PNG’s Work Permit System and recent trends in the number and origin of work permit holders are described.

The huge increase in the number of work permit holders since 2005 is discussed.

The industries most reliant on non-citizen workers are construction and infrastructure; agriculture, forestry and fishing; and mining. Most non-citizens work as managers, followed by technicians and trade workers.

The Work Permit System functions well from the point of view of businesses as it allows them to bring skilled workers into PNG relatively quickly.

On paper, the Work Permit System is relatively balanced. However, a lack of monitoring and enforcement and the granting of many exemptions, particularly with regards to language requirements, lead to a situation where Papua New Guinean workers are arguably disadvantaged by the system. For instance, Papua New Guineans rarely benefit from skills transfer that is supposed to be an embedded component of the system.

One of the policy recommendations is to increase the monitoring and enforcement of the system, and to grant fewer exemptions.
Papua New Guinea (PNG) as a developing country faces chronic skill shortages on many fronts. Skills are developed through education and training systems. It takes many decades to fill skills gaps through this system. The Work Permit System provides another way of filling skills gaps in the short term and at the same time, imparting skills from non-citizens with the required expertise to nationals. This is an area of research that has never been explored. Through the NRI’s Economic Research Program’s Labour Market study project, this gap in the public policy research field will be explored. In this paper, PNG’s Work Permit System is defined and explained. The paper focuses on how the Work Permit System operates to achieve the following twin objectives: first, to enable businesses to import skills without unnecessary impediments; and second, to promote the employment of Papua New Guineans by reserving low-skilled positions for them and by facilitating skills transfer from work permit holders to Papua New Guineans. Data supplied by the Department of Labour and Employment, which administers the Work Permit System, will be used to analyse the operation of this system and shed light on the efficiency of the system to achieve the two objectives. Subsequent work will build from this analysis.

The paper is organised as follows: Section 2 describes the Work Permit System. Section 3 analyses recent skill migration trends and their implications for skills transfer. Section 4 discusses the implementation of the Work Permit System. Section 5 brings the paper to a close with suggestions for policy and research.

The paper is based on a review of the Work Permit Guidelines (DLIR 2009a and 2009b), an analysis of work permit data made available by the Department of Labour and Industrial Relations (DLIR), and consultations with several divisions within DLIR and the private sector. Annual work permit data for selected years (2000, 2005, 2010, 2011, 2012, 2013, 2014) and information on the stock of work permit holders in May 2015 was made available by the Foreign Employment Division of DLIR. This paper also draws on consultations held with various departments within DLIR, as well as with private recruitment agencies and construction companies.

PNG’s work permit system: The law and administrative framework

All non-citizens who seek employment in PNG’s private sector must possess a valid work permit and visa before commencing employment. The purpose of Section 1 of the Employment of Non-Citizens Act 2007 is two-fold: The first is to provide a balance between the need of the economy for non-citizen labour and the aspirations of Papua New Guineans for decent work by assisting business to attract and retain the services of qualified, skilled and experienced non-citizens without unnecessary impediments. Second, it is intended to promote a Work Permit System that contributes to the creation of employment, training and the acquisition of skills for all Papua New Guineans (DLIR, 2009a).

The regulation of non-citizen employment in PNG is based on three principles: First, employers should be able to freely recruit non-citizens for managerial, professional occupations, skilled trades, and other occupations that require a high skill level. The second principle is that jobs regarded as “semi-skilled” should be advertised in PNG first. This is called a “Labour Market Test”. If a suitable candidate cannot be found, the employer can recruit a non-citizen for that position. Third, unskilled and low skilled jobs are reserved for Papua New Guineans (DLIR, 2009b). DLIR uses a traffic light system to categorise all occupations. The “green” category of occupations is open to citizens and non-citizens, the “red” category is reserved for Papua New Guineans, and the “amber” category requires a Labour Market Test before non-citizens can be employed.

1 Consultations were held with various departments and statutory bodies of DLIR including the National Employment Service, the Policy and Research Division, the Foreign Employment Division, the National Training Council and the National Apprenticeship and Trade Testing Board, and two Provincial Labour Offices. In addition, four private recruitment agencies in Port Moresby were also consulted.
The PNG Classification of Occupations, which was developed specifically for the current Work Permit System, is based on the International Standard Classification of Occupations (ISCO), and the Australian and New Zealand Standard Classification of Occupations (ANSCO). The provisions in ISCO and ANSCO have been changed slightly to create an occupation listing that suits the PNG labour market (DLIR, 2009b). There are eight major occupational groups: managers, professionals, technicians and trade workers, community and personal service workers, clerical and administrative workers, machinery operators and drivers, sales workers, and labourers.

Work permit applications are processed by the Foreign Employment Division of DLIR (DLIR, 2009a, and 2009b). The Secretary of DLIR makes decisions in accordance with the Employment of Non-Citizens Act 2007 and the Employment of Non-Citizens Regulation 2008 (DLIR, 2009b). The assessment of applications for a work permit is based on whether the applicant has the relevant qualifications, skills and experience for the position; whether professional registration requirements are met where applicable; and whether the applicant’s language skills are sufficient. Sufficient language skills are required because non-citizen workers are required to share their knowledge and experience with their PNG counterparts. For this reason, the Employment of Non-Citizens Act 2007 requires all non-citizen work permit applicants to prove that they are proficient in English, Pidgin or Motu. Applicants from non-English speaking countries have to undertake an online English test, unless they have worked in an English-speaking country for at least three years. Professional registration of non-citizens is required before taking up employment in these fields by the following professional bodies: (1) Institute of Engineers PNG, Inc., (2) Certified Practicing Accountants of PNG, (3) Nursing Council of PNG, (4) Maritime Safety Authority of PNG, (5) Pharmacy Board of PNG, (6) Law Society of PNG, (7) Medical Board of PNG, (8) PNG Association of Surveyors, (9) PNG Institute of Architects, and (10) Civil Aviation Authority.

If the application is successful, the work permit is issued to a specified employer, for a specified non-citizen and for a specified occupation for the duration of the employment contract, which is usually three years. The fee for the work permit is K1,000 per year. In order to renew a work permit, a training report must be submitted to the National Training Council (NTC), which is a statutory body within DLIR. In its decision, DLIR considers the extent to which the applicant and employer have contributed to the training and development of Papua New Guinean workers (DLIR 2009a).

The maximum turnaround time for the issuing of work permits by DLIR is 42 days; however, according to consultations with DLIR’s Foreign Employment Division, the process is often quicker. If a work permit is issued, the non-citizen worker must apply to PNG’s Immigration and Citizens Services for a Working Resident Entry Permit. Entry permits are regulated by the Migration Act 1978 and Migration Regulations 1979.2

2 Rapid economic growth over the past two decades, coupled with extensive immigration of non-citizen investors and workers, has brought in many challenges that require the updating of immigration law. For this reason, both the Migration Act 1978 and Migration Regulations 1979 have been under review since November 2012, with technical assistance from the International Organization for Migration (IOM).
Recent Trends in Papua New Guinea’s non-citizen workforce

Before assessing the impact of PNG’s Work Permit System, an overview of the country’s non-citizen workforce is provided based on records of work permits issued to non-citizens, made available by DLIR. For this analysis, data is available on the number of work permits issued in various years between 2000 and 2014 by nationality and occupation, and on active work permits in May 2015 by nationality, occupation and industry. This section is based on an analysis of the work permit data.

Looking at work permit data since 2000, two developments are striking: first, the rapid increase in the number of work permits issued per year between 2000 and 2012; and second, changes in the main countries of origin of work permit holders (see Figure 1).

In terms of the country of origin of work permit holders, Australia, the Philippines and China are the three largest source countries of non-citizen labour in PNG. While Australia had long dominated the numbers, it was overtaken by the Philippines in 2010. The Philippines has since been the largest source country of work permit holders. China overtook Australia in 2014 and is currently the second largest source country. In short, there has been a shift from Australia, which traditionally was the major source country, to Asia. According to employers, this shift is linked to a number of factors, including the lower cost of Filipino and Chinese workers compared to Australians; and that some employers regard Asian workers as being more complicit, less demanding and less troublesome.

The Work Permit System uses a classification system of 19 industrial divisions or industries, allowing an analysis of the industry in which non-citizen workers are employed in PNG. This analysis is important because together with the occupations of work permit holders, it indicates which areas of PNG’s economy skill demand has not been met yet within the country. In May 2015, the total number of work permit holders in PNG was 41,096.3 Table 1 shows the industries in which work permit holders were employed in May 2015. The three major industries were construction and infrastructure; agriculture, forestry and fishing; and mining.

The construction and infrastructure industry has continued to boom after the completion of the LNG construction phase in 2012 due to major on-going projects such as the development of Jacksons International Airport, the relocation of the port of Port Moresby, and preparations for the 2018 APEC Summit. This has created opportunities for many non-citizen workers: 21% of work permit holders for whom the industry was known for were working in this industry (see Table 1). In contrast to its importance for non-citizens, the construction industry is not a major employer for the national workforce: at the time of the last Census in PNG in 2011, only 64,147 out of a total of 3,272,027 employed persons in PNG (2%) worked in the construction industry (NSO 2013). This points to a severe shortage of construction-related skills and to a relatively large proportion of non-citizens, especially at the technician and supervisory levels as discussed below.

The mining industry, including the oil and gas sector, makes only a limited direct contribution to employment in PNG, due to its enclave- and capital-intensive nature. In 2011, less than 25,000 persons were employed in the mining industry, equivalent to 0.75% of total employment (NSO 2013). Similar to the construction industry, the mining sector employs

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3 Note that this number is higher than the number of work permits issued per year because most work permits are valid for three years.
a disproportionate number of non-citizens, with 14% of all non-citizen workers employed in the mining industry.

Agriculture, forestry and fishing have remained the mainstays of PNG’s economy and provided employment for some 2.5 million or about 76% of the population as of the last Census in 2011 (NSO, 2013). The majority of Papua New Guineans are subsistence farmers. In contrast, it is the forestry and logging sub-sector within the agriculture, forestry and fishing industries that employs the majority of work permit holders. As discussed below, the forestry and logging industry is also one of the hardest industries for DLIR to monitor due to its location in remote areas.

Table 2 lists all occupations in which more than 300 work permit holders were employed in May 2015. The table shows that most work permits were held by different types of managers (17,551), technicians and trade workers (13,440), and professionals (8,100). Most work permit holders work in skilled positions as managers and professionals; and those who fall into the category of technicians and trade workers work in either supervisory or specialist occupations. As such, they hold positions where they could reasonably be expected to engage in skills transfer and training of local counterparts.

As discussed below, this is often not the case.

A critical analysis of PNG’s Work Permit System

On paper, PNG’s Work Permit System is relatively balanced. The system allows businesses to bring in skills from abroad. At the same time, it benefits Papua New Guinean workers by reserving unskilled and low-skilled occupations for them and by having an in-built skills transfer component.

One concern about the written guidelines is that the classification of occupations needs to be reviewed and revised. Some occupations, which are currently classified as “amber”, could easily be re-classified as “red” because the skills required for these occupations are available in PNG.

Overall, however, the major weaknesses within the current system lie in the lack of compliance monitoring and enforcement, the granting of exemptions to general work permit requirements, and that the existence of the system may reduce training efforts of businesses.

These are discussed below:

The business perspective

From the point of view of businesses, the Work Permit System is functioning reasonably well. Employers can bring non-citizen workers with skills that are not available locally in PNG. The system is relatively quick and less bureaucratic than, for example, Australia’s Temporary Skilled Migration Program under the 457 Visa. In Australia, a Labour Market Test is generally required (see Australian Government, Department of Immigration and Border Protection).

Most businesses in PNG which employ non-citizens engage the services of a recruitment agency or a labour hire company to assist with the application and selection process, and to handle work permit and visa applications. Often, these agencies take up the role of employer of work permit holders and sub-hire them to companies. Some recruitment companies are PNG-based and maintain databases of available workers both in PNG and overseas. They might also collaborate with…
overseas-based agents, and such is the case in the Philippines and Australia. Other recruitment agencies are global companies themselves with branches in many countries and with a global database of available workers. As for the role of recruitment agencies and labour hire companies, this will be analysed in more detail in a subsequent issues paper. 

One concern of some employers is the time it takes from advertising a vacancy to having a non-citizen worker on the ground. This usually takes at least three months. This is long, for instance, for construction companies that have won a major tender and have committed to starting work on a particular project. On the other hand, this concern seems to be relatively minor, compared to the generally smooth functioning of the system from the point of view of businesses.

**Compliance and enforcement**

Consultations with DLIR reveal that the department itself is well aware that its labour inspectors are struggling to check compliance of companies with work permit regulations, such as the skills transfer requirement and validity of exemptions. Considering these checks are already difficult in urban areas, these are almost non-existent in more remote parts of the country where most of the mining, agri-business and logging operations—which employ a large number of non-citizen workers—are located. There have been instances of DLIR compliance officers visiting logging sites but the remoteness of these sites means that the officers’ coming is known ahead of time, giving opportunities for workers breaching their work permit obligations or those without work permits at all to hide from DLIR officials. A DLIR office in one of PNG’s provinces who was consulted did not have any funds for petrol and as such, no labour inspectors could visit any workplaces outside of the provincial capital. In another province, compliance officers simply did not exist.

Due to the lack of an effective system to check on compliance, workers who are working illegally in PNG are often not caught. As discussed above, part of the regulation of non-citizen employment in PNG involves businesses submitting

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**Table 2: Occupations of work permit holders, May 2015**

<table>
<thead>
<tr>
<th>Major occupational group</th>
<th>Occupations</th>
<th>Number of Work Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations Manager</td>
<td>17,551</td>
<td></td>
</tr>
<tr>
<td>Sales and Marketing Manager</td>
<td>2,444</td>
<td></td>
</tr>
<tr>
<td>Retail Manager (General)</td>
<td>2,292</td>
<td></td>
</tr>
<tr>
<td>Corporate Services Manager</td>
<td>2,033</td>
<td></td>
</tr>
<tr>
<td>Chief Executive or Managing Director</td>
<td>1,627</td>
<td></td>
</tr>
<tr>
<td>General Manager</td>
<td>1,367</td>
<td></td>
</tr>
<tr>
<td>Supply and Distribution Manager</td>
<td>1,296</td>
<td></td>
</tr>
<tr>
<td>Production Manager</td>
<td>1,083</td>
<td></td>
</tr>
<tr>
<td>Building and Construction Manager</td>
<td>774</td>
<td></td>
</tr>
<tr>
<td>Professional Builder</td>
<td>664</td>
<td></td>
</tr>
<tr>
<td>Branch Manager</td>
<td>487</td>
<td></td>
</tr>
<tr>
<td>Professionals</td>
<td>8,100</td>
<td></td>
</tr>
<tr>
<td>Volunteer Service Worker</td>
<td>525</td>
<td></td>
</tr>
<tr>
<td>Aeroplane Pilot</td>
<td>466</td>
<td></td>
</tr>
<tr>
<td>Ship’s Officer</td>
<td>436</td>
<td></td>
</tr>
<tr>
<td>Reverend Minister, Father and Pastor</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>Translator</td>
<td>339</td>
<td></td>
</tr>
<tr>
<td>Security Consultant</td>
<td>325</td>
<td></td>
</tr>
<tr>
<td>Ship’s Engineer</td>
<td>311</td>
<td></td>
</tr>
<tr>
<td>Technicians &amp; Trade Workers</td>
<td>13,440</td>
<td></td>
</tr>
<tr>
<td>Technicians and Trade Coordinators and Supervisors</td>
<td>5,153</td>
<td></td>
</tr>
<tr>
<td>Specialist Heavy Machinery Mechanic or Technician</td>
<td>2,841</td>
<td></td>
</tr>
<tr>
<td>Skilled Forestry Worker</td>
<td>1,165</td>
<td></td>
</tr>
<tr>
<td>Skilled Fisheries Worker</td>
<td>793</td>
<td></td>
</tr>
<tr>
<td>Chef</td>
<td>413</td>
<td></td>
</tr>
<tr>
<td>Machine operators &amp; drivers</td>
<td>737</td>
<td></td>
</tr>
<tr>
<td>Driller</td>
<td>397</td>
<td></td>
</tr>
<tr>
<td>Labourers</td>
<td>857</td>
<td></td>
</tr>
<tr>
<td>Scaffolder</td>
<td>302</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Department of Labour and Industrial Relations (n.d.)*
training plans to prove that on-the-job training has been taking place. While this is a reasonable policy framework, DLIR lacks the financial and human resources to monitor the policy, leading to a situation where in many workplaces little training and mentoring take place. DLIR regularly renews work permits after three years without any skills transfer having occurred. Moreover, there are many examples of some non-citizen workers working in jobs that are different—often lower-skilled—compared to those specified in their work permit, with some even working in jobs that are categorised as “red”.

Concerns about the lack of skills transfer and other breaches of the work permit policy have prompted DLIR to consider the introduction of a provisional 12-month work permit in order to better monitor compliance with the policy. If this proposal is adopted, it is likely to only add in a new layer of bureaucracy for it does not address ensuring greater compliance with the system—it might even further undermine business confidence in PNG.

Language and registration exemptions

While non-compliance with existing regulations is an area of concern, there are many occasions where some work permit requirements, including the English language requirement and the requirement for some professions to register with professional bodies in PNG, have been waived. This was particularly the case during the LNG construction phase when many language requirements were waived due to businesses needing to hire skilled workers as quickly as possible. Sometimes these exemptions are gazetted. In other cases, businesses receive written consent from DLIR. In other cases, only verbal consent is given. In the latter case, there is no written record of any exemptions associated with a particular work permit application. It is therefore impossible to determine the proportion of work permit holders who do not satisfy the language or professional registration requirements.

The language requirement is included in the Work Permit System in order to enable skills transfers from non-citizen workers to Papua New Guineans. The waiving of language requirements therefore has negative implications because if non-citizen workers cannot communicate with Papua New Guineans due to language barriers, skills transfers are much less likely to occur. The purpose of the requirement to register with professional bodies in PNG is to ensure that all workers in their respective professions satisfy certain minimum standards and hold certain qualifications. The waiving of registration requirements for engineers, for example, means that the Institute of Engineers loses control over minimum standards applied in PNG, potentially risking a lowering of standards.

Employment of non-citizens versus training Papua New Guineans

It has been asserted that the relative ease with which businesses can bring non-citizen workers into PNG has reduced their training efforts in the country. For instance, planners for the ExxonMobil LNG project were in PNG several years prior to the commencement of construction, meaning that the LNG project had a sufficiently long lead time which could have enabled the advanced training of the local workforce ahead of project implementation. This did not happen and instead, large numbers of non-citizens were brought into PNG. In addition, there have been allegations that some non-citizen workers brought into PNG performed jobs that Papua New Guineans may have been able to perform. According to Jones and McGavin (2015) the main reason for the non-employment of Papua New Guineans in many skilled positions was that it was easier and probably more cost-effective to recruit skilled workers from Asia, compared to skilling up Papua New Guineans. For many of the specialised skills needed for the project, training was not available in PNG and would have required workers to be sent abroad. On the other hand, it has to be acknowledged that due to the high risk associated with gas projects in general, it was essential not to compromise safety standards and quality in any way. In order to achieve this, many workers had to not only have qualifications above those available in PNG, but also work experience in similarly large projects. Such workers were not available in PNG.

Ongoing concerns relating to the availability of skilled labour in PNG suggest a structural problem within the PNG economy. The quality and quantity of technical and vocational training provided in PNG is insufficient and not in line with the needs of the economy. Not only does PNG fail to produce enough skilled workers, the country also fails to attract them from overseas on a long-term basis. In part, this reflects the overall lack of productivity in the country in that businesses cannot offer sufficiently attractive packages to attract and keep talent. It also reflects that many skilled and professional workers do not want to migrate to PNG, partly due to the adverse social conditions, the lack of law and order, and the low quality of health and education services. Therefore, many non-citizens work on a fly-in fly-out basis, meaning there is no integrated ongoing development of the national labour force (Jones and McGavin, 2015).

Conclusion with policy recommendations and research suggestions

PNG’s Work Permit System has functioned well even during the height of the LNG construction when the number of
non-citizen workers in the country increased in unprecedented ways. Employers were able to import skilled workers from other countries, and the LNG priority line within DLIR for work permit applications meant that the process was relatively quick. As discussed above, concerns with the system relate to the need for a revision of the classification of occupations, weak monitoring and enforcement of the work permit guidelines, the granting of exemptions, and the broader issue of skills development in PNG. In light of these concerns, the following policy recommendations are made:

• **Revision of classification of occupations**
  The classification of occupations into the “green”, “amber”, and “red” categories under the Work Permit System needs to be reviewed and revised because some occupations currently classified as “amber” could be re-classified as “red”, with the skills required for these occupations available in PNG.

• **Improved enforcement of skills transfer requirement**
  At present, the Work Permit System does not achieve its stated objective of ensuring that skills transfer from non-citizens to Papuanew Guineans takes place. It is therefore recommended that a thorough review of the current reporting and monitoring system of training and skills transfer be undertaken. Under the current system, companies need to show that training and skills transfer has taken place just before a work permit is due for renewal. This means, then, there is no incentive for companies to enforce skills transfer if they are not planning to engage a work permit holder beyond the initial period of three years, which is the usual initial contract. In addition, even when work permits are due for renewal, the skills transfer and training component are often not enforced and work permits are renewed even if little or no training has taken place.

  It is therefore recommended that the Work Permit System be revised with a view to enabling DLIR to monitor businesses effectively, and to enforce the skills transfer requirement without adding more bureaucracy. Skill transfer processes—particularly on-the-job skills transfer—have to be developed that will enable the nation to benefit from the exposure to non-citizen skilled workers. Skill transfer has to include formal skill-sets (the technical aspects of a trade) and informal skill-sets (work attitudes, workplace behaviour, and work ethics in formal wage employment).

• **Granting of fewer exemptions**
  Ideally, DLIR would receive sufficient resources to monitor compliance with the conditions attached to the employment of non-citizen workers, and to enforce all aspects of the Work Permit System. Given the financial constraints of the PNG Government, it is unlikely that DLIR will have these resources available in the short term. Therefore, a more realistic approach for DLIR is to grant fewer exemptions on language and professional registration requirements in the first place.

  Efficient skills transfer can be possible by granting fewer language exemptions under the work permit guidelines, as communication between non-citizens and Papua New Guineans is a prerequisite for meaningful skills transfer to occur.

• **Higher levels of transparency**
  At present, it is impossible to know how many work permit holders in PNG have been exempted of either the language or professional registration requirements. It is recommended that such information be made publicly available by DLIR so as to enable an analysis of the impact of such exemptions.

• **Improved technical and vocational training systems**
  Work permit data including the number of non-citizen workers in PNG by industry and occupation give a good indication of skills shortages in the economy, and suggest that skill gaps exist not only in the managerial and professional, but also in various technical areas and the trades. It is therefore recommended that technical and vocational training efforts in PNG be focused on skill shortage areas in which non-citizens are employed.

  The discussion of the Work Permit System presented in this paper is the first of a series of papers under NRI’s Economic Research Program’s Labour Market study project. Future papers will provide further analysis on the Work Permit System; employment and skills development in PNG including on Pacific Islanders among work permit holders in PNG; the impact of the LNG project on employment and skills development; the TVET system; and, on employment in road construction. Based on the analysis presented in this paper, the following additional areas of further research have been identified:

  First, with a view to enabling DLIR to monitor businesses effectively and to enforce the skills transfer requirement without adding more bureaucracy, research into successful skills transfer processes is required. This can include best practices in companies operating within PNG, as well as an analysis of skills transfer systems from non-citizens to citizens in other countries.

Second, research on the scale and the possible impact of lan-
guage and professional registration exemptions under PNG’s Work Permit System is needed to appreciate the implications of such exemptions at the level of particular companies, industries and the economy at large.

References


ABOUT THE AUTHOR

Dr. Carmen Voigt-Graf is a Senior Research Fellow in the Economic Policy Research Program at the National Research Institute, and Fellow in the Development Policy Centre at the Australian National University.

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