reality we are facing.

Perhaps the hardest reality for Nauruans to accept is that life has changed and just as importantly, that life has changed for the long term. It is not foreseeable that living standards will ever return to their previously very high levels. What is required to achieve modest improvements in the living standards is to accept the fact that government can no longer provide the welfare society we had accustomed to, and therefore work in partnership at all levels in striving towards these more modest standards'.

HE Ludwig Scotty MP, President's Foreword

The NSDS was designed to be 'a living document', responsive to contextual change. It was reviewed and revised in 2009 and is under further review in 2015, though its vision and objectives remain consistent. The vision of the NSDS is 'a future where individual, community, business and government partnerships contribute to a sustainable quality of life for all Nauruans'. It has five long-term goals comprising:

➤ **Stable, trustworthy, fiscally responsible government**

- Transparent and accountable governance practices
- Conducive legislative framework
- Efficient and productive public service
- Enabling and cooperative international relations
- Efficient & effective law & order system
- **Enhanced social, infrastructure and utilities services**
- Broadened educational system
- Alternative (including renewable) energy sources
- Improved access to water
- Preventative health service
- Improved sports and recreation facilities
- Viable social welfare systems
- Well maintained infrastructure

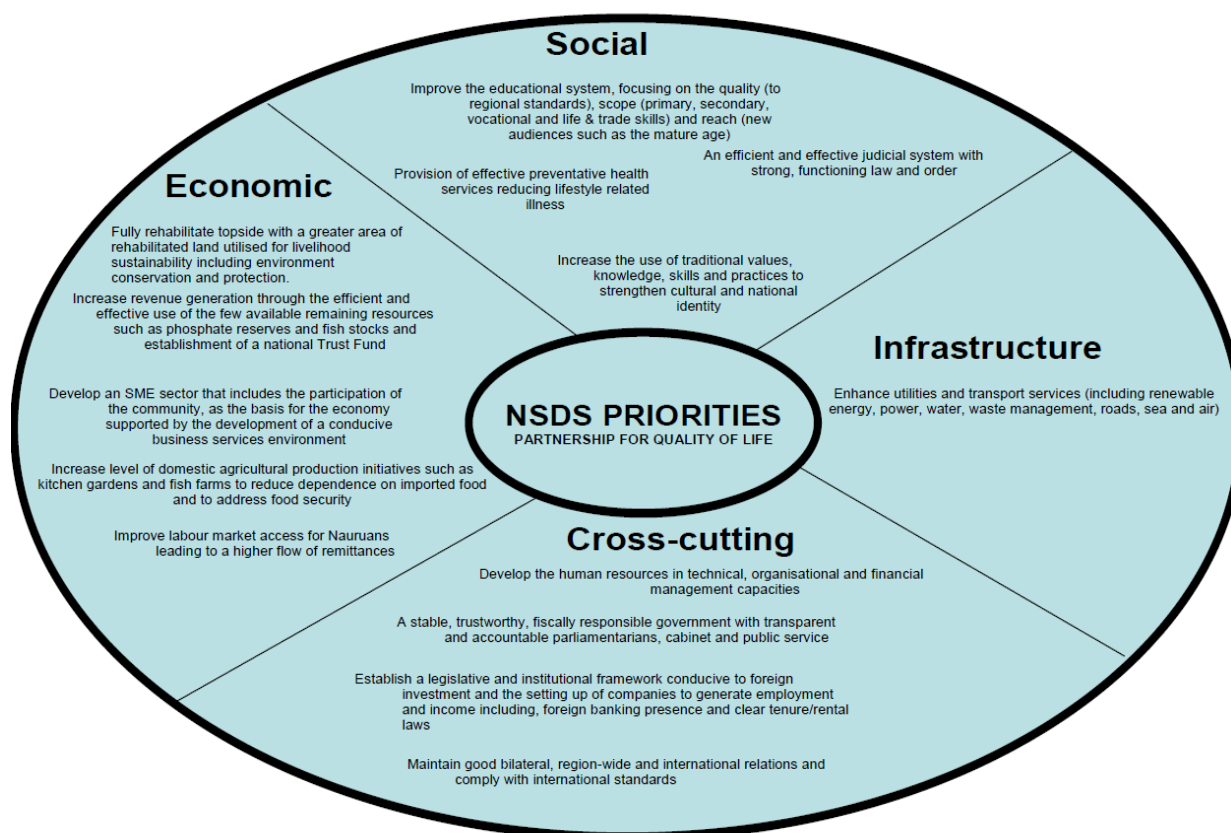
➤ **An economy based on multiple revenue sources**

- Phosphate mining
- Fisheries resource management
- A developed SME sector
- Efficient use of resources – people and natural
- Increased job opportunities locally and regionally
- National trust fund
- **Rehabilitation of mined out lands for livelihood sustainability**
- Land for agriculture development
- Land for conservation
- Land for water catchment
- Land for residential development
- Land for commerce & industry development
- **Development of domestic food production**
- Establishment of agricultural production
- Enhance aquaculture farming
- Sustained use of inshore and reef marine resources
- Promotion of pelagic fishery, especially tuna fishing

These goals are further refined into four priority areas (figure 3). The initial emphasis was financial stabilisation through fiscal, debt and public service reform. The main drivers of revenue in the short term were the mining of remaining primary phosphate reserves, donor aid, and royalties from fishing licences, with employment driven by the public service and SOEs. However 'in the medium and long term the public service will be more efficient and take up a smaller proportion of national resources. Likely additional sources of revenue will come from envisaged secondary phosphate mining including value-added industries, a

better developed and sustainable SME sector and the development of high value, low volume fish exports'.⁷⁴

Figure 3. NSDS priorities.⁷⁵



The implementation strategy set out a series of ambitious short-term priorities (annex 4), along with specific institutional responsibilities and activities. These focused on optimising returns from mining and fisheries; expanding further employment opportunities including in the private sector; improving education, health, food security and infrastructure services; and introducing better governance, public sector reform and HR capacity.

The first NSDS review in 2009 identified progress in a number of areas. In particular, technical assistance and other support provided under the PRAN through the Asian Development Bank (ADB) and AusAid, together with the resumption of phosphate mining, helped deliver improvements in education and health and more reliable power and clean water.⁷⁶ However, the review also found that a significant number of the original milestones set for 2008 were not achieved in three key areas:⁷⁷

- **Economic sectors:** investigating the feasibility of value added phosphate products; developing kitchen garden and pork and poultry production; better surveillance of Nauru's Exclusive Economic Zone (EEZ); rehabilitation of Topside; reducing government spending; review of the land tenure system; and Ministries developing corporate plans
- **Social sectors:** enrolment targets for USP and public health courses; infant mortality targets; construction of a new health facility; ensuring fully effective community groups.

⁷⁴ RoN, 2005:30

⁷⁵ RoN, 2005: 6

⁷⁶ ADB, 2014

⁷⁷ RoN, 2009: 5-6

- *Infrastructure*: more secure electricity transmission, water production and harvesting; sewage removal; better transport (including port, airport and land transport); and improved information and communication technologies.

The Review also identified the main factors that had prevented reaching the development milestones from being achieved:⁷⁸

- *Lack of Funding*: prevented the commencement of large infrastructure projects (e.g. new hospital, electricity transmission system, port and airport)
- *Lack of Capacity*: 'Severe capacity constraints exist in many areas of Government including in finance and audit, law and order, development planning and public administration'
- *Lack of Coordination*: 'Blurred and overlapping responsibilities have resulted in tasks falling between the cracks and not being coordinated across sectors'
- *Unclear goals*: Several goals and milestones were not clearly articulated in the 2005 NSDS, making implementation by relevant agencies difficult
- *Unclear land arrangements*: 'Disagreements over land agreements have been a major obstacle to new development projects in Nauru'
- *Lack of a sound business environment*: Including the lack of a commercial bank on the island which constrains private sector development
- *Governance* – 'While a lot has already been achieved in the areas of governance more needs to be done including independent media, freedom of information, leadership code, updating outdated legislation, reducing the court backlog and dealing with gender and child based violence'.

The revised NSDS thus streamlined the goals and plans, introduced KPIs and expanded its focus to areas such as environment, gender, youth, community development, law and justice, land and fisheries.

3.3 Employment Policy

The Employment Policy Convention, 1964 (No. 122) obligates ILO member states that had ratified the instrument (104 countries including Australia, Fiji, New Zealand and PNG) to make an explicit formal pronouncement of their employment policy. The Employment Policy Recommendation, 1964 (No. 122) and the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169) provide further guidance on developing and implementing a NEP. There is no specific NEP in Nauru, which joined the UN in 1999 but is not an ILO member state.

The ILO describes a NEP as 'an operational document' using a set of multidimensional interventions to 'address clearly identified challenges and opportunities and achieve specific quantitative and qualitative employment objectives'.⁷⁹ Many of the core features of a NEP are thus evident in the NSDS, and the process of its development also meets many of the criteria of NEP formulation. This is because a NEP needs to be evidence-based and systematically consult and involve a broad range of stakeholders so that it becomes coordinated across government departments and is relevant to all interested parties.

The core purpose of a NEP is to ensure that decent work and more and better jobs form defining goals of economic and social policies. Decent work comprises 'jobs that are productive, provide adequate incomes and social protection, respect the rights of workers and give workers a say in decisions which will affect their lives'.⁸⁰ The ILO Decent Work

⁷⁸ RoN, 2009: 6

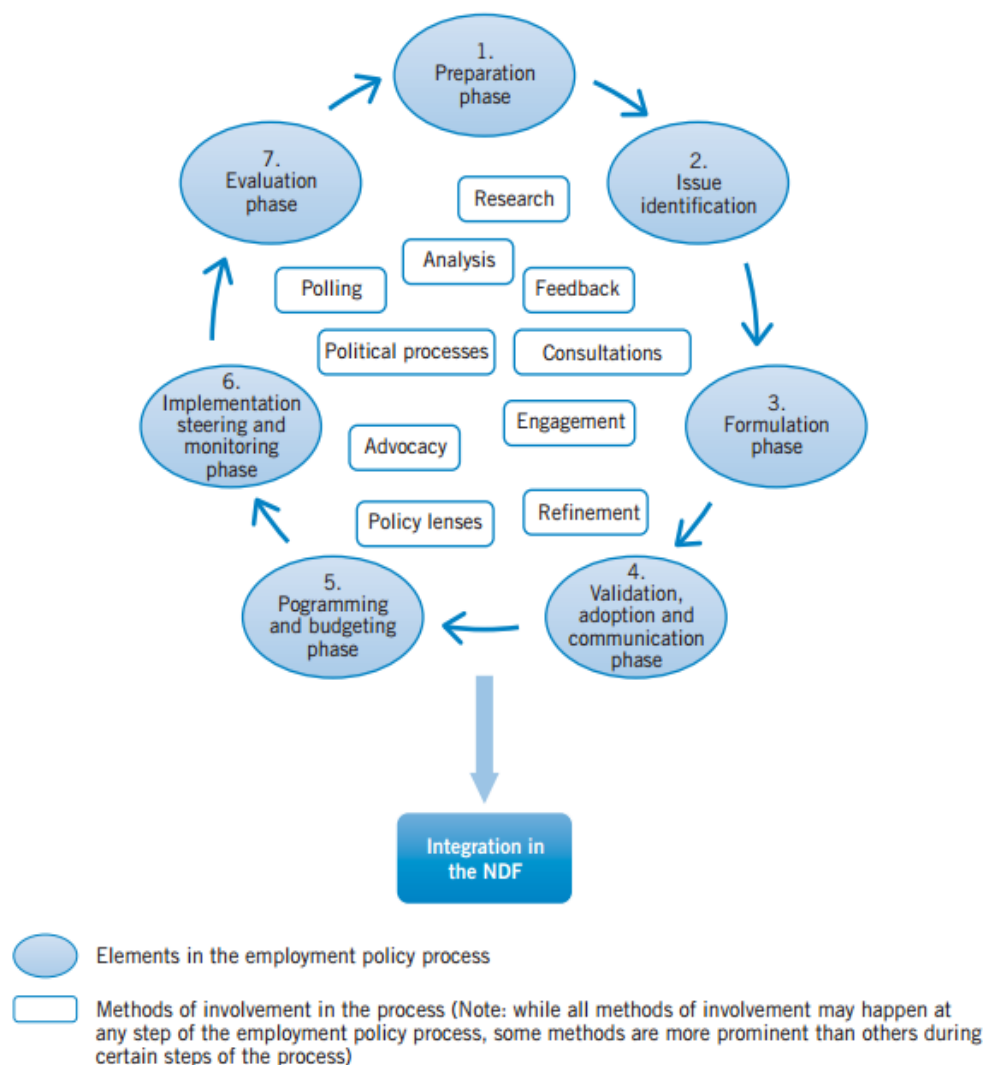
⁷⁹ ILO, 2012a: 2

⁸⁰ ILO, 2014: 5

Agenda was incorporated as the core mission of the ILO through the Declaration on Social Justice for a Fair Globalization in 2008.⁸¹ It emphasises the importance to social and economic well-being of employment security, skills development, fair pay, freedom of expression and organisation and equal treatment.

There are seven recognised steps in the NEP cycle, and the NEP feeds into the overall National Development Framework, which in this case is the NSDS (figure 4). Stage 2 is where a Situational Analysis makes a contribution by examining the labour market and economic situation and policies including the use of stakeholder research in the diagnosis. According to the ILO Employment Policy Guide, ‘The objective of the situation analysis phase is to produce a statement of issues which identifies the opportunities and constraints of the labour market’.⁸²

Figure 4. The National Employment Policy process⁸³



⁸¹ ILO, 2008

⁸² ILO, 2012a: 42

⁸³ ILO 2012a

An effective NEP provides ‘an opportunity to promote coherence among the various government ministries (and) to encourage tripartite dialogue’, including representatives of employers and workers, to secure consensus on the best way to achieve positive employment outcomes.⁸⁴ It contributes to broader development planning by explicitly linking economic growth strategies to the generation of decent and productive employment and by specifically focusing on the demand, supply and regulatory issues relating to employment.

- Demand side issues include analysis of the macro-economic framework, adjustments to labour market policies and institutions, and growth sector strategies
- The supply side includes enterprise development, SME growth and human resource capacity issues
- Regulation refers to the most effective way to ensure fairness, efficiency and consistency in the employment relationship to help improve the quality and management of employment and to meet international norms and standards.

The NEP process also emphasises the importance of policy-oriented research and the need to ensure capacity building on the part of government departments and other community and representative stakeholders. A NEP can thus be a useful complement to the broader NSDS framework, by specifying core employment needs and actions.

⁸⁴ ILO, 2012b

4. Employment challenges and opportunities

Nauru typifies the special case of the SIDS in that ‘its small size, extreme isolation, narrow resource base, isolation from markets, diseconomies of scale, and capacity limitations pose major challenges for sustainable development’.⁸⁵ The government identifies five priority issues for national sustainable development (in addition to addressing poor health which is a unifying theme): water, waste, education, energy and the environment:⁸⁶

- ‘Water resources are very limited’ in quality and volume, there is limited availability of land for landfill and poor waste management and sewage treatment facilities
- ‘Education is a major limited factor in developing the human capacity necessary for sustainable development’, including temporary or permanent migration and especially in the technical fields where there are already gaps (e.g. technology, science, healthcare).
- The country is dependent on imported fossil fuels for energy, with limited space for solar power generation.
- Strip mining has rendered 80% of land useless for habitation, agriculture, or tourism⁸⁷, and adversely impacts on water quality, pollution and waste. Mining is ‘an environmental disaster’ and ‘Nauru does not have the finances, equipment or capacity to rehabilitate the land’.

The challenges for Nauru combine structure and agency factors. The former reflects extremes of size and remoteness, dependence on a narrow and uncertain economic base, and the environmental legacy of mining. The latter refers to systems of governance, management and strategic choice relating to both employment demand and supply. A recent analysis by the Asian Development Bank emphasises this self-reinforcing dynamic in shaping what it sees as six key development challenges:⁸⁸

- *Economic diversification*: ‘Nauru’s greatest challenge is to diversify economic activities beyond reliance on phosphate mining, foreign aid and revenues from fishing licenses’. In particular, ‘phosphate remains a finite resource, with a couple of years of primary phosphate reserves and 20 years of deeper, secondary reserves available’.
- *Infrastructure development*: ‘improving the security and sustainability of the energy supply (and) key transport infrastructure such as the port’ are vital. Power is expensive but also unreliable due to antiquated generation equipment and poor maintenance.
- *SOE governance*: ‘a major improvement is also required in the financial performance and governance of Nauru’s major SOEs’. One example is the Nauru Utilities Corporation (NUC) which manages petroleum, power and water: ‘while nominally ‘corporatized’, it remains subject to direct ministerial control’. In Ronphos, ‘the current senior management structure, which is entangled with Nauru Rehabilitation Corporation, is not conducive to corporate governance and performance’.
- *Public sector management*: ‘there are comparatively few experienced persons to take on key management roles in the public sector’.
- *Education and health*: ‘Education outcomes are improving but are still poor by international standards (and) levels of non-communicable diseases (i.e., diabetes and cancer) are among the highest in the world’.
- *Environment*: in addition to periodic drought, which can last up to 36 months, ‘climate change is expected to have impacts including higher average temperatures, more very

⁸⁵ RoN 2013: 25

⁸⁶ RoN 2013: 12, 19, 26, 9

⁸⁷ tourism is insignificant, at around 150 visitors per year (RoN, 2013)

⁸⁸ ADB, 2014: 3, 26, 38, 4

hot days, higher overall rainfall, more frequent occurrences of heavy rainfall, increased sea level, and increased acidity of the ocean affecting the coastal ecosystem’.

The wider context is thus not favourable. The specific employment challenge can also be understood as a set of structure and agency considerations along four key dimensions: jobs generation; skills; governance; and policy development.

4.1 The generation of work

The creation of more employment opportunities is necessary to mitigate current risk factors as well as meet the needs of a rapidly growing working age population (table 2).

Employment generation may be delivered by expansion of current sectors; economic diversification and the growth of the private sector; and migrant work.

Current employment path

Employment in Nauru is currently dominated by the public service, the RPC and the SOEs. In the public service, the focus is on improved labour utilisation through training and management development, and in health and education the need to develop local skills capacity. The main issue with the RPC is to ensure the provision of quality work and a legacy of skills and qualifications for local employees. These are discussed below. In terms of overall employment levels, the most potential for jobs growth within the current employment path lies in the SOEs. This reflects the need for rehabilitation work attached to resumed mining and most particularly Nauru’s infrastructure deficit in energy, water supply and the port.

Land rehabilitation is a priority in the NSDS. Rehabilitation involves levelling the pinnacles after mining and using some of the rock for aggregate as a base for soil deposition and replanting. Potential employment opportunities are available through the nursery, soil management and application process which require technical and scientific staff as well as manual labour.

The mining of primary phosphate was sub-contracted to the Nauru Rehabilitation Corporation (NRC) in 2007 as mining had collapsed and there was no justification to maintain two separate operations using the same machinery and duplicating staff. The focus now is on a simultaneous process of extraction and reclamation, recognising that new technology increases the potential for secondary mining and that there is only one platform of heavy machinery available for both activities. However there needs to be protocols governing the rehabilitation process such that it is not marginalised given the conflict of interest with ongoing mining.⁸⁹ Currently there is no data maintained on the extent of rehabilitation activities.

Energy and water is the subject of significant investment activity, with the support of overseas aid partners. These are major priorities as electricity supply is subject to frequent outages, and Nauru also suffers frequent drought, exacerbated by heat rising from the rock formations which disperses clouds. The country can receive as little as 500mm of rain during a La Niña year (cf. 4,500 mm during an El Niño year).⁹⁰ Groundwater is also polluted as a result of mining runoff and a lack of sewage treatment facilities.⁹¹ The problems are also related. Desalinated water is required once water storage tanks are exhausted (normally after a month without rain), but this depends on the delivery of fuel by ship and subsequent electricity supply.

⁸⁹ Feary, 2011: 168

⁹⁰ Campbell and Warwick, 2014: 6

⁹¹ MCIE, 2011.

The Energy Road Map 2014-2020 specifies major improvement objectives including continuous supply, 50% of electricity delivered from renewable sources, and a 30% improvement in energy efficiency from government, households and commercial users.⁹² In 2014 the Nauru Electricity Supply Security and Sustainability Project was agreed to ensure more dependable energy at lower cost, co-financed by a \$2m ADB Special Funds grant and a €2m grant from the EU.⁹³ A further UAE grant of \$5m was formalised in January 2015 for the construction of a 500kW solar power plant designed to provide more than 15% of Nauru's energy needs.⁹⁴ A water supply management initiative including solar water purifiers is also proceeding under the PACC project to complement upgrades to catchment and desalination processes.

It is important that local workers are recruited and trained to these projects to ensure security of supply through regular inspection and maintenance activity, and to develop capacity by providing high-quality accredited training. One example is Hitachi, which agreed to return over a two year period to ensure workers continued to receive certified training to operate the power plant. Various bilateral and multilateral infrastructure support agreements can provide an important contribution to improving the skills base.

Substantial investment is also required in the port. There is a need to increase capacity and better manage operations to avoid bottlenecks that inhibit import and export activity. The lack of a proper wharf means that containers are unloaded offshore onto a barge-towed raft, a slow process dependent on sea conditions. To compound the problem the equipment at the port is in a poor state of repair (incurring high maintenance costs) and container handling efficiency is low.⁹⁵ This increases shipping costs, which are already high due to low inbound and zero outbound volumes. Furthermore, 'the port infrastructure is not conducive to fisheries', a vital industry for food security and private sector growth.⁹⁶ According to the Ministry of Finance, 'the most important activity the Government can undertake to facilitate the growth and consolidation of private sector contribution to the economy is to address the issue of port operations'.⁹⁷

Economic diversification

The economy of Nauru is at high medium-term risk due to a reliance on the RPC and aid donors for revenues and employment, mitigated to some extent by the resumption of mining and increased income from fisheries licensing. These too are uncertain however. Phosphate revenues are subject to fluctuating commodity prices, exchange rates and extraction costs, and the future of fisheries depends on the non-exploitative harvest of migratory species and the elimination of illegal fishing. In this context, two priorities are to explore alternative employment opportunities and to significantly increase domestic food production.

Many of the options available to other PICs, such as tourism and fish processing, are available to Nauru only as niche industries due to its size, isolation and competition from already established operations. The most immediate source of employment diversification is activities complementary to mining and rehabilitation. A topographical effect of phosphate mining is to expose outcrops of dolomite limestone, usually in pinnacles up to 20 metres high. This can be crushed to form aggregate for roads and construction, which can be exported. This would be relatively expensive however given Nauru's diseconomies of scale and remoteness from overseas markets. A higher value-added activity is to process the rock by polishing it to form marble-type tiles or other products. This is currently done on a very

⁹² RoN, 2014c

⁹³ Mwinen Kō, 50, Sept/Nov 2014 p2

⁹⁴ Mwinen Kō, 51, Jan 2015, p. 3

⁹⁵ http://www.unescap.org/sites/default/files/0.Nauru_.pdf

⁹⁶ RON 2013: 23

⁹⁷ MoF, 2014b:7

small scale to produce local handicrafts. A business feasibility study is required to assess the potential market, supply-side capacity considerations (infrastructure and skills), and relationship to ongoing mining and rehabilitation activities.

Domestic food production is important in itself as well as a potential source of jobs. However it would be difficult to maintain sufficient food supply to support Nauru's current population, even without the effects of strip mining on the land. Fishing is made difficult due to a small fringing reef, lack of a lagoon and strong ocean currents. Agriculture is handicapped by poor soil quality, weak in nitrogen and potassium, and periodic drought. This could be mitigated to some extent by the use of fertilisers, better soil management and a more effective water use strategy including conservation, rainwater catchments and irrigation practices.

Larger scale agricultural production, such as orchards or small plantations, is also problematic due to complications around land tenure and ownership. 'Land is central to the Nauruan identity' and is governed by customary rights of freehold title.⁹⁸ Land is rarely sold but inherited, gifted or exchanged. Almost all the island is owned by individuals, and customary title means there is potential for disputes over land ownership, especially where it is put to productive use. Each of three nurseries established in 2006 were subject to land disputes, with one closing soon after as a result.⁹⁹

A further factor hindering food production, as the UN Food and Agriculture Organization (FAO) observes, is education and training. Mining not only led to land and water degradation,¹⁰⁰ but 'the will to till the soil, plant crops and raise livestock has largely disappeared from the general population'.¹⁰¹ The FAO notes three priority areas for intervention:¹⁰²

(1) Increased production, productivity and resilience of crop, livestock and fisheries systems; (2) Improved public health through increased consumption of locally produced foods and reduced reliance on imported processed foods. (3) Strengthened institutional and human resource capacity for agriculture development.

The decline of mining income encouraged some domestic food production through aquaculture (primarily milkfish farming), animal husbandry (household pigs and chickens) and kitchen gardens, but this remains exceptional and needs to be encouraged and developed on a larger scale. This will provide opportunities for market trade and some employment in addition to better health and food security.

Artisanal fishing is more extensive, with around 80 small motorised boats and outrigger canoes used to target mainly tuna and tuna-like species for which local fishers currently face no quota restrictions.¹⁰³ There is also some inshore fishing of species such as snapper. The sector is supported by the NFMRA through deployment of six fish aggregating devices (FADs) to improve the efficiency of the catch and encourage fishing beyond the reef. It also provides ad hoc assistance such as subsidised outboard motors to improve safety as well as increased production. Further support comes from the Community Based Fisheries Management project, which assists local fishers in canoe-building, and the Nauru Fisherman's Association which was formed in 2008 to represent the interests of the fishing community.¹⁰⁴

⁹⁸ ICJ, 1990 p90

⁹⁹ RoN 2009b

¹⁰⁰ RoN, 1999

¹⁰¹ FAO, 2012: 57

¹⁰² FO 2012: 61

¹⁰³ SPC, 2014

¹⁰⁴ RoN, 2009b

Private-sector growth

The private sector is very small in Nauru, in terms of number of firms and employees. They are typically involved in construction, security, cleaning, baking, restaurants and retail. Population growth provides opportunities in terms of the market and labour for small businesses to start up and grow. This is an important part of the government's strategy.¹⁰⁵

'One of the primary goals of the NSDS is to develop an economy based on multiple sources of revenue including through development of the private sector. The NSDS emphasises the importance of the promotion and development of small and micro enterprise (SME) business and to ensure a growing and vibrant private sector through strengthening the general business and investment environment'.

The immediate cost involved in starting a business is relatively low at \$350 to join the register of business activities and company names, with subsequent annual renewal fees of \$100. The Justice department operates licensing requirements with four inspectors to ensure that consumer standards and health requirements are met.

Strong revenue streams provide opportunities for government to invest to facilitate the growth of the SME sector. This includes, as discussed elsewhere, reducing costs to business through improvements in infrastructure, notably shipping and power; and improving the quality of labour through education and training. More specific initiatives include the resumption of banking operations; support for micro-enterprise development; and effective sector representation. There have been important developments in each of these areas in recent years.

Banking

Nauru has been without bank services since 2006, when the state-owned Bank of Nauru became bankrupt, though it effectively ceased operating in 1998 due to having insufficient reserves. International transactions are limited to a Western Union franchise, and automatic teller machines operating at Menen Hotel and Eigigu Supermarket are frequently empty. The absence of commercial and private banking facilities for over 15 years has retarded business development. The cash economy reinforces short-term thinking and inhibits savings and investment as no formal system exists through which consumers and businesses can hold deposits or access credit

The government finally formalised an agreement to establish a banking agency (though not a full branch service) with Bendigo and Adelaide Bank in 2014. More than 1,500 Nauruans already hold accounts with the bank.¹⁰⁶ It was announced in February 2015 that the agency will operate from Nauru's Revenue Office once logistical and staff training issues are addressed.

Micro-enterprise development

The establishment of the Nauru Entrepreneurship Development Centre (NEDC) in 2010, funded by AusAID and implemented by the United Nations Development Programme (UNDP), provided a vehicle for SME advice, business training, mentoring and microfinance support. The NEDC pilot provided advice and support to 260 clients and funded 17 business projects, 14 led by women, including 10 young women, and three by men, including two youths, which led to five new jobs created.¹⁰⁷

However it is not clear that the NEDC continues in operation. If not, this might be a product of declining unemployment and limited funding. If anything, there is a need to expand the

¹⁰⁵ MoF, 2013: 6

¹⁰⁶ ADB, 2015: 280

¹⁰⁷ <http://www.fj.undp.org/content/fiji/en/home/ourwork/povertyreduction/successstories/new-jobs.html>

initiative, integrated with the NSS and TVET, to develop understanding of and opportunities for entrepreneurship in Nauru. There is a tradition of low level entrepreneurship and self-employment, such as in fishing or food delivery, but formal business start-ups are handicapped by lack of access to capital and land as well as individual literacy and skills. The NEDC, in conjunction with education and training providers, could help remedy some of these constraints.

Certain sectors such as arts and craft offer employment potential. This requires schools to promote cultural awareness and technical skills. Marketing of crafts is also neglected. For example, the airport shop is under-stocked despite the current high volume of international visitors passing through, and visitors generally have to commission local craft work.

Private sector representation

The Nauru Private Business Sector Organization (NPBSO) was formed in 2007 from the merger of the Nauru Island Private Sector Organisation and the Small Business Owners Association to represent the broad interests of the business community. It was endorsed by the government and the Pacific Island Private Sector Organization (PIPSO) as a representative private sector organization in 2009. It operates out of an office provided by MCIE and receives funding, capacity building and technical assistance from PIPSO, which amounted to \$74,000, or 7% of its total assistance budget, in 2012.¹⁰⁸

The NPBSO has 53 members organised into six sectors, comprising services (21), manufacturing (11), tuna fishing (7), tourism (7) agriculture (6), and transport (1). It runs regular members meetings, training workshops and forums including overseas. Members also organise their own events, e.g. the Women in Business Night Market selling handicrafts, clothing and food. It plans, with PIPSO support, to develop a formal partnership Memorandum of Understanding (MoU) with the MCIE and to run a Business Survey. These activities need to be strongly encouraged by the government.

Migration and seasonal work

The recommencement of participation in the NZ seasonal work scheme is positive in opening employment and skills development opportunities overseas, and testifies to the need to ensure effective back-office operations. The move to a full-time SW coordinator role improved liaison with overseas stakeholders and introduced better recruitment and pre-departure training for the WRP. The trial of new sectors in accommodation, aquaculture, cane and cotton provides further opportunities for employment if there is careful selection of workers supported by effective marketing.¹⁰⁹ The wider training context is also important as there are more opportunities for those with certified skills such as drivers, or in catering and hospitality. Those involved in the SW programmes also need to be assured of basic competencies in numeracy and spoken and written English.

However, there remains a gap in terms of effective oversight arrangements. For example, there is no legislation governing seasonal work and the SWP Committee (SWPC) has no Terms of Reference and meets infrequently.¹¹⁰ There remains a need for a migration policy, located within a NEP, and a functioning SWP Committee (SWPC) to oversee management of the seasonal work schemes.

There is also an opportunity to provide reintegration training to maximise the knowledge, skills and savings accrued. Workers are expected to save around \$9000 through the latest RSE assignment, and would benefit from post-deployment training in financial literacy and business development to ensure longer-term returns.

¹⁰⁸ Tanang, 2014

¹⁰⁹ Curtain and Uera, 2014

¹¹⁰ ILO 2014a

4.2 The supply side: Education and training

Development of the private sector is one of the primary goals of the NSDS, and investment in education and TVET is a key component of this by providing the skills that employers need. Employee development can improve confidence and 'soft skills' as well technical job-related competencies.

Education and training is also necessary to improve human capital to meet latent demand and reduce reliance on overseas labour. For example, there is only one vet on the island, on fixed-term assignment from Taiwan. However he focuses on the treatment of poultry and pigs rather than domestic animals, and soon none of these needs might be met. Similarly, demand for housing and home improvements is often unmet due to a lack of skilled trades workers.

Much of the government's focus for education has been investment in the training of teachers and future nursing staff.¹¹¹ Mainstream TVET, however, remains neglected and under-resourced. Systemic problems include a long-term lack of qualified instructors and poor equipment; limited connection to employers' needs; and low student demand whether due to low or high rates of employment. This is compounded by a lack of an overall policy framework, quality assurance standards and accreditation of learning to international standards.¹¹²

The provision of TVET can be mainstreamed in three ways: by exposing senior school students to vocational courses; providing post-school and adult TVET through a dedicated Institute; and ensuring closer integration with, support for and accreditation of employer-provided training. This will necessitate closer coordination between the Education Ministry and employers under the auspices of a clear TVET policy and delivery structure. The main stakeholders are currently the NSS, SOEs, and RPC.

The NSS

School provision of TVET begins at year 11 when students are expected to have mastered basic literacy and numeracy skills and are approaching the world of work. This could begin earlier and extend across a portfolio of 'academic TVET' courses (such as agricultural science, food technology and nutrition, technical drawing, computer studies, apparel and design technology) and the purely vocational (such as catering and hospitality, carpentry, automotive engineering, tailoring). This would offer young students an opportunity for experimentation and choice prior to specialisation, including subsequently through employer-based training or further applied study.

Students also need compulsory career advice, with employers visiting the senior schools to make presentations. Work experience programmes are also useful to expose students to the world of work and develop interest in careers in various sectors, as well as allowing for employers to assess their individual potential.

SOEs

Each of the SOEs provides in-house training. Eigigu, which employs 430 people with a range of skills in transport, hospitality, retail, construction and financial services, has three non-managerial grades: unskilled, semi-skilled and skilled. There is no formal apprenticeship system but training is provided from the semi-skilled to the skilled grade. This is paid for by the company and can involve certification. Courses are also provided in English and numeracy skills. However the company struggles to find participants. This is ascribed to a lack of ambition, fear of failure or interest in a career path on the part of lower-skilled

¹¹¹ DFAT, 2015

¹¹² Grundler, 2007

employees, especially where TVET involves additional commitments such as study in their own time. The tight labour market also means pay is seen as sufficient and also encourages job hopping as a means of progression or of trying something new. One example provided was the loss of a trained draughtsman to a security firm paying \$6 an hour compared to \$4.50 at Eigigu. The paradox in terms of training seems to be that in the good times the company can afford it, but at the same time staff interest is reduced.

In Ronphos, a more formalised in-house apprenticeship system is used. A tradesman will have one or two apprentices at any time, reporting in turn to a leading hand, supervisor and apprentice master. There are currently 23 trainees.¹¹³ It is believed that this approach encourages an attitude of continual and mutual learning as well as accumulation of specific skills, providing trainers and trainees alike with confidence as well as competence, and a culture of greater openness with less guarding of knowledge and expertise.¹¹⁴

‘The classic apprenticeship model produces better people, not just better tradesmen. They know not just how to continually develop and apply their technical skills, but also to pass on their skills – which is difficult here. So the classic apprenticeship is good for Nauru – it provides on-the-job, systematic and certified training, without too much night school, and builds in a process of teaching and learning’.

There is also training and professional development for white-collar employees such as accountants and planners training scheme, including support for study overseas. This contributes to a high indigenous employment rate for the company. Of its 427 staff, 413 are Nauruan nationals, which is cost-effective for the company as with expatriate workers additional expenses such as housing often have to be factored in.¹¹⁵

RPC

The RPC is a major provider of training as well as employment. The generation of work for Nauruans was a precondition of the RPC agreement, though most opportunities were in areas such as security and cleaning and taken up by previously unemployed youth with low education and skills. Employment was originally provided on a casual basis with no written contract stipulating terms and conditions of employment.

A petition from workers drawing attention to a lack of benefits, poor training and low basic pay (generally \$4 per hour) prompted a high level delegation to meet with executives of the operating company Transfield Services Australia (TSA) in Melbourne in May 2014 to negotiate improvements to working terms and conditions.¹¹⁶ The Nauru delegation was headed by the Chief Secretary, Mr Bernard Grundler, accompanied by the Secretary of Justice and Border Control Mr Lionel Aingimea and Senior Human Resources Adviser Mr Maritino Nemani.

As a result, a new Agreement was launched at the RPC in July 2014, covering over 500 local employees. The new contractual terms and conditions included a one-off lump sum pro-rata and performance based payment of up to \$1000 to employees entering into the new contract; base wage increases; sickness and annual leave entitlements; uniform and meal entitlements; job training and upskilling opportunities; and allowances for certain jobs.

There is an ongoing need to ensure that RPC workers accumulate accredited skills, for the benefits of their employer and also for the eventuality that the RPC operations might diminish or eventually cease. This includes training beyond the immediate job so that a

¹¹³ Ronphos, 2014

¹¹⁴ Ronphos CEO

¹¹⁵ Ronphos, 2014

¹¹⁶ Naru Bulletin, issue 12 2014/109

person employed on basic tasks (such as dishwashing) for example is exposed to a wider grounding in hospitality as well as basic literacy and numeracy support where necessary.

The new five-year RPC contract will be finalised in October 2015 and needs to include a strong commitment to certified training which could extend to business partners too. This will ensure better quality of staff performance and a legacy of upskilling to increase employment opportunities for Nauruans whether within the country or overseas.

Learning Village

Feedback from employers also strongly suggests that training within the SOEs, RPC and private sector needs to be supported by a dedicated TVET school, and that the Education Ministry needs to develop closer connections with employers to identify and respond to their training needs. This could include

- core skills training that emphasises multi-skilling (combining, for example modules from carpentry, basic welding, plumbing, masonry, or electrics);
- provision of formal accreditation to international standards
- supporting the apprenticeship model where the emphasis is on learning through tutored experience, as well as some study, with largely practical examination.

The introduction of a NEP and its oversight arrangements would help develop a formalised relationship between the Education Ministry and employers in support of appropriate medium to long term planning around TVET strategy, policy and practice.

4.3 Governance

Political context

The government is accountable to a 19-member unicameral parliament with elections held every three years. The next are scheduled for 2016. However a lack of party structure, and personal and clan affiliations that can be pronounced in a very small country, contribute 'to myriad episodes of political instability',¹¹⁷ and 'changes in government and senior officials are frequent'.¹¹⁸

There have been nearly twenty governments over the past decade, which promotes uncertainty and inconsistency in the development and implementation of policy. Government and Ministerial changes can also impact on public service appointments due to political interference, which is disruptive and can lead to inefficiency.¹¹⁹ The Cabinet appoints Heads of Department, not the Chief Secretary. The problem is exacerbated as civil servants are permitted to participate in politics, leading to expectations of reward. This seems to operate at lower levels and outside the public service too; one SOE reported being wary of recruitment because of the risk of being sent a 'parachutist', i.e. a politically-connected appointee who might not be skilled or suitable.

The current political context remains unpredictable. Five MPs were suspended from parliament in 2014 for criticising government decisions in the foreign media, notably the deportation of Chief Magistrate Peter Law and subsequent refusal of an entry visa for Chief Justice Geoffrey Eames. Three of the MPs were arrested in June 2015 following mounting public protests.

¹¹⁷ European Commission, 2014: 6

¹¹⁸ ADB, 2013: 3

¹¹⁹ Prasad and Roy, 2007

Public service management

The Public Service Act has been under review since October 2013, and new legislation is envisaged to be before parliament in late 2015. The current Act is widely seen as outdated or vague, and important areas such as safety and health and employment relations are omitted. Objective and consistent employment rules benefit management and staff where they support performance and prevent or permit the speedy resolution of disputes. The Act needs to be accompanied by clear rules and guidance provided by the Justice Ministry as a Code of Practice, focusing on three key areas: appointments (recruitment and promotions), to ensure that these are meritorious; performance management and discipline; and training and development.

A senior human resources advisor was appointed through AusAID in 2012 to assist with HR planning and review. This aimed to develop stronger people-management capacity and service performance, linked to revised salary scales and career pathways for public officials. Two important initiatives followed in the areas of job evaluation and training and development, both linked to the NSDS and donor partner priorities.

The job evaluation process was delivered in partnership with PWC, and involved a suite of new job descriptions based on job analysis to provide a framework for recruitment, retention, development and HR planning. The programme also recognised that rates of pay were excessively low, not having moved since the crisis, and especially relative to the RPC and given increased knowledge requirements and performance demands in most jobs. The objective of the review was to recognise as well as improve performance, motivation and retention.

The training initiative included an accredited professional development programme in people management delivered to 26 participants in 2015, run in partnership with the Australian Human Resource Institute (AHRI). The focus was on senior leadership development to ensure consistency and quality in management throughout the service. The success of this programme raised a number of implications, including the importance of relevant, international standard content and accreditation; a view to centralise training provision where possible to ensure a strategic planning approach, knowledge sharing and dissemination of best practice; and to maintain central information on training to facilitate coordination and assist in HR planning to assess skill needs, departmental competencies and succession. This should enable more effective development, ideally linked to qualifications, and in the long term help reduce reliance on outside workers.

Further work is required in the accreditation of prior learning, including in the wider public sector. Many long-service nurse aides, for example, are unable to progress due to a lack of certification but are unwilling or unable to return to full-time studies to achieve formal qualification. This can lead to demoralisation and the loss of experienced staff. The extension of management development beyond the public service, including the SOEs could also deliver wider benefits in the effective recruitment, management and retention of employees.

SOEs

The SOEs operate in effect as arms of government rather than commercial enterprises as their Boards report directly to the responsible Minister. This compromises business certainty, operational efficiency and overall accountability. The ADB is leading an initiative to improve SOE corporate governance as part of its SOE reform programme, and the government has introduced a number of measures, such as improvements to financial reporting and asset management to protect assets 'from misappropriation, misuse, damage and deterioration'.¹²⁰ However there was some anecdotal evidence of government officials interfering with

¹²⁰ MoF, 2013: 21

operational decisions, which impedes efficient equipment utilisation and revenue raising work.

The SOEs have difficulty in retaining sufficient funds for staffing in terms of recruitment, salaries and training budgets. Technical training can be expensive, especially where it involves workers sent overseas or bringing in specialist expertise. It also involves additional costs such as arranging cover. This reinforces a tendency to informal training and 'multiskilling' which is not accredited. There is also a degree of financial inflexibility as significant budget reallocations need to be approved by the Ministry and by Finance.

A systematic review of job grades, training needs and workforce planning in the SOEs, along the lines implemented for the public service, would be very useful for strategic human resource management purposes. Within the SOEs, HR has a narrow administrative remit, with little scope to develop localised initiatives such as career pathways, incentive pay or gainsharing. Such a review would complement, and could form part of, the ADB initiative.

Civil Society

There is limited representative capacity in Nauru. According to the European Commission, 'Past experiences to support Non State Actors (NSA) capacity building in Nauru have failed due to the unavailability of appropriate NSA organisations on the island capable of undertaking efficient programme delivery'.¹²¹ There are no trade unions, including in the public service, where the lack of formal mechanisms for employee voice is unusual.

There is a private sector business organisation (the NPBSO) and a system of state-sponsored community groups brought together as the Nauru Community Based Organization (NCBO). This was formed under the auspices of the MCIE for consultation over environmental projects based in the community and comprises 15 district representatives. It is not directly funded but might be sponsored through particular projects.

4.4 Policy development

Evidence-based decision making

The development and evaluation of social and employment policy needs to be informed by evidence, including demographic and employment data. Quality statistical data also helps meet the needs of international partners for substantive research and information. The Nauru Bureau of Statistics (NBS) was established in 1992, and has performed important work in delivering census and HIES data to international standards. A current focus is developing more robust macroeconomic statistics relating to trade and national accounts, which is linked to Nauru's membership application to the IMF and the World Bank Group (WBG) in 2014.¹²²

A series of labour force and business surveys is planned to commence in 2017. This will address some of the limitations in terms of labour market analysis in the Census and HIES, for example insufficient data on the informal economy or private sector. However the NBS, like many departments, is stretched. It has a staff of five, and this will need reviewing if and when its research activities increase. The NBS should also be represented on the NEP committee.

The role of the NBS could also be improved by closer cooperation and partnership with other departments. For example, data on migration and the RPC is limited as data collection is not a work priority of the Justice Ministry units. The departure and arrival card data collected by Immigration is not inputted, so it is not known how many people are leaving or returning to

¹²¹ European Commission, 2014: 8

¹²² IMF, 2015

the country and why. There is a similar problem relating to visa data which also operates a paper-based system; visas are issued when paid but no data is entered into the system for analysis. NBS does not have the capacity to upload the data themselves. With the RPC, too, data is limited because it is operated by a foreign entity, and privacy and commercial issues have been raised as reasons for not supplying information directly. Data on employment numbers and pay are therefore estimates. This could be something to investigate in the current RPC contracting process.

A broader concern of the NBS has been the impact of its research on policy, which it sees as related to technical competency and a short-term policy approach across government.¹²³

A major challenge is the need to improve general budget and statistical capacities throughout the government. These improvements would offer more and better opportunities to improve the quantity and quality of government services through better analysis, evaluation, policy development and decision making. Currently there is little in the way of formal staff development in this area within the government personnel system. Efforts from NBS can only cater a small portion of these critical needs. The reports NBS publishes do not yet have apparent effect on national economic policy and planning, which appear to remain ad hoc and crisis driven. Effective demand and expectations for improved economic policy, planning statistics remain weak in government and in the general public.

Information dissemination is also an important activity. The Government Information Office (GIO) was created in 2008 and has an important role in communicating strategy, policy and activities within government circles and to the wider local and external communities. The revival of the Nauru Bulletin and development of online access are notable successes in this regard. The GIO can play an important part in maintaining the profile of the NEP to stakeholders and there is a need to ensure GIO is fully staffed so that it is well placed to meet its obligations.

The Policy Cycle: Generation, coordination, review

An Employment Policy is necessary to articulate goals and initiatives around decent work and provide a framework to integrate the three core components of jobs generation (including small business development and migration policy), the supply side (education and skills) and regulation (employment law).

There is a broad understanding on the part of stakeholders such as the NPBSO and Ministry of Justice and Border Control of the utility of a basic framework of employment law covering the private sector. This would clarify the rights and obligations of the parties and contribute to jobs growth through the better protection, consistency and promotion of good management practice. Eventually, an employment tribunal might be established to mediate and resolve disputes outside of the court system, and help coordinate best practice advice. However this is not a priority for the Ministry within its current resources given the small size of the private sector and its diverse responsibilities that include corrections, immigration, passports, quarantine, the Financial Intelligence Unit, legal drafting and matters arising in relation to the RPC.

Currently, in policy terms, employment initiatives tend to be siloed, centred on the supply side (i.e. under the Education portfolio), and insufficiently connected to employer needs or coordinated with other departments. Responsibility for business development and support resides within the Commerce remit of MCIE, but this competes with the demands of Agriculture (e.g. food security) and in particular Environment (externally-funded projects around e.g. climate change, waste, water, and biodiversity).

¹²³ NBS, 2009: 5

Continued donor support is crucial to the success of economic development and capacity-building in Nauru. The Aid Management Unit (AMU) was established within the Ministry of Finance in 2005 to manage externally-funded projects and ensure the alignment of development proposals with the NSDS. It thus has a strategic role in identifying and supporting proposals for funding in collaboration with different government departments, and matching these to available donor support. The AMU also has operational responsibilities for the processing and evaluation of project funding.

However it is likely that resources are stretched and that operational and administrative concerns dominate the activities of the AMU. The Unit has to be responsive to a range of donors (including under UN, regional PIF and bilateral arrangements) and manage the multiple and often competing priorities of the different government departments.

Strategic responsibilities need to be clarified and further emphasised to develop a whole-of-government approach to the coordination of aid priority setting, whilst strengthening international links. In particular, sustainable decent employment needs to be made a central and consistent theme in aid development proposals and activities

The development of the NEP should ensure a clearer focus on integrated initiatives that serve the long-term goals and periodic milestones of the NSDS. It should be accompanied by a NEP Committee to ensure oversight of the mainstreaming of decent work and strategic fit with the NSDS; an appropriate research basis; the integration of policy and initiatives across government departments; the involvement of all stakeholders; and effective monitoring and evaluation. The process could begin with a National Forum on Employment to generate ideas and a focus on how to get young people into training and meaningful work by developing existing and new industries. This would involve multiple stakeholders including community representatives, young people, Rotary and the private sector as well as government departments, SOEs and international experts.

5. Recommendations

Based on the above chapters, this report makes the following recommendations.

National Employment Policy

There are severe demand, supply and regulatory constraints on delivering sustainable decent work in Nauru. Hence the need for a NEP to prioritise, coordinate and evaluate employment-generation initiatives within the broader context of the NSDS.

It should be accompanied by a NEP Committee to ensure oversight of the mainstreaming of decent work and strategic fit with the NSDS; an appropriate research basis; the integration of policy and initiatives across government departments; the participation of all stakeholders; and effective monitoring and evaluation.

The process of establishing the NEP could involve a National Forum on Employment to generate ideas and wider stakeholder involvement.

Job creation

There is a need to investigate and develop alternative means to support employment and economic growth. A business feasibility study undertaken within the NEP is required to assess the potential market and supply-side capacity considerations (infrastructure and skills) involved in the diversification of employment.

The decline of mining income encouraged some domestic food production through fishing, aquaculture (primarily milkfish farming), animal husbandry (household pigs and chickens) and kitchen gardens, but this remains exceptional and needs to be encouraged (starting within the schools) and developed on a larger scale. This will provide opportunities for market trade and some employment in addition to better health and food security.

There should be a programme of support and training to encourage small business start-ups.

Upskilling

There is a clear need for further investment in human resource capacity. Education and training provide the skills necessary for decent work and jobs growth, whether these are in Nauru or overseas. The introduction of a NEP and its oversight arrangements would help develop a formalised relationship between the Education Ministry and employers in support of appropriate medium to long term planning around TVET strategy, policy and practice.

The provision of TVET can be mainstreamed in three ways: by exposing senior school students to vocational courses and more general engagement with employers; providing post-school and adult TVET through dedicated facilities; and ensuring closer integration with, support for and accreditation of employer-provided training. Further work is required in the accreditation of prior learning, especially in the public sector, to encourage further participation in TVET.

As a large provider of employment, there is a continuing need to ensure that workers in the RPC accumulate accredited skills, for the benefits of their employer and also as a legacy in the event of any diminution of RPC operations might diminish or eventually cease. These provisions and requirements should form part of provider contract negotiations.

There is also a need to ensure the most effective oversight and leveraging of aid projects from development partners to upskill local workers.

SOEs

There is a need for continued investment in energy, water and transport infrastructure as well as land rehabilitation. This would support employment and skills development. Improvements in commercial performance, skills and jobs growth would be reinforced by greater operational and financial independence.

A systematic review of job grades, training needs and workforce planning in the SOEs, along the lines implemented for the public service, would be useful for strategic human resource management purposes.

Employment Regulation

There is a need to complete the review of Public Service Act. Effective human resource management would also be supported across the public service and SOEs sector by advisory Codes of Practice to support objectivity and fairness in appointments, rewards and development opportunities.

The development of a basic framework of employment law extending beyond the public sector would clarify the rights and obligations of the parties and contribute to jobs growth by promoting good management practice and making work more attractive. Self-regulation in the emerging private sector would be encouraged by the provision of information and advice and the participation of legitimate private sector representatives in the NEP process.

Labour mobility

Seasonal work provides opportunities for income and skills development, and needs to be supported by effective oversight arrangements in terms of relevant legislation, a migration policy embedded in the NEP, and a functioning Seasonal Work Committee. The provision of reintegration training would also maximise the knowledge, skills and savings that participants accrue.

Labour market analysis

Dedicated labour force and business surveys are important for policy planning and evaluation. This requires additional resource. The NBS also needs to be supported in its coordination activities with departments such as Immigration. Again, a high-level NEP, in which the NBS would have representation, would be effective in this regard.

Annexes

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Annex 2. Institutions and persons consulted

Date/Time	Organisation/ Position	Name
<i>20th April 2015</i>		
9:00am -10:00am	[Secretary for Education]	[Cancelled]
10:00am – 11:00am	Director for Aid Management, Planning and Aid Division (PAD) and Acting Deputy Secretary, Finance; Director for Planning (PAD)	Mr. Samuel Grundler; Ms. Anadella Edward
11:00am – 12:00 noon	Government Information Office, Director	Ms. Joanna Olsson
12:00 noon – 1:00pm	Secretary for Justice& Border Control	Mr. Lionel Angimea
2:00pm- 3:00pm	Government Statistics Bureau, Director; Government Statistical Officer	Mr. Ipia Gadabu; Mr. Ramrahka Detenamo
3:00pm-4:00pm	Seasonal Work Program Manager	Ms. Miniva Harris
4:00pm – 5:00pm	Nauru Community Based Organization (NCBO), Secretary	Ms. Nerida–Ann Hubert
<i>21st April 2015</i>		
9:00am -10:00am	Secretary to Cabinet	Mr. Sasikumar Paravanoor
10:00am - 11:00am	Secretary of Corporate Services Senior Human Resources Advisor	Ms. Peta Gadabu Mr. Maritino Nemani
11:00am – 12:00 noon	Chief Secretary	Mr. Bernard Grundler
12:00 noon – 1:00pm	Nauru Fisheries Marine Resources Authority, CEO; Nauru Fisheries Institutional Strengthening Manager	Mr. Charleston Deiye; Mr. Being. Yeeting
2:00pm- 3:00pm	Rehabilitation Corporation, CFO	Mr. Lance Duggan
3:00pm-4:00pm	Secretary for Commerce, Industry and Environment; Acting Director for Environment	Mr. Elkoga Gadabu; Mr. Jaden. Agir
4:00pm- 5:00pm	Nauru Business Private Sector Organization (PIPSO)	Mr. Douglas Audoa
<i>22nd April 2015</i>		
9:00am -10:00am	Eigigu Holdings Corporation, Executive Chairman	Mr. David Angimea
10:00am – 11:00am	RONphos Corporation, CEO	Mr. Jim Gearing
11:00am – 12:00 noon	Secretary for Foreign Affairs and Trade	Mr. Mike Aroi
12:00 noon - 1:30	Visit to RPC1	with Mr. Nemani

Annex 3. The New Zealand and Australian Seasonal Work Schemes

The Recognised Seasonal Employer scheme (New Zealand)

The NZ Government introduced a pilot Seasonal Work Permit scheme in December 2005 to allow employers in the horticulture and viticulture sectors to hire workers, especially those from the PICs, on a temporary basis. The pilot was deemed a success and, following further research into seasonal worker schemes elsewhere, it was replaced with a fully-established RSE Work Policy in 2007.

The RSE was seen as a way to systematically address problems of labour recruitment, retention and productivity in the horticulture and viticulture industries, while contributing to broad development objectives in the Pacific region.¹²⁴ Bilateral arrangements were negotiated between the NZ Department of Labour and the governments of five original 'kick-start countries' (Kiribati, Samoa, Tonga, Tuvalu and Vanuatu). These agreements determined the recruitment options in each country, normally involving the home-country establishing a 'work-ready pool' (WRP).¹²⁵ The scheme is now open to a dozen PIF countries, most of which have relevant Inter-Agency Understandings to facilitate and expedite the scheme (table 6).

Table 6. RSE-eligible PIF countries¹²⁶

Federated States of Micronesia	Republic of Marshall Islands
Fiji *	Samoa*
Kiribati*	Solomon Islands*
Nauru	Tonga*
Palau	Tuvalu*
Papua New Guinea*	Vanuatu*

* = bilateral inter-agency agreement in force.

The scheme initially allowed up to 5,000 seasonal workers each year to work for a maximum of seven months (nine in the case of Kiribati and Tuvalu given travel costs) in each 11 month period. The ceiling was increased to 8,000 workers in 2009. In order to hire workers under the scheme, employers must first apply to the NZ Ministry of Business, Innovation and Enterprise (MBIE) for recognition as a RSE under a range of conditions. Once recognised, employers must apply for an Agreement to Recruit (ATR) and specify the number of workers required and their work arrangements. Preference is granted to recruitment from Forum Island Countries under the terms of the ATR. Employers must also lodge vacancies with the Ministry of Social Development to demonstrate effort to source local labour before recruiting offshore.

The RSE places special emphasis on 'pastoral care', with employers required to arrange suitable accommodation (which is inspected by MBIE), internal transportation, access to personal banking services, provision of protective equipment and opportunities for recreation and religious observance. The risk of poor treatment, which is well documented in the international migrant literature,¹²⁷ is mitigated by a series of regulations. For example, workers must not be charged recruitment fees; employers must pay market wages and offer workers at least a minimum specified remuneration (contingent on the length of the contract); and other recognized domestic terms and conditions of employment must be applied. The risk of overstaying was addressed by the incentive of re-employment in subsequent years and by penalising employers if workers become illegal.

¹²⁴ Ramasamy et al., 2008

¹²⁵ Luthria, 2008

¹²⁶ Source: MBIE

¹²⁷ e.g. Svensson et al., 2013

The scheme has operated at near capacity since its inception, with around three-quarters of workers arriving from the PICs (table 7). The volume of seasonal workers involved in the NZ scheme is much higher than in Australia, despite the smaller size of the NZ agricultural economy and relatively lower rates of pay.¹²⁸ It received 7,456 workers in the financial year 2012-13, compared to 1,473 in Australia. This reflects a number of factors, including:

- less 'low-cost competition' due to fewer 'backpackers' visiting NZ and less illegal/casual work (linked to higher minimum wage rates in Australia);
- the greater uniformity and compactness of the NZ horticultural sector, which means it is better organized and easier to regulate¹²⁹; and
- well-established relations between the NZ government and PICs, and long-standing patterns of immigration.

Table 7. RSE Workers Arrival into NZ (July-June), total and from PICs ¹³⁰

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total	4486	6821	6216	7091	7009	7456	7855
Kiribati	69	38	48	149	142	138	127
PNG	-	-	-	6	6	31	58
Samoa	647	1228	1021	1219	1162	1137	1169
Solomons	238	311	256	252	407	423	491
Tonga	805	1355	1142	1411	1398	1573	1538
Tuvalu	99	49	54	51	88	56	71
Vanuatu	1698	2342	2137	2352	2412	2829	3070

The official evaluation of the RSE scheme reported that 'overall, the RSE Policy has achieved what it set out to do', providing employers with 'a reliable and stable seasonal workforce' and benefiting Pacific workers and their communities through income generation and the development of skills.¹³¹ In the first four seasons of the scheme, 49% of first-timers returned the following year (87% to the same employer), and in 2010/11, 62% of all RSE workers were returners.¹³² Returners often received higher earnings due to their increased productivity, with overall earnings for workers on the scheme averaging around NZ\$12,750. Though some have argued that 'labour migration has had minimal impact in the source regions',¹³³ a longitudinal impact analysis of the RSE scheme in Tonga and Vanuatu found multiple benefits in home-country communities:

'(it) increased income and consumption of households, allowed households to purchase more durable goods, increased the subjective standard of living, and had additional benefits at the community level. It also increased child schooling in Tonga [where participants tended to be from poorer households than in Vanuatu]'.¹³⁴

One difficulty associated with this success, however, is how 'to manage the problems of unfilled expectations among workers and communities, and pressures from oversubscribed work ready pools'.¹³⁵ High circularity rates, whilst benefiting individuals and their local communities (as well as host employers), also circumscribe available opportunities for first-time workers. This presents problems to PIC governments given their objective to maximize opportunities across their populations. The evaluation report also identified worker support,

¹²⁸ According to the Australian National University's Development Policy Centre, the average hourly rate in NZ horticulture sector was around NZ\$13 and in Australia AU\$18. After exchange rate differences, this implies an average 57% earnings differential. (<http://www.radioaustralia.net.au/international/radio/program/pacific-beat/australia-likely-to-expand-pacific-seasonal-work-scheme/1195114>)

¹²⁹ including self-regulation with the introduction in March 2008 of the NZ Master Contractors scheme.

¹³⁰ Source: MBIE

¹³¹ NZ DOL 2010: 70

¹³² Merwood, 2012

¹³³ Connell, 2012: 119

¹³⁴ McKenzie and Gibson, 2010: ii

¹³⁵ NZDOL, 2009:9

protection and dispute resolution as key issues requiring future attention.¹³⁶ In particular, pre-departure training was seen as very important to ease the transition to overseas work and manage expectations so as to reduce the potential for misunderstandings and disputes. This includes the development of appropriate resources and training for those delivering the pre-departure training, and the use of returning workers as a source of on-going advice, support and information for first-time workers.

The Pacific Seasonal Worker Pilot Scheme (Australia)

The Australian Pacific Seasonal Worker Pilot Scheme began in August 2008, and was originally open to workers from PNG, Tonga, Kiribati and Vanuatu. The latter three countries were in a position to sign MOUs in November 2008 given that they were already recruiting for the RSE scheme. Samoa and Timor-Leste entered the scheme in 2011. The objectives were to assess how far a regional seasonal worker program, focused on low-skilled work, could contribute to economic development in the Pacific region, through worker remittances and the accumulation and transfer of skills and working capital, and meet the labour needs of Australian employers in the horticulture sector.

Workers were employed by Approved Employers (AEs), which might be growers or labour hire companies, and are deployed to Eligible Growers. They may be recruited directly or from WRPs organized by the sending government. Approved Employers are obliged to conduct labour market testing (to ensure each vacancy could not be filled by an Australian employer); submit contingency plans in the event of insufficient available work; and complete monthly monitoring reports. There was therefore a considerable administrative and cost obligation for employers. Workers recruited to the program were guaranteed specified minimum weekly hours of work (normally averaging 30 hours' for a six months' contract), with at least Award-level terms and conditions of employment. Employers were obliged to provide assistance in accessing health care; support to ensure visa compliance; and fund 55% of return air travel costs (revised to 35-80% depending on country of origin). They also had to ensure that occupational safety and health and pastoral care requirements were met, and organize private health insurance and accommodation at workers' expense.

As with the RSE, pastoral care, including monitoring and advisory services, was seen as vital. Seasonal workers are potentially vulnerable given their relative isolation, unfamiliarity with the host country and reticence to complain so as to ensure return work invitations. A commitment to rigorous pastoral care also reflects political sensitivities in Australia and the PICs given the exploitation, and subsequent expulsion, of Pacific Islanders in building the north Queensland sugar industry over a century ago. A further consideration is some reluctance on the part of Australian trade unions to support seasonal work programs, mainly in defence of domestic workers' jobs and standards.¹³⁷

The pilot involved 22 AEs placing workers in 35 locations across all States and the Northern Territory. The number of workers involved in the Pilot was lower than expected, however. A change to Pilot parameters in December 2010 led to an increase in participation, with 68% of the total (including 337 returning workers) arriving in the final year, but overall numbers were much lower than the final cap of 2,500 (table 8). Around 80% were from Tonga, which reflects a combination of its labour-sending traditions, pre-established links, first-mover advantage, and an efficient recruitment and selection process for the scheme.¹³⁸

¹³⁶ NZDOL, 2010

¹³⁷ Klapdor, 2008, Oke, 2010, Choudry, 2013

¹³⁸ Source: Jesse Doyle, Australian National University's Development Policy Centre (<http://www.radioaustralia.net.au/international/radio/program/pacific-beat/australia-likely-to-expand-pacific-seasonal-work-scheme/1195114>).

Table 8. Seasonal work visa allocation 2008-2012¹³⁹

	08/09	09/10	10/11	11/12	12/13	Total
East Timor	0	0	0	12	0	12
Kiribati	0	11	18	23	0	52
PNG	0	0	9	73	0	82
Samoa	0	0	0	38	0	38
Tonga	50	56	353	834	30	1323
Vanuatu	6	0	12	94	4	116
Total	56	67	392	1074	34	1,623

The generally low levels of participation reflected a number of generic demand and supply factors in Australia:¹⁴⁰

- the ready availability of domestic unemployed workers and students, and especially working holiday makers (WHMs or 'backpackers') as well as illegal/ informal workers which offer lower costs and greater flexibility than workers provided through the program;¹⁴¹
- reduced derived demand for labour due to the global financial crisis and high Australian dollar, which hit exports and stimulated imports, together with climatic events such as flooding, cyclones and bushfires in major production areas such as Queensland;
- a lack of awareness by farmers due to industry dispersal and limited marketing;
- perceived excessive bureaucracy, increasing set up and compliance time/ costs; and
- higher costs of recruiting and supporting overseas seasonal workers.

Officials in PNG also reported that relations were complicated by the dual federal and state levels of governance; insufficiently developed inter-agency relations; and that visa arrangements were overly complicated and slow.¹⁴² There was a high level of unmet demand in PNG, with 2,075 individuals registering an interest in seasonal work between 2011 and 2013, and a WRP consisting of 410 individuals.

However, the evaluation of the Pilot was generally positive.¹⁴³ Workers' net residual income (i.e. available for savings and remittances) averaged around AU\$7,500 for a 26 week working period, a significant sum given the high Australia dollar exchange rate.¹⁴⁴ They also accumulated personal and technical skills which would be of value when returning home. Farmers reported recruitment and training savings plus higher levels of productivity from having a more stable and committed workforce, which offset higher overall costs of around 10-20% more than Award rates.

The Seasonal Worker Program (Australia)

The pilot formally concluded in June 2012 and was replaced by the permanent Seasonal Worker Program (SWP) scheme which commenced on 1 July with very similar objectives and operations. Workers can be recruited for between 14 weeks and six months and must be provided with a minimum average of 30 hours' work per week. To be eligible, workers must be fit, of good character, aged between 21 and 45 at the time of visa application, have citizenship in a participating country and not have participated in the RSE scheme in the previous three years. Available jobs include sowing, planting and cultivating; harvesting,

¹³⁹ Source: Department of Immigration and Citizenship

¹⁴⁰ Hay and Howes, 2012; Reed et al., 2011; Ball et al., 2011

¹⁴¹ Over 258,000 Working Holiday visas (which permit one year of work for people aged 18-30 from selected countries) were granted in 2012-13, up 16% on the previous year (DIC, 2013). Around 40% were involved in agricultural work. Visa conditions were revised in 2006 to allow an additional year for those working three months in a rural area..

¹⁴² Arrowsmith and Parker, 2014.

¹⁴³ Reed et al, 2011

¹⁴⁴ This differs significantly between the returner groups (median net income per week of AU\$786) and new workers (AU\$523).

picking, pruning and packing; clearing, fencing, trenching, draining or otherwise preparing or treating land on farms, flower or vegetable market gardens, orchards and vineyards.

Approved Employers have a number of responsibilities when participating in the program, including organising flights, transport and accommodation for workers; ensuring seasonal workers have access to a minimum average of 30 hours of work per week; and delivering pastoral care. They also have regular reporting obligations to the Australian Government indicating the work, activities and well-being of seasonal workers they employ, and providing evidence that workers have been employed and paid in accordance with the program and Australian workplace entitlements.

People working under the SWP have the same rights as other workers in Australia. These include regulations governing minimum wages, working time, leave and other terms and conditions of work, including rights to freedom of association and non-discrimination, under the system of National Employment Standards and sector-based Awards. Overall, seasonal workers remain more expensive to employ than local workers, since they must be paid basic standard entitlements and AEs must contribute towards their return international airfare.

Adult minimum wages under the Horticulture Award 2010 range from AU\$16.37 per hour for a Level 1 employee to AU\$19.07 for a Level 5 employee. An employee must make a written agreement if pay is determined under a piecework arrangement, and the rate agreed 'must enable the average competent employee to earn at least 15% more per hour than the minimum hourly rate prescribed' in the award, given the particular conditions that apply. However, earnings of employees on a piecework rate may be higher or lower than the hourly wage dependent on employee productivity.

Seasonal workers must also have pre-departure briefings on Australian laws, workplace rights and regulations, culture and climate. On-arrival briefings are supplied mainly by the AEs and cover information on unions and the Fair Work Ombudsman, where to go for assistance concerning work and non-work matters, and details of essential services and a tour of the local community as well as a workplace induction.

There is a greater emphasis on training in the SWP through the Add-on Skills Training (AST) initiative. First-time workers may receive training in literacy, numeracy, first aid and computer skills, and returning workers may have their learning formally accredited towards a Certificate One or Two against Australian Training Framework competencies. The AST component is provided at no additional cost to the worker or the AE, and is delivered after working hours or at weekends.

The SWP also currently involves a three-year trial extending the scheme to the accommodation, aquaculture, cane and cotton sectors. Up to 12,000 places have been made available over the four years to 30 June 2016, with 10,450 allocated to the horticulture program and 1,550 to the four-sector trial. The most recent results show that take up remains well below capacity in the trial sectors. In year one (2012-13) 1452 of the 1600 allocated places in the horticulture sector were used by approved employers but only 21 of the 400 places in the trial sectors. In year two (2013-14) 1979 of the 2000 places were used by approved horticulture employers and 35 of the 500 places in the trial sectors.¹⁴⁵

A combination of political pressure and low participation led to an extension of the SWP to other countries- Nauru, Samoa, Solomon Islands and Tuvalu. Fiji has also joined the scheme, which now covers Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. Each 'partner' arrangement is governed by an MOU. Active participation is dominated by Tonga and Vanuatu, which accounted for 708 and 252 respectively of the 1139 seasonal workers in Australia in the third quarter of 2014.¹⁴⁶

¹⁴⁵ Department of Employment, 2014: 7

¹⁴⁶ Department of Employment, 2014

Annex 4. NSDS short-term priority areas, 2005.

1. Revive phosphate mining including rehabilitation for livelihood sustainability	<ul style="list-style-type: none"> a. Restructure and refurbish mining infrastructure b. Restructure the maintenance reserve fund c. Reinvest surplus revenue d. Conduct tender for feasibility study of value added industries e. Complete the trials. f. Negotiate Work Plan with AusAID for use of NACOS funding to purchase heavy equipment and commence rehabilitation
2. Establish a commercial bank	<ul style="list-style-type: none"> a. Close Bank of Nauru (BON) b. Negotiate with private bank to establish operations in Nauru
3. Restructure the landowners trust fund to international governance and management standards	<ul style="list-style-type: none"> a. Determine assets and liabilities. b. Negotiate with and/or Repay all creditors. c. Implement new governance
4. Establish new national trust fund with donor support	<ul style="list-style-type: none"> a. Negotiate with donors on a governance structure for a \$ for \$ contribution scheme
5. Develop the private sector	<ul style="list-style-type: none"> a. Setting up a Small Business Incubator b. Establish commercially viable agro based enterprises in communities c. Review of all legislation affecting business development to allow a conducive regulatory framework d. Review land tenure system to support SME development e. Rejuvenate the Small Business Owners Association (SBOA) f. SOE reform and promote outsourcing
6. Optimise returns from commercial fisheries	<ul style="list-style-type: none"> a. Maximise returns from access and fishing licences b. Developing the supportive infrastructure (water supply, fuel, cooling facilities and airfreight services) to support commercial fishing c. Nauru Fisheries Corporation restructured and business plan operational d. Human resource development e. Establish marine conservation areas f. Improved Monitoring, control and surveillance
7. Expand employment opportunities domestic and external	<ul style="list-style-type: none"> a. Job creation through private sector b. Improved labour market access for Nauruans
8. Achieve a notable improvement in Primary and Secondary student performance	<ul style="list-style-type: none"> a. Implement the curriculum strategy b. Human resource development c. Improved school infrastructure d. Community involvement e. Strengthen management capacity and systems
9. Institute a holistic (whole of government, whole of community) approach to Public Health and healthy lifestyles	<ul style="list-style-type: none"> a. Strengthen health institution and management structure b. Active preventative health program c. Capacity building d. Improved infrastructure e. Community involvement
10. Improve food security through increased local food production.	<ul style="list-style-type: none"> a. Implement the Nauru Agriculture Plan 2005-10 b. Establish kitchen gardens c. Establish nurseries d. Set up a Resource Centre

Annex 4: Continued.

11. Provide a reliable supply of power	<ul style="list-style-type: none"> a. Better management of water resources b. Improve collection and storage of water at all levels c. Restore capacity for water production
13. Maintain and improve air, sea and land transport	<ul style="list-style-type: none"> a. Refurbish and develop port infrastructure for vessel handling b. Develop regular and cost-effective sea freight service c. Enhance and maintain safe, reliable and economically viable and sustainable air service d. assessment of joint venture and privatisation options e. Refurbish and develop civil aviation infrastructure f. establish private sector mechanism to provide low cost public road transport
14. Upgrade ICT service	<ul style="list-style-type: none"> a. Review RONTEL operations b. Install appropriate wireless technology; c. Build and strengthen technical capacity
15. Complete essential governance, policy and institutional reforms	<ul style="list-style-type: none"> a. Undertake public sector wide reforms b. Undertake reforms to increase independence and powers of the Audit Office; c. Strengthen the capacity for the Judiciary, Justice and Police d. Strengthen and build capacity for the legislature e. Undertake the Review of the Constitution; f. Build government and community partnership in promoting governance
16. Improve human resources development including strategic managerial capacity	<ul style="list-style-type: none"> a. Develop corporate plans for selected Ministries b. Establish best practice and transparent processes c. Identify capacity gaps and design appropriate strategies to build capacity d. Review the supportive infrastructure
17. Bring about an attitudinal shift in the work ethic	<ul style="list-style-type: none"> a. Engage TA to introduce changed management culture b. Being more involved in the NSDS process and reform design and implementation; c. Wider consultations and awareness raising on NSDS and reform initiatives d. Strengthening and expanding the Champions group
18. Strengthen partnerships between government, civil society, the private sector and the donor community.	<ul style="list-style-type: none"> a. Regular Govt/community dialogue; b. Increased participation of civil society in policy formulation; c. Enhanced government support to strengthen NGOs and other civil society set ups; d. Regular bilateral discussions; e. Donor coordination discussions on specific sectors such as education and health



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