

Rural Wages

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In January, 1970 a Board of Inquiry into Rural Minimum Wages was appointed by the House of Assembly. After a thorough investigation, the Board made many recommendations, some of which have now become law, while others are still being considered by the appropriate authorities. These comments on the Report are summarized from a paper presented by Mr Densley to the Fifth Waigani Seminar, Port Moresby, May, 1971. The full text of the paper appeared in The Industrial Review Vol. 9, No. 2 (June 1971) published by the Department of Labour.

THE Board of Inquiry consisted of four members. Professor Cochrane, Dean of the Economics Faculty at Monash University, was Chairman and the other members were Mr Dirona Abe, Dr R. T. Shand, and Rev. Zurewe Zurenuo. The Board visited almost every district to give all interested parties adequate opportunity to express their views. The Board presented its Report* in September, 1970.

The principal recommendations of the Board were—

- (a) that the cash and kind wage, valued at 1st January, 1971, at \$4.86 per week, be increased to \$5.90 per week and in one year's time be further increased to \$6.40 per week;
- (b) that the wage should be an all-cash wage, and that this should be introduced over a three-year period. The Board stated that employers could continue to deduct at specified rates for rations, issues and accommodation where these are provided by agreement between the employer and the employee;
- (c) that special allowances and rations to families accompanying workers to properties be discontinued, and that accommodation standards be more flexible so as to encourage the employment of married workers; and
- (d) that a Wages, Income and Prices Board be established to determine and review future wage movements.

As well, recommendations were made on the discontinuance of the Agreement System, recruitment and repatriation costs, leave, workers' compensation and superannuation, deferred

wages, rural research and extension, labour relations and other social favours.

Action Taken on the Report

In March this year, legislation was passed in the House of Assembly providing for the establishment of a Minimum Wages Board. Matters which can be referred to this Board include minimum rates of pay, any allowable deductions from wages for food, accommodation or issues supplied by employers, and for repatriation or recruitment, deferred wages, penalty and overtime rates, hours of work and leave. The Board is empowered to determine varying minimum rates between areas, industries or occupations.

This legislation also provides for the introduction of a uniform minimum wage of \$5.90 per week. Deductions which may be made from this wage, where the items listed are actually provided by agreement between the employer and employee are—

- (a) accommodation—87 cents per week;
- (b) rations—\$2.50 per week; and
- (c) clothing and other issues—36 cents per week.

Tobacco and matches and special issues to family members accompanying workers will no longer be required under the provisions of the new legislation.

The legislation also provides for a deduction of 25 cents per week to be used towards the payment of repatriation costs. If the total deductions over the contract period do not fully cover repatriation costs, the employer is obliged to pay the difference. If the total deductions are in excess of costs, then the balance is refunded to the employee. If the employee does not wish to return home after completion of his contract of employment, then the full amount of deductions for repatriation are refunded to him.

*Report of Board of Inquiry Investigating Rural Minimum Wages under the *Native Employment Ordinance*, 1958-1968. Minimum Wage Fixing Machinery and Related Matters, Port Moresby, September, 1970.

At the time of going to press, this legislation had been passed by the House of Assembly but had not been brought into force. The date of commencement of operation of the new legislation will appear in the *Government Gazette*.

The Ministerial Member for Labour has announced his intention of introducing further legislation to amend some of the existing employment ordinances.

Impact of Higher Wages

Most of the rural wage employment in Papua New Guinea is on larger scale properties. Labour employment on smallholdings is fairly limited, although increasing, and often in the past has been based on the use of family and village labour. Most of the economic impact of higher rural wages will therefore be felt in the larger scale plantation sector. The current number of workers employed in the various rural industries on plantations has been estimated as follows:—

Coconuts/cocoa	....	....	30,000
Coffee	....	....	8,000
Tea	....	....	7,500
Rubber	....	....	6,000
Cattle	....	....	800
Other rural	....	....	3,500
TOTAL			55,800

The amount of profit which a plantation can make depends on prices received for the produce sold and on the cost of production of that produce. The cost of producing one ton of a product is itself dependent on yields per acre, processing and marketing costs and labour costs. If labour costs increase as a result of higher wages and if prices remain at existing levels, then plantations, to remain viable, will be forced to reduce costs either by increasing yields or by decreasing processing, marketing and general administration costs. It is not easy to increase yields of tropical tree crops quickly, especially if it means replanting the property with higher yielding varieties. This is of particular importance to the rubber industry in Papua New Guinea, where 62 per cent of all estate rubber is currently planted to non-clonal (lower yielding) varieties. Estimates indicate that more than 25 per cent of all plantings on coconut plantations are more than 50 years of age, that is, beyond what is usually considered the useful bearing life.

Usually, larger properties in Papua New Guinea have lower per unit costs of production than smaller properties, because it costs them less per ton of production for processing, marketing and general overhead expenses. An analysis of plantation rural industries in Papua New Guinea indicates that 64 per cent of all coconut plantations have less than 400 acres of coconuts; that 47 per cent of all cocoa holdings have less than 200 acres of cocoa; 72 per cent of all coffee estates have less than 100 acres of coffee; that only three tea estates have over 1,000 acres of tea; and that only 11 rubber properties with mature rubber have over 1,000 acres of rubber. These are the sizes of large scale properties which the Board selected as being necessary to provide a reasonable profit to any new investor in these industries.

The above discussion indicates that the effects of higher wages will be greatest on those smaller rubber plantations which have predominantly lower-yielding varieties. The effect on coconut, cocoa, coffee and tea plantations will be felt more on those smaller plantations with higher processing and overhead costs. Again, plantations with lower yielding varieties or trees approaching the end of their economic life will be most affected. Properties which have only recently been established and which have borrowed substantial sums of money for development will be more affected than those properties which have been established for a longer period. Properties which have combinations of enterprises, such as interplanted cocoa/coconuts may not be affected to the same extent as properties dependent on only one product.

The fact that both indigenous and non-indigenous employers will be required to pay the same minimum wage will present some difficulties to the smallholder and village producer who employs labour. The effect is difficult to measure because of the dependence of many such employers on family labour.

Methods of Increasing Productivity to Offset Cost Increases

To increase productivity in plantation agriculture (which will be most affected by increased wages), plantations must invest large sums of money in higher yielding planting material, fertilizers, improved processing equipment, better worker accommodation and

other facilities. The return from such investment is long-term. An investor therefore will consider future political stability, likely price and wage movements and work availability before making such an outlay of capital.

The Board of Inquiry in discussing the need for increased productivity suggested that this could be achieved with greater work-force stability, resulting from the employment of more married workers resident on properties with their families. This should be the case. However, because of the need to provide housing and land for food gardens and other faci-

lities for families, this may not be practicable on those plantations employing very large numbers of workers.

Increased attention will need to be given in the future to the increase in crop yields of Papua New Guinean plantation crops through the use of higher yielding planting material, fertilizers, disease and pest control and other agronomic practices. As well, processing, marketing and general overhead costs will need to be reduced. This will generally require larger scale of operations, especially of processing facilities.

Book Review

INTRODUCTION TO TROPICAL AGRICULTURE

by J. A. Sutherland, Angus & Robertson
1971. 242p.

ALL those involved in the teaching of agriculture in Papua New Guinea are plagued by the lack of suitable texts related to the conditions of this country. Any text which helps to fill this gap is welcome. Mr Sutherland's book attempts the difficult task of presenting an overall picture of tropical agriculture to secondary school pupils. Given intelligent teachers who are aware of the book's rather serious shortcomings, it should be successful.

The book claims to be aimed at the junior secondary level, but this is somewhat optimistic in a country where English is a foreign language. *Introduction to Tropical Agriculture* has a place in the country's education but it would be more appropriate for students in senior secondary school and even as an introduction to post-secondary agricultural courses.

The book uses refreshing self-educating practical activities and projects as a vehicle for introducing some simple principles of agriculture. However, this approach necessarily means that the book concentrates on short term crops and livestock which best fit themselves to stu-

dent projects. Thus coffee, the country's most important cash crop, is dealt with in only three pages while poultry has two chapters; even goats have a full chapter to themselves. Accepting the need for this specialization on selected areas, and the difficulties of explaining agricultural principles in simple language, there is little room for criticism of Mr Sutherland's handling of the purely technical aspects of agriculture. Agriculture is however, a socio-technical system, involving people. Wherever he discusses the social aspects of tropical agriculture the author falls into the old trap of assuming that economic development in under-developed countries is only possible if the social relations are reformed to resemble those of his own Western capitalist country. The result is a paternalistic pleading for reform of traditional "bad" ways in favour of "good" Western ways. This takes a ludicrous flavour in Chapter 1 "What is Agriculture" and Chapter 26 "Farm Management", but becomes outright dangerous when he deals with "Land Tenure" (Chapter 8).

It is to be hoped that this book will be used only by experienced teachers who can recognize the dangers of these chapters and avoid them in favour of the more valuable technical descriptions.

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