

IMPROVING EMPLOYMENT OPPORTUNITIES IN PACIFIC ISLAND DEVELOPING COUNTRIES

Small Island Developing States Series, No. 1

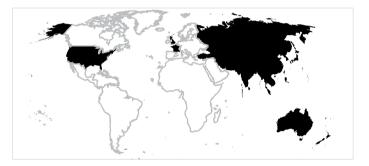




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Pacific Operations Centre

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PREFACE

Owing to demographic changes in Pacific island developing countries and territories, an increasing number of people are entering the labour market in these countries. In order to ensure that new entrants into the labour market are able to be gainfully employed, governments need to implement coherent macroeconomic as well as social policies that encourage growth in employment, especially in the private sector. Implementation of national, subregional and regional policies could lead to an increase in employment opportunities, strengthened labour force skills and greater compliance with internationally agreed labour standards.

This volume contains a regional study which reviews the labour market in selected countries of the Pacific, the policies which are currently in place and current labour market operations as a result of these policies. The study also contains country case studies of Fiji, Kiribati, Papua New Guinea, Tonga and Vanuatu. Recommendations to create greater opportunities for employment at both national and subregional levels were formulated by experts from these countries and their development partners.

It is hoped that the analysis as well as the conclusions and recommendations will be useful to policy-makers, not only in the countries in the Pacific, but also to their many development partners.

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CONTENTS

		Page
Preface		iii
Acknowledgem	ents	iv
Tables		viii
Abbreviations		ix
I. Introduction		1
II. Labour mark	et characteristics	2
	The labour force and employment	2
	The role of the informal sector	3
	Employment distribution between rural and urban areas	3
	Unemployment and underemployment	4
	Gender issues	5
	Youth unemployment	6
	Labour mobility	8
	Future trends	9
III. Labour mari	ket policies	12
	Employment acts and ordinances	12
	Trade Unions	13
	Superannuation schemes, pensions and social	
	security schemes	13
	Minimum wages	14
	Skills training	15
IV. Labour mark	ket operations	16
	Worker protection	16
	Labour market flexibility	16
	Reforming the labour market	18
	Addressing gender issues	18
	Skills mismatches	18
	Labour mobility	20

V. Country studies		21
A. Fiji		21
	Introduction	21
	Labour legislation	21
	The labour force and employment	22
	Skills and migration	24
	Gender inequalities	25
	The informal sector	26
	Unemployment and underemployment	26
	Youth unemployment	27
	Future trends	27
	Conclusions	28
B. Kiri	bati	30
	Introduction	30
	Labour legislation	30
	The labour force and employment	31
	Formal sector employment by gender and occupation	32
	Skills and training	34
	Unemployment and underemployment	35
	Youth unemployment	36
	Conclusions	37
C. Pap	ua New Guinea	39
	Introduction	39
	Labour legislation	39
	The labour market and employment	39
	The informal sector and growth in formal employment	40
	Skills shortages	41
	Employment by occupation	41
	Unemployment and underemployment	42
	Future trends	42
	Conclusions	43

	D. Tonga	44
	Introduction	44
	Labour legislation	44
	The labour force and employment	44
	Unemployment	46
	Youth unemployment	46
	Skills shortages	47
	Conclusions	47
E. Vanuatu		48
	Introduction	48
	Labour legislation	48
	The labour force and employment	49
	Formal and informal employment	49
	Unemployment and underemployment	51
	Skills shortages	51
	Minimum wages	51
	Conclusions	52
VI. Conclusion	s and recommendations	53
	Recomendations at the National Level	53
	Recomendations at the Subregional Level	61
Appendix 1.	Expert Group Meeting Outcomes	63-74
Appendix 2.	Pacific island developing countries labour market matrix	75-78
Appendix 3.	Data tables	79-81
References		82-87

TABLES

		Page
II.1	Labour force participation rates in selected Pacific island	
	developing countries and territories	2
II.2	Total employment in rural and urban areas in selected	
	Pacific island developing countries and territories	4
II.3	Total unemployment in rural and urban areas in selected	
	Pacific island developing countries and territories	5
II.4	Percentage share of women in total employment and unemployment	
	in selected Pacific island developing countries and territories	6
II.5	Percentage distribution of the unemployed in	
	Papua New Guinea and Tonga by level of educational attainment	7
II.6	Forecast percentage change in population in selected	
	Pacific island developing countries and territories in 2004-2029	10
11.7	Forecast change in formal sector employment in	
	selected Pacific island developing countries and territories	10
III.1	Minimum wages in selected Pacific island developing countries	14
V.1	Labour force trends in Fiji	23
V.2	Employment by category in Fiji, 2004-2005	25
V.3.	Employment by industry in Fiji, 2004-2005	26
V.4	Unemployment in Fiji by gender and area, 2004-2005	27
V.5	Unemployment in Fiji by age, 2004-2005	27
V.6	Labour force trends in Kiribati, 1990-2005	31
V.7	Cash employees by gender in Kiribati, 1978-2005	32
V.8	Trends in employment by type of employer in Kiribati, 2000-2006	33
V.9	Cash employees in Kiribati by occupation, 2005	33
V.10	The labour force in Kiribati by educational attainment, 2005	34
V.11	Workers seeking paid jobs in Kiribati, 2005	36
V.12	Youth labour force in Kiribati, 2005	36
V.13	The labour force by economic activity and gender in	
	Papua New Guinea, 2000	40
V.14	Employment of citizens and non-citizens by occupation	
	in Papua New Guinea, 2000	42
V.15	Labour force trends in Tonga	44
V.16	Trends in employment by industry and gender in Tonga	46
V.17	The labour force in Vanuatu, 1999-2000 -	49
V.18	Total employment by sector in Vanuatu, 1999-2000	49
V.19	Employees in the formal sector by industry in Vanuatu, 2000	50
V.20	Total employment by occupational category in Vanuatu, 2000	51
Apper	ndix table 3.1 Total employment by gender in rural and urban	
	areas of selected Pacific island countries and territories	80
Apper	ndix table 3.2 Total unemployment by gender in rural and urban areas	of
	selected Pacific island countries and territories	81

ABBREVIATIONS

ADB	Asian Development Bank
ALMPs	active labour market programmes
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GNI	gross national income
HIV/AIDS	human immuno deficiency virus/ acquired immuno deficiency syndrome
ILO	International Labour Organization
MDGs	Millennium Development Goals
NGO	non-governmental organization
PICTA	Pacific Island Countries Trade Agreement
PRISM	Pacific Regional Information System
RERF	Revenue Equalisation Reserve Fund
SME	small and medium-sized enterprise
SPC	Secretariat of the Pacific Community
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women

I. INTRODUCTION

Twelve members and seven associate members of the Economic and Social Commission for Asia and the Pacific are located in the Pacific. With the exception of Papua New Guinea, these countries are small islands, with populations of less than one million and scattered across vast expanses of ocean. As a result of their small domestic markets these countries and territories generally have not benefited from economies of scale. Distance from major economic centres in Asia and the Pacific has also adversely affected their integration into the regional economy. Since their economics are small and narrowly-based on a few sectors and trading partners, their domestic economic growth is vulnerable to exogenous factors affecting both supply and demand. These countries also tend to have large informal sectors which account for a significant share of both economic output as well as employment. The public sector accounts for a large share of formal employment and overall labour productivity is low.

The labour markets in these countries also have their own characteristics. As a result of their historically high birth rates, large numbers of youths enter the labour force each year. Women's participation in the labour force has also increased as a greater number of women attain higher educational qualifications and greater economic independence. With constant migration from rural areas, urban populations in many of these countries are growing at twice the national population growth rate. Given the limited opportunities for employment, many from Polynesia and Micronesia have migrated to countries where they have familial or historic ties. Although migration of skilled workers generally leads to greater inflows of remittances, such practices also reduce the pool of available human resources. The skills, experiences and capital brought back to the country by returning migrants, however, is a recent phenomenon.

This study reviews the labour market in selected countries of the Pacific, the policies which are in place and the operations which result from these policies. The study then proposes recommendations for creating greater opportunities for employment at both national and subregional levels. The volume contains five chapters. Following this introduction in Chapter I, the characteristics of the labour market in these countries are outlined in Chapter II. The labour force and employment in these countries are reviewed in light of their demographic changes and the role of the informal sector, unemployment, and labour mobility are analyzed. Labour market policies, such as employment acts and ordinances, pension and social security schemes, minimum wages and skills training are summarized in Chapter III. Chapter IV notes the labour market operations such as worker protection and labour market flexibility. To illustrate the labour markets in selected countries of the Pacific, studies of Fiji, Kiribati, Papua New Guinea, Tonga and Vanuatu are summarized in Chapter V. Chapter VI contains the conclusions and recommendations for actions at national and subregional levels to address these issues.

¹ The members are Fiji, Kiribati, the Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu, while the associate members are American Samoa, the Cook Islands, French Polynesia, Guam, New Caledonia, Niue and the Northern Mariana Islands. Among these countries, Kiribati, Samoa, the Solomon Islands, Tuvalu and Vanuatu are considered least developed.

II. LABOUR MARKET CHARACTERISTICS*

The labour force and employment

Available figures on labour force participation (table II.1) indicate a large variation in participation rates across Pacific island economies as well as between men and women. Vanuatu has high participation rates for both men and women, with the rate for men exceeding that for women. Male participation rates are also comparatively high in Fiji and Solomon Islands. In contrast, participation rates are low in the Marshall Islands, particularly for women, and Federated States of Micronesia. However, much of the difference between countries may be owing to differences in the way some economic activities are treated. For example, some countries include all those engaged in subsistence activities as economically active while others only include those who indicate they are working for cash. The treatment of women's activities also varies.

Table II.1. Labour force participation rates in selected Pacific island developing countries and territories

Country / Territory	Female (Per cent)	Male (Per cent)	Year
Cook Islands	61	76	2001
Fiji	55	83	2005
Guam	50	62	2002
Kiribati	56	72	2005
Marshall Islands	35	66	1999
Micronesia (Federated States of)	50	67	2000
Niue	49	75	2001
Northern Mariana Islands	78	85	1999
Palau	60	77	2005
Papua New Guinea	73	75	2005
Samoa	43	81	2005
Solomon Islands	56	83	2005
Tokelau	47	80	2001
Tonga	53	75	2003
Vanuatu	80	89	2005

Source: Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries 2007 (Manila, ADB, 2007).

The lack of comparative data on labour markets in Pacific island developing countries prevents sound analysis of labour market trends. There is little in the way of time series data covering the labour forces of these countries and varying definitions of employment and unemployment between countries add to the difficulties of making comparisons.

^{*}Abridged from the regional study prepared by Professor Biman Chand Prasad, Head of the School of Economics, University of the South Pacific, Fiji

The role of the informal sector

The labour force in most Pacific island developing countries has a large unskilled component reflecting the dualistic nature of labour markets in those countries. In general, formal sector employment tends to be concentrated in urban areas and is dominated by the public sector. Most rural employment is informal or based on subsistence production and cash cropping. In the larger economies, there is a reasonable level of formal employment in the private sector and many informal sector workers are also to be found in urban areas.

The informal sector has been undervalued for many years in the Pacific island developing countries but this sector has become the natural absorber of those leaving the rural agricultural sector as well as the unemployed. Papua New Guinea became the only Pacific island developing country to adopt legislation recognizing the contribution of the informal sector to employment growth when it adopted the Informal Sector Development and Control Act in 2004. The Act, which is especially designed to promote employment opportunities and employment generation, gives legitimacy to those involved in the informal sector and provides avenues for improving labour efficiency in business operations.

Employment distribution between rural and urban areas

The distribution of total employment, both formal and informal, between rural and urban areas of Pacific island developing countries (table II.2) reflects their economic structures as well as the relative sizes of the urban and rural populations. In Papua New Guinea, for example, where the majority of the population is engaged in subsistence agriculture and small-scale cash cropping in the informal sector, about 90 per cent of the 2.3 million people in employment are in rural areas. In contrast, more than half of those employed in Fiji are in urban areas.



Table II.2. Total employment in rural and urban areas in selected Pacific island developing countries and territories

Country / Territory	Total	Rural	Urban
American Samoa	12 902		
Cook Islands	5 928	1 359	4 569
Fiji	219 314	107 853	111 461
Guam	54 980		
Kiribati	39 912	21 505	18 407
Marshall Islands	10 141	3 218	6 923
Micronesia (Federated States of)	29 175		
Niue	663	403	260
Northern Mariana Islands	42 753	3 530	39 223
Palau	9 383	1 213	8 170
Papua New Guinea	2 344 734	2 157 500	187 234
Samoa	50 325	37 933	12 392
Solomon Islands	57 472		
Tokelau	542		
Tonga	34 560		
Tuvalu	3 237	1 816	1 421
Vanuatu	75 110	61 865	13 245
Wallis and Futuna	2 465	2 033	432

Sources: Compiled from the Secretariat of the Pacific Community, Pacific Regional Information System database, available at http://www.spc.int/prism, and the University of the South Pacific, Employment and Labour Market Studies Program database. See also appendix table 3.1.

Note: .. not available.

Unemployment and underemployment

Reported unemployment varies considerably among Pacific island developing countries (table II.3). In part, this is because each country has its own criteria in determining who counts as unemployed. For example, in Fiji, Papua New Guinea, Samoa and Solomon Islands, the unemployed are defined as those in the labour force who are currently not working but are actively seeking work, whereas in Tonga the unemployed also include those not actively looking for a job.

The concept of unemployment in the rural areas of many Pacific island economies is hard to define and some agreed common definitions are needed in the region to reflect the realities of rural life.

It is likely that underemployment rates are very high in most of those countries, where many are engaged in subsistence and small-scale cash cropping activities.² Many would be willing to take up other income earning opportunities if the required infrastructure and services were available but many are also hampered by a lack of skills as well as a lack

² Underemployment refers to people who work fewer hours than they would be willing and able to work or are working in positions requiring less skill than they actually possess.

of access to high-quality education and training facilities. Gender discrimination practices also prevent women from participating fully in formal employment.

In Papua New Guinea the unemployed are roughly equally distributed between urban and rural areas despite the rural labour force being many times larger. This contrasts with the case of Fiji where the number of urban unemployed is greater even though the rural and urban populations are roughly equal.

Table II.3. Total unemployment in rural and urban areas in selected Pacific island developing countries and territories

Country / Territory	Total	Rural	Urban
American Samoa	909		
Cook Islands	892	565	327
Fiji	17 265	6 771	10494
Guam	7 070		
Kiribati	810		
Marshall Islands	4 536		
Micronesia (Federated States of)	8 239		
Niue	84	60	24
Northern Mariana Islands	1 712		
Palau	224	95	129
Papua New Guinea	68 623	32 307	36 316
Samoa	2 620	1 827	793
Solomon Islands	27 652		
Tokelau	31		
Tonga	4 502		
Vanuatu	1 260	382	878
Wallis and Futuna	402		

Sources: Compiled from the Secretariat of the Pacific Community, Pacific Regional Information System database, available at http://www.spc.int/prism, and the University of the South Pacific, Employment and Labour Market Studies Program database. See also appendix table 3.2.

Note: .. not available.

Gender issues

Women have less than a third of the share of employment in Fiji, the Marshall Islands, Samoa and Solomon Islands but other countries, such as Kiribati and Papua New Guinea, are close to gender balance in employment (table II.4). In the Commonwealth of the Northern Mariana Islands, there are more women in employment than men. In several countries, including Cook Islands and Kiribati, the share of female employment in urban areas is much higher than in rural areas whereas women are under-represented in urban employment in Papua New Guinea and Vanuatu with fewer women employed in the formal sector.

Table II.4. Percentage share of women in total employment and unemployment in selected Pacific island developing countries and territories

Country / Territory	Total		Ru	Rural		Urban	
	Employment	Unemployment	Employment	Unemployment	Employment	Unemployment	
Cook Islands	43	50	35	44	45	59	
Fiji	24	44	18	43	31	45	
Guam	47	39					
Kiribati	49	62	46		53		
Marshall Islands	31	41	30		31		
Micronesia (Federated States of)	42	46					
Niue	42	26	38	35	47	4	
Northern Mariana Islands	54						
Palau	38	46	29	39	39	51	
Papua New Guinea	49	22	50	22	37	21	
Samoa	30	38	28	37	38	41	
Solomon Islands	31	35					
Tokelau	40	84					
Tonga	41	27		27		27	
Tuvalu	42		43		41		
Vanuatu	45	34	46	30	39	35	
Wallis and Futuna	43	45					

Sources: Compiled from the Secretariat of the Pacific Community, Pacific Regional Information System database, available at http://www.spc.int/prism, and the University of the South Pacific, Employment and Labour Market Studies Program database.

Note: .. not available.

The share of women in unemployment is often higher than in employment in Pacific island developing countries as, for example, in Kiribati. In Fiji, although greatly underrepresented in total employment, women enjoy near parity when it comes to being unemployed. In other countries, such as Papua New Guinea and Vanuatu, the proportion of women who are unemployed is low relative to their share in the employed, which may reflect the fact that women in those countries are less likely to seek work actively in the formal sector where opportunities for women are few.

Youth unemployment

In general, the labour force in most Pacific island developing countries is very young and, on average, 45 per cent of the population is in the 15-24 years age group. The majority of these youths remain in the subsistence sector or in the informal sector where

many are underemployed. There is a high concentration of measured unemployment in this age group, as can be expected from the youthfulness of the populations in Pacific island economies. In all countries, the unemployment rate in the 15-24 years age group is comparatively high, partly owing to the fact that most are new entrants to the labour market with little work experience. It is also likely that recorded unemployment figures understate the magnitude of the youth unemployment problem as many youths drop out of the labour force and give up actively seeking work when it becomes clear that few opportunities exist. In Solomon Islands and Vanuatu, in particular, the problem of youth unemployment is acute. In the case of Fiji, around 16,000 school leavers enter the labour market each year but as employment opportunities in the formal sector are limited, most have no choice but to join the ranks of those in the informal sector.

Low economic growth rates are an underlying cause of the high youth unemployment rates. But political disruption has also contributed to sharp rises in overall unemployment although the lack of good quality, time-series data prevents more precise documentation of this phenomenon. Anecdotal evidence indicates that a significant increase in the unemployment rate was observed in Fiji following the coups of 1987, 2000 and 2006. Sharp drops in private sector confidence as well as tourism led to several businesses closing or downsizing, with negative consequences for employment. Similar negative effects were observed in the Solomon Islands, as a result of ethnic tensions in 2000 and riots in 2006, and also in Tonga, following riots in 2006. The loss and closing down of many retail businesses during the riots signalled the end of employment for most people working in that sector, dramatically increasing the unemployment rate.

Educational levels among the unemployed are likely to reflect the educational attainment of the population at large. In Tonga, some 88 per cent of the unemployed had completed secondary education, while another 5 per cent had also completed some tertiary education (table II.5). A similar situation exists in other Pacific island economies where average levels of education are high, such as Fiji and Samoa. In contrast, 33 per cent of the unemployed in Papua New Guinea, a country with comparatively low levels of educational attainment, had no formal education. The unemployed in Solomon Islands and Vanuatu are thought to have a similar profile.

Table II.5. Percentage distribution of the unemployed in Papua New Guinea and Tonga by level of educational attainment

Country	No schooling	Primary	Secondary	Tertiary
Tonga (1996)	0.1	7.0	88.0	4.9
Papua New Guinea (1990)	32.9	6	6.2	0.9

Source: Compiled from the University of the South Pacific, Employment and Labour Market Studies database.

Labour mobility

Many workers from Fiji, the Marshall Islands, Federated States of Micronesia, Palau, Samoa and Tonga have utilized existing bilateral and preferential channels to migrate to countries such as Australia, New Zealand, and the United States of America to look for work and remittances now account for a high proportion of the gross national income (GNI) in these countries. For example, Samoa was placed in the top ten remittance-earning countries (Connell and Brown, 2005). The citizens of Kiribati and Tuvalu have a long-standing tradition of working overseas as seamen for short periods of time.

Apart from Fiji, the Melanesian countries have lagged behind other Pacific island economies in the number of overseas workers owing to a lack of marketable skills in their labour forces as well as to internal cultural barriers to migration. The relatively tiny numbers of migrants from three of the Melanesian countries, Papua New Guinea, Solomon Islands, and Vanuatu, reflects the limited opportunities available to the comparatively large numbers of unskilled people in those countries to find work else where.

International agreements between some Pacific island countries and New Zealand have allowed citizens of the former to migrate both temporarily and permanently to the latter, as in the Pacific Access Migration Schemes and the recent seasonal work scheme which allows 5,000 Pacific islanders from Kiribati, Samoa, Tonga, Tuvalu and Vanuatu to work in New Zealand for a period of seven months. However, such schemes involve small numbers and will not have a significant impact on unemployment levels among the low-skilled and unskilled.



As it stands, the Pacific Island Countries Trade Agreement (PICTA) is designed to facilitate the free movement of goods within the subregion. Hence, countries with significant exports of goods, such as Fiji and Papua New Guinea, will certainly benefit from it but other countries without such exports, such as Kiribati and Tuvalu, would benefit to a greater extent if the movement of labour was also included in the Agreement.

While work overseas provides additional employment opportunities for people in Pacific island developing countries and brings the benefits of higher incomes through remittances, the loss of skills in those countries can have negative impacts on the domestic economy. Shortages of skilled labour can seriously hamper growth in some sectors and erode the capacity of the public sector to provide public services such as healthcare. As a result, training institutions have to enrol larger numbers than are necessary to serve the needs of the home country itself.

Future trends

In most Pacific island developing countries, population growth will be rapid for the foreseeable future except in those countries where emigration is significant. Labour force growth in line with population growth will mean increasing numbers looking for employment but with moderate economic growth likely to continue, the growth in formal sector job opportunities will be small.

Population

If recent population growth rates continue, the population of the Pacific island developing countries is expected to double in 28 years (Haberkorn, 2004). The obvious implication of this growth will be increased pressure on fragile ecosystems and the small amount of available land, as well as on infrastructure, such as water supply, and on the provision of public services such as education and health. There will also be greater difficulty in finding employment for the growing number of young and relatively better-educated people with aspirations beyond village-based and family-oriented agricultural and fishing activities. This is of particular concern in the more populous countries of Melanesia which, unlike most Micronesian and Polynesian countries and territories, do not enjoy historical migration outlets to developed countries particularly Australia, New Zealand and the United States.

The principal reason for the persistence of high population growth rates is continued high levels of fertility. While there has been some reduction in total fertility in recent years, fertility rates between 3 and 4 mean that high population growth will persist in most countries for many years to come.

Table II.6. Forecast percentage change in population in selected Pacific island developing countries and territories in 2004-2029

Melanesia		Micronesia		Polynesia	
Fiji	25.5	Kiribati	72.7	Cook Islands	-29.6
New Caledonia	37.5	Marshall Islands	82.4	French Polynesia	40.9
		Micronesia			
Papua New Guinea	72.2	(Federated States of)	59.6	Samoa	24.5
Solomon Islands	75.3	Nauru	26.0	Tonga	9.2
Vanuatu	89.7			Tuvalu	32.2

Source: H. Booth, G. Zhang, M. Rao, F. Taomia and R. Duncan, At Home and Away: Expanding Job Opportunities for Pacific Islanders through Labour Mobility (Washington, World Bank, 2006).

Population forecasts to 2029 show that Vanuatu's population will grow by a massive 90 per cent (table II.6). Population growth in the Marshall Islands, Solomon Islands, Kiribati and Papua New Guinea will not be far behind. In contrast, the population of Cook Islands is forecast to contract owing to high rates of emigration, while the population of Tonga will grow relatively slowly. Changes in migration patterns could affect these projections.

Employment in the formal sector

Largely in line with the moderate economic growth expected, formal sector employment prospects are poor. Formal sector employment in Cook Islands is projected barely to increase over the period to 2015 (table II.7), which may not be a problem in view of the continuing loss of population. The almost 20 per cent increase in employment in Fiji could be plausible if the expected growth of tourism to that country occurs despite the recent coup.

Table II.7. Forecast changes in formal sector employment in selected Pacific island developing countries and territories

Country / Territory	2004	2015	Per cent change
Cook Islands	5 900	6 000	1.7
Fiji	122 000	145 880	19.6
Marshall Islands	10 480	11 270	7.5
Micronesia (Federated States of)	15 350	16 470	7.3
Papua New Guinea	205 870	226 460	10.0
Samoa	59 000	63 425	7.5
Solomon Islands	30 070	32 360	7.6
Tonga	35 820	37 610	5.0
Vanuatu	16 300	17 820	10.0

Source: H. Booth, G. Zhang, M. Rao, F. Taomia and R. Duncan, At Home and Away: Expanding Job Opportunities for Pacific Islanders through Labour Mobility (Washington, World Bank, 2006).

As for smaller countries such as Federated States of Micronesia and the Marshall Islands, the prospects for employment growth are weak. Public sector employment is not likely to grow much further, particularly against a backdrop of declining aid, while private sector activity is limited. Formal sector employment growth has been, and will continue to be, slow in Papua New Guinea, Solomon Islands and Vanuatu. Without substantial improvements in the investment environment in those countries, the prospects for private sector growth are limited.

Forecasts for Samoa and Tonga show weak growth: Furthermore, the data may not be reliable as some informal subsistence activity could be included in the figures. Samoa has put some sound economic reforms in place and should see some benefit in terms of employment growth. Tonga has also started to implement economic reforms but it is likely that these reforms will lead to a decrease in public sector jobs while it may be sometime before conditions are more favourable for increased private sector activity.



III. LABOUR MARKET POLICIES*

All Pacific island developing countries have legislation that provides a framework for labour market operations. The legislation, regulations and policies relate to terms and conditions of employment; training and skills development; superannuation schemes and pensions; occupational health and safety; workers compensation; as well as legislation to regulate trades unions and industrial disputes. Many Pacific island countries also have tripartite arrangements to address labour market issues and recommend changes in policy. Many of the regulations governing labour market behaviour are based on International Labour Organization conventions and recommendations although only a small number of Pacific island countries are members of the ILO.³

Employment acts and ordinances

Labour legislation in Pacific island developing countries generally deals with employment, wages, trades unions, dispute settlement mechanisms, tripartism, occupational health and safety, pensions, public service and the employment of expatriates. There are, however, differences in how these are applied. Even where laws exist, their reach tends to be restricted to the formal sector, which represents only about 10-15 per cent of the labour force in most Pacific island economies. The majority of the workforce is in the informal sector and is not governed by workplace legislation. Trade unions in the region are generally very active but tend to represent only the interests of formal sector employees.

Pacific island countries, with the exception of Tonga, have their own Employment Ordinances, which ultimately provide for the establishment and regulation of hours of work; minimum wages; worker recruitment; written contracts; employment of women and children; and other related issues, such as dismissal and severance payments. In addition, those countries usually have Workman Compensation Acts which specify the definitions and conditions of various compensations to which an employee is entitled.

Conditions of work and entitlements of civil servants are generally laid out in public service conditions of service, typically overseen by an independent Public Service Commission. Employees of state-owned enterprises usually have their own conditions of service which are often linked to the terms and conditions in the public service.

In larger countries such as Fiji, more than 20 pieces of legislation cover various labour market issues and employment relations. The majority of these regulations date back to the colonial era and have not been revised since, which has had negative effects on

³ International Labour Organisation members in the Pacific island region are Fiji, Kiribati, the Marshall Islands, Papua New Guinea, , Samoa, Solomon Islands and Vanuatu.

^{*}Abridged from the regional study prepared by Professor Biman Chand Prasad, Head of the School of Economics, University of the South Pacific, Fiji

labour market policies as economic structures and skills requirements have changed significantly over the past two decades.⁴

The laws are generally outdated and not suitable for the changing labour market conditions brought about by increasing globalization. However, many Pacific island developing countries are revising and updating their labour legislation and regulations. Fiji has recently passed new labour legislation which will come into effect in 2008 and includes provisions relating to the elimination of gender discrimination and workplace harassment.

Trades unions

All Pacific island developing countries except for Tonga have legislation on trades unions. The laws generally cover the registration of trades unions, their constitutions and relations with members, as well as their rights and obligations, and provide for immunity from restraint of trade. Most of those countries also have legislation relating to the management of trade disputes between employees and employers including dispute resolution and industrial action including strikes.

Trades unions in the region have a strong voice but this voice is often strongest for public sector employees, whose unions are better and more organized and have managed to obtain higher wage and salary levels for this group. As a recent study clearly points out, wages and salaries in the private sector in Fiji have lagged behind the public sector because many workers in the former are not represented by unions (Narsey, 2006). Many Pacific island developing countries suffer from the traditional and usually adversarial relationship between unions and Government, which can periodically present difficulties for moving ahead with reform of the labour market.

Superannuation schemes, pensions and social security schemes

Most Pacific island developing countries do not have any social security arrangements or unemployment benefit schemes in place. ⁵ However, many have national provident fund schemes, which are provided for under acts of Parliament, with core management teams reporting to boards of directors and Ministers of Finance. These schemes require all employees to contribute to the fund with employers topping-up these contributions usually by the same amount as their employees. Employees who are retiring or who have agreed to voluntary retirement can withdraw their contributions. Some schemes also allow members to withdraw part of their contributions for major expenses such as for housing, payment of school fees or recovery following a natural disaster.

⁴ For a review of employment and industrial relations legislation in selected Pacific island developing countries, see Emberson-Bain (2006) for Tonga; Emberson-Bain (2007) for Kiribati; Chand (2006) on Fiji; Imbun (2006a) for Papua New Guinea and Imbun (2006b) for Solomon Islands.

⁵ Countries in the northern Pacific have generally established social security schemes, as have countries in the south with a free association to New Zealand.

Again, these schemes only cover formal sector employees, although some schemes provide for voluntary participation. As a result, the majority of working people who are in the informal sector are not covered by provident fund regulations.

Minimum wages

Most Pacific islands developing countries have laws that allow for the determination and establishment of minimum wages through tripartite arrangements where the Minister of Labour normally has the discretion to invoke minimum wage regulations. However, in the case of Kiribati, the existence of the legislation has not so far led the Minister to use this special authority to establish a minimum wage in the country (Toatu, 2004).

Minimum wages vary considerably between Pacific island economies (table III.1). Fiji has a plethora of rates for differing skills in various sectors. Others, such as Papua New Guinea and Vanuatu, have a flat rate per month, week or per hour.

Table III.1. Minimum wages in selected Pacific island developing countries

Fiji	Industry-based minimum wages began in 1980 and range from FJ\$1.09 to FJ\$2.75
Marshall Islands	US\$2.00 per hour
Papua New Guinea	K37.50 per week
Samoa	ST\$2.00 an hour in the private sector
	(increased from ST1.60 an hour in 2006)
Solomon Islands	SI\$1.20 per hour in fishing and agriculture;
	SI\$1.50 per hour for the rest
Vanuatu	VT20,000 per month

Sources: Based on R. Duncan, S. Cuthbertson and M. Bosworth, Pursuing Economic Reform in the Pacific, Pacific Studies Series No.18 (Manila, Asian Development Bank, 1999), Bureau of Democracy, Human Rights, and Labor, 2006. Country Reports on Human Rights Practices 2005 – Papua New Guinea, United States Department of State, available at http://www.state.gov/g/drl/rls/hrrpt/2005/61623.html, Chand, Ganesh, 2004. "Overview of current economic conditions in Fiji", Fiji Trades Union Congress, available at , http://www.gpn.org/data/fiji/fiji-analysis.doc, KVAConsult, 2007. "Samoa economic update 2007". Pacific Economic Bulletin, vol.22, no.3 October 2007 (Pasia Pacific Press), available at http://peb.anu.edu.au/pdf/PEB22-3-survey-samoa.pdf, Toa, Evelyn, 2005. "New Vanuatu minimum wages at VT20,000 monthly", The Independent August 23, 2005, available at http://www.news. vu/en/living/Employment/050823-New-Vanuatu-minimum-wages.shtml.

Regular revision of minimum wage levels has, however, been a problem in most Pacific island countries. In the case of Fiji, for example, minimum wages for all industries have not been revised for several years (Chand, 2006). However, revision has taken place in some countries; for example, the minimum wage was revised in Vanuatu from 16,000 vatu to 20,000 vatu per month in 2005 and minimum wages have been recently updated in Samoa.

⁶ Tripartite arrangements in labour relations bring together representatives of the Government, workers' organizations and employers' organizations to formulate labour market policies including minimum wage rates

Skills training

Appropriate training and capacity-building are among those labour market policies that should benefit not only workers and employers but also society at large. According to employment legislation in Kiribati, the Marshall Islands, Niue and Tuvalu the responsibility for training employees rests with employers. Fiji applies the same principle but is more definitive in that a Training Act explicitly states that employers should provide these important capacity-building services to their employees.

Training provisions are also included in legislation covering the employment of expatriates in some Pacific island developing countries. In general, these regulations require that non-citizens only be employed where a suitably qualified citizen is not available and, in such a case, stipulate that a training programme be developed and implemented so that the expatriate employee can be replaced in due time.



IV. LABOUR MARKET OPERATIONS*

Worker protection

Labour market legislation, in theory, provides a high degree of protection for workers in Pacific island developing countries. However, this depends on how well employers comply with the legislation as Ministries of Labour are often understaffed and do not have the skills to deal with large employers. In addition, most workers in those countries are in the informal sector where legislation is not enforced.

High levels of protection are prevalent in the large public sectors of many Pacific island economies and public sector terms and conditions often provide a benchmark for the private sector. This can create problems of wage "spill over", where private sector employers, especially those operating in tariff-protected sectors, adopt levels of wages and other benefits that are unaffordable in sectors such as tourism that are more exposed to international competition. In those sectors, over-generous terms and conditions can hamper job creation or make it more attractive for employers to operate in the informal sector where there is little, if any, worker protection. High public sector salaries and wages can also make the provision of public services such as health, education and infrastructure more expensive than would be the case if public sector terms and conditions were more in line with market-determined levels.

Of particular concern to workers and employers, albeit from differing points of view, is the ease with which employees can be hired and fired. The most protection for workers is generally found in the public sectors of Pacific island developing countries where there is an obligation to follow a statutory process. Private employers tend to have more discretion in employing and dismissing workers, either because enforcement is weak in the formal sector because relevant authorities or unions are weak, or because the employer is operating in the informal sector. Procedural difficulties involved in firing workers in many of the Pacific island economies can impose significant costs on businesses (Imbun, 2006a&b). Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands and Vanuatu all require employers to give several warnings to workers before dismissing them. Firing is expensive as well as difficult, as employers are required to pay dismissed workers severance pay, which can amount to 1-3 months pay in some cases.

Labour market flexibility

The issue of greater labour market flexibility is controversial. Labour market flexibility refers to the degree to which labour market conditions quickly adapt to fluctuations and changes in the economy or production. While the protection of workers is important, there is a general consensus that labour market arrangements in Pacific island developing

^{*}Abridged from the regional study prepared by Professor Biman Chand Prasad, Head of the School of Economics, University of the South Pacific, Fiji

countries lack sufficient flexibility to stimulate private-sector job creation. A lack of flexibility can also have a serious impact on the effectiveness of public service provision. In many of those countries, inflexible wage setting processes result in highly-skilled workers, such as doctors, nurses and so on, being underpaid, which leads to high turnover and an excessive amount of training to replace lost skills. Where opportunities are plentiful for migration of those with skills, the situation is even worse.

The "over-protectiveness" of labour laws in many Pacific island economies has been raised at various times by investors in the region (for example, Booth et al., 2006). Investors point out that private sector employers are reluctant to hire expensive formal sector workers as a result. In Fiji, the Marshall Islands, Federated States of Micronesia, Papua New Guinea, Samoa and Solomon Islands, for instance, the ratio of minimum to average wages is high and some of those countries also have high minimum wages. Furthermore, fixed-term contracts carry the risk of huge potential liabilities if they are legally challenged when terminated prematurely.

Regulation of working hours is another area of labour market inflexibility. Most of the Pacific island developing countries mandate a five-day work week of eight hours per day, with additional hours paid at overtime rates. This contrasts with more flexible arrangements in South Asian countries, for example, where six-day work weeks are normal. For many jobs in Pacific island developing countries, generous compulsory annual leave is provided for many jobs. On a range of 1-10, with 1 indicating extreme flexibility of working hours and 10 indicating extreme inflexibility, most countries in the region score in the vicinity of 8.5, with some of the most restrictive working hours in the world (Imbun, 2006a&b).

If employment opportunities are to grow, key sectors in Pacific island economies have to become more competitive particularly as trade liberalization continues both within and outside the region. Small island states have serious cost disadvantages which hinder their ability to attract investment in the manufacturing, agricultural and fisheries sectors. The tourism sector has the potential for large increases in employment in many Pacific island developing countries, as it is one sector that has proved to be internationally competitive, but over-protective labour market regulations could slow its growth (Winters and Martins, 2004).

Minimum wage regulations are common in Pacific island developing countries, particularly in larger countries such as Fiji, Papua New Guinea and Solomon Islands where strong trade unions support minimum wage legislation. Minimum wages in industries that are growing and where demand for labour is likely to exceed supply may be appropriate to

A flexible labour market is one in which it is easy and inexpensive for to vary the amount of labour they use, including by changing the hours worked by each employee and by changing the number of employees. This often means minimal of the terms of employment (no, say) and weak (or no) trade. Such flexibility is characterized by its opponents as giving firms all the power, allowing them to fire employees at a moment's notice and leaving workers feeling insecure (Economist.com).

safeguard workers' interests. However, in industries that are not growing and have less competitive advantage, minimum wages could be counterproductive. In addition, there is the danger that if minimum wages are considered to be too high, more workers may be pushed into the informal sector where no job protection exists.

Reforming the labour market

The Governments of some Pacific island developing countries have recognized the need to improve labour market flexibility whilst maintaining adequate levels of protection for workers. However, as mentioned in chapter III, there has been only limited progress in updating labour market legislation. This limited progress in reforming labour market legislation is largely owing to the lack of consensus among various stakeholders and, in particular, between unions and Governments. The union movement in Pacific island developing countries, particularly in Fiji, Papua New Guinea, Solomon Islands and Vanuatu, is strong and any reforms towards greater flexibility are resisted by the unions. The institutional changes required to make the labour market more efficient are not easy and will require considerable political will on the part of Governments of Pacific island developing countries. An additional difficulty arises from the lack of comprehensive and timely statistics on labour markets, which hampers informed discussion on desirable changes to labour legislation.

Addressing gender issues

In general women are disadvantaged in the labour markets of Pacific island economies. Women tend to be under-represented in formal employment categories except those regarded as "traditional" occupations for women, although women play an important role in informal and cash-cropping activities in many of those countries. Lack of serious attention to gender issues in the labour market has often resulted in low labour force participation rates of women. It has been estimated that in the Asia Pacific region as a whole, the lost output resulting from restrictions on women's participation in the labour market is US\$ 42-47 billion per year (ESCAP, 2007).

Skills mismatches

Another characteristic of labour markets in Pacific island developing countries is that there are significant mismatches of skills. Many of those countries continue to rely on traditional types of training, through schools and tertiary institutions, and expect the products of that training to fit into contemporary labour markets. But economic structures have changed over the last decade while skill development and training have failed to adapt. Agricultural productivity has continued to decline and the contribution of the primary sectors of Pacific island economies to their gross domestic products (GDP) has also declined. Tourism is now one of the leading sectors in those countries but skills-training has not changed to support the development of the industry.

The cost disadvantages for small Pacific island states in manufacturing and even agriculture means that those countries increasingly need to rely on the services sector for their growth prospects and employment creation (Winters and Martins, 2004). Tourism offers the greatest prospect for economic growth for those economies owing to the cost advantages they enjoy in that sector and to their environmental attractions. However, cost advantages could easily be eroded if skills needed by the tourism industry are not available. Already countries like Cook Islands, Samoa and Vanuatu have difficulty in hiring skilled hotel workers such as chefs and hotel management staff. The Governments of Pacific island developing countries need to concentrate on developing skills for the tourism industry.

Tourism's potential in the Pacific islands

Tourism is likely to be the key service industry upon which Pacific island developing countries will rely in future for their economic growth. Countries such as Cook Islands, Fiji, Samoa and Vanuatu already have significant tourism industries. For the Cook Islands and Fiji, tourism is the largest foreign exchange earner, and Samoa and Vanuatu are fast catching up. The recent crisis in Fiji is likely to fuel further tourism growth in Cook Islands, Samoa and Vanuatu. The sustainability of the tourism industry in Pacific island economies will depend on appropriate policies in relation to the development of tourism infrastructure, appropriate mitigation measures to cushion the impact of natural disasters and, above all, a dependable steady flow of skilled workers to the industry.

Unfortunately, many of the Pacific island developing countries have a skills mismatch at present and appropriate training of hotel workers in various fields is not available. If this situation does not improve in the near future, this could be the major bottleneck for the development of tourism. Feedback from tourism operators indicates that training institutions, including the University of the South Pacific, are not giving people appropriate training for the tourism industry. Vanuatu has recognized the importance of training and with the help of the European Union is developing a hotel training school. Other Pacific island states should re-evaluate their training capacities to ensure that skills development, re-training and new training are geared to industries with comparative advantage.

Labour mobility

The migration of skilled workers for permanent or temporary work overseas is a common feature of some Pacific island developing countries. However, as noted in chapter II, emigration can be a double-edged sword, draining those countries of skilled workers while adding to their incomes. More flexible labour markets in Pacific island economies where wages and salaries fairly reflect the worth of skilled labour would ensure that artificially depressed wages do not unduly promote a brain drain.

The advantages of emigration lie in remittances and the skills that temporary overseas workers bring with them when they return. Labour migration between Pacific island developing countries, in accordance with the Movement of Natural Persons (mode 4) under the General Agreement on Trade in Services (GATS), could help alleviate critical skill shortages in some of those countries. Agreements could be negotiated for specific industries and one that could easily be agreed upon would be for the tourism industry. Subregional cooperation for the development of tourism is vital for its sustainability. Institutions such as the South Pacific Tourism Organisation could be used for the further development of policies to integrate the tourism labour market in the region.



V. COUNTRY STUDIES

A. FIJI*

Introduction

Economic policy changes in Fiji have altered the structure of the economy in recent years. The emphasis since the early-1990s has been to promote export-led economic growth. Fiji, like many other Pacific island countries is a small open economy, far from major markets and dependent on a few exports. Like other small island states, it is vulnerable to the impacts of natural disasters and economic shocks such as changes in commodity prices. More recently, Fiji has faced the growing challenge of adjusting to the erosion of trade preferences for its sugar and garments.

Changes to the Fiji economy since the mid-1980s have resulted in larger shares for the manufacturing and services sectors, while the share of agriculture, forestry and fisheries has declined. Garment and sugar manufacturing have been the main contributors to manufacturing, and tourism to services.

Labour legislation

Fiji has a large number of acts and regulations concerning the labour market. Much of the legislation was enacted before independence in 1970. There are 14 specific labour laws and 19 other Acts that also cover labour issues. The Constitution also contains basic freedoms to form trade unions and allows for industrial disputes.

A Wages Council Act provides for regulations to set up wages councils for each industry. These tripartite councils set minimum wages for a variety of categories of worker in those industries. A superannuation fund, the Fiji National Provident Fund, provides pension-like functions to employees on retirement. Employers and employees are required to make equal contributions, currently set at a rate of 8 per cent of earnings, to a fund in the name of each employee.

Fiji's labour market policies, laws and institutions are gradually moving in the direction of stronger workers' rights and the protection of their welfare. But enforcement remains weak and many workers do not have a basic understanding of their rights and roles in those regulations. In addition, as most workers are employed in the informal sector, they receive little protection from labour regulations. Nevertheless, the country has a strong

For a detailed analysis of the operation of the wages councils and their effectiveness see Narsey (2006).

^{*}Abridged from the country study prepared by Professor Biman Chand Prasad, Head of the School of Economics, University of the South Pacific, Fiji

trade union movement with significant membership in the public sector and in some parts of the private sector. A tripartite forum of representatives of the Government, unions and employers, based on the Singapore model, set wage guidelines at the national level in the late-1970s and early-1980s, which helped reduce industrial disputes over wage negotiations. The system ended when the Government imposed a wage freeze in 1984. Subsequently, when the Government adopted more market-friendly policies, the wage-control system was ended and free collective bargaining restored.

Since then, tripartism has operated only through a Labour Advisory Board, a statutory board with a mandate to advise the Minister of Labour on a wide range of labour matters. The new Employment Relations Promulgation, due to come into force in 2008, will see a less interventionist role for Government, with a labour court to settle disputes.

Modernising employment legislation

Fiji's Employment Relations Promulgation was prepared after many years of consultation between Government, unions and employers. The Promulgation replaces many existing Acts and regulations and strengthens and clarifies workers' rights. The legislation focuses on:

- · creating minimum labour standards:
- building productive employment relationships;
- helping prevent or eliminate direct and indirect discrimination in employment;
- providing a structure of rights and responsibilities for parties engaged in employment relations;
- encouraging bargaining in good faith and close observance of agreements;
- prevention and settlement of employment-related disputes;
- · establishing mediation services, i.e. an employment relations tribunal;
- encouraging consultation between labour and management in the workplace for better employment relations; and
- · complying with international obligations.

The labour force and employment

Population growth in Fiji since the last population census in 1996 has been approximately 1 per cent per annum, roughly similar to population growth between 1986 and 1996 (see table V.1), but significantly less than the 2 per cent per year increase recorded in the 1976-1986 decade. Lower growth was a result of high levels of emigration following the 1987 coup and a continuing decline in fertility. Fiji's population was estimated at 848,000 in mid-2005 (ESCAP, 2007).

Table V.1. Labour force trends in Fiji

	1986	1996	Annual growth (Per cent)	Share of women in 1996 (Per cent)
Labour force	241 200	297 771	2.1	32.8
Employed	222 971	280 506	2.3	32.1
Cash employment	183 624	219 314	1.8	24.2
Subsistence	39 347	61 192	4.5	60.5
Unemployed	18229	17 265	-0.5	44.4
Unemployment rate (per cent)	7.6	5.8		
Not economically active	200 712	203 141	0.1	
Population, 15 years and over	441 912	500 912	1.3	
Labour force				
participation rate (per cent)	54.6	59.4		
Population	715 375	775 077	8.0	

Source: Fiji Island Bureau of Statistics, Report on Fiji population census 1986, Report on Fiji population census 1996.

The labour force grew faster than population between 1986 and 1996 in Fiji as the labour force participation rate rose from 55 to 59 per cent. Partly, this was the result of internal migration to cities where paid jobs are more plentiful. In the same decade, the rural population declined by 0.5 per cent per year, while the urban population grew at an annual rate of 2.6 per cent. A large majority of the employed labour force was engaged in cash employment but those employed in subsistence activities alone rose rapidly between 1986 and 1996. However, only 33 per cent of the labour force was female, with males predominating in cash employment.

Recorded unemployment (those unemployed and actively seeking work) was 6 per cent in 1996, down from nearly 8 per cent in 1986 but the figures are unlikely to represent the real total of those who would have been willing to take up cash employment. Formal employment, meaning those in regular paid jobs, was around 120,000 (Booth et al., 2006), which means that most of the employed, around 60 per cent, were either working in informal cash-earning activities or for subsistence only.

⁹ For more recent estimates of labour force participation of men and women in Fiji, see table II.1.

Employment growth in the formal sector in Fiji

The growth of formal sector employment in Fiji since the 1970s is linked to changes in the Government's macroeconomic policies. An emphasis on import-substitution policies, with high tariff protection, import licensing and quotas, in the 1970s saw strong growth in manufacturing. Construction also grew strongly with major public investment in infrastructure development.

By the mid-1980s, most import-substitution possibilities had been exhausted and formal sector growth slowed. The political crisis of 1987 provoked further declines in production and labour redundancies followed in many industries in the formal sector of the economy.

During the 1990s, Fiji's trade policy became more outward-looking. Tariff protection was reduced, but not eliminated, and more attention was paid to private sector development and competitiveness. Formal sector employment grew strongly as Government, in its effort to encourage export industries, set up tax-free factory and tax-free zone schemes particularly aimed at the production and export of garments, textiles and footwear. The subsequent loss of trade preferences in recent years has led to a decline in those industries. Formal sector employment growth has also fluctuated as the economy has suffered from natural disasters and further coups in 2000 and 2006.

Skills and migration

While the population of Fiji is well educated (appendix II) and there is a plethora of public and private training institutions, skills shortages persist in many occupations including trade and commerce, managerial and professional, as well as information technology.

In the aftermath of the 1987 coup, emigration seriously eroded Fiji's skills base, which is largely domestically produced. Although lower than the early-1990s, emigration is still significant and continues to erode the number of workers available with requisite skills. In recent years, there has been a large increase in the number of those taking up temporary employment overseas, especially caregivers, nurses and security personnel. The benefit for the country has been a large increase in remittances from overseas. But the downside has been the continued erosion of the skills base, exacerbated by wage rigidities that prevent wages from rising in response to skill shortages. Increased opportunities for labour mobility within the region and in Europe may further adversely affect the domestic availability of skills but may also strengthen the skills base in the longer term, when overseas workers return.

Gender inequalities

Figures from an employment and unemployment survey conducted by the Fiji Islands Bureau of Statistics in 2004-2005 provide a comprehensive view of labour force activity, although the figures are not comparable to the population census categories cited earlier. Based on those figures, the share of women in the labour force in 2004-2005 was around 31 per cent, similar to that in 1996 (Narsey, 2007). Of those not in the labour force, females undertook 99 per cent of full-time household duties; overall, women did 15 hours more household chores than males, whether working or not. The report on the survey notes that the grossly unequal amounts of time that females have to devote to household chores is "one of the primary causes of gender inequalities" (Narsey, 2007:66). Wage and salary earners made up 55 per cent of the labour force, located mainly in urban areas, while the self-employed and employers accounted for another 28 per cent. Those employment categories are dominated by males but family workers, who accounted for 11 per cent of the labour force, were almost evenly balanced between males and females (table V.2). Community workers, however, were overwhelmingly female.

Table V.2. Employment by category in Fiji, 2004-2005

Category	All	Female (Per cent)	Informal (Per cent)
Wage earner	146 098	27	40
Salary earner	48 884	37	6
Employer	3 264	19	68
Self-employed	91 818	25	95
Family worker	37 956	51	96
Community worker	2 235	77	95
Total	330 255	31	57

Source: Wardan Narsey, Fiji Islands Bureau of Statistics, Report on the 2004-2005 Employment and Unemployment Survey (Suva, Vanuavou Publications, 2007).



The informal sector

An indication of the size of the informal sector can be had from the numbers of those who do not contribute to the national provident fund, which is compulsory for all employees. Some 57 per cent of the labour force can be described as being in that sector on this basis and only 60 per cent of wage earners were in the formal sector.

Reflecting the structure of Fiji's economy, the rural population is largely engaged in agriculture, forestry and fishing, but many people are also employed in the tourism industry in rural-based resorts, while a surprisingly large number work in manufacturing (table V.3). In urban areas, services, primarily public services but also including financial services, form the largest employment group, followed by hotels, retail and restaurants, manufacturing and transport, and communications.

Table V.3. Employment by industry in Fiji, 2004-2005

Industry	Total	Rural (Per cent)	Informal (Per cent)
Agriculture, forestry, fishing	89 523	83	96
Mining and quarrying	3 222	37	4
Manufacturing	43 088	48	48
Electricity and water	2 508	30	2
Construction	16 951	35	50
Hotel, retail, restaurants	66 044	46	50
Transport, communications	22 550	28	49
Finance, real estate, business	10 219	18	20
Commercial, social and personal services	61 936	29	31

Source: Wardan Narsey, Fiji Islands Bureau of Statistics, Report on the 2004-2005 Employment and Unemployment Survey (Suva, Vanuavou Publications, 2007).

Informal employment is very high in agriculture, forestry and fishing where most people are engaged in subsistence and cash-cropping activities. However, informal employment is also quite significant in manufacturing, construction, tourism-related activities and in transport and communications.

Unemployment and underemployment

Unemployment levels in Fiji have been affected by political instabilities. In the immediate aftermath of the coups in 1987, 2000 and 2006, there were labour redundancies and fewer new jobs as confidence was shaken in the private sector and tourists were deterred from visiting, leading to businesses closing or contracting.

Table V.4. Unemployment in Fiji by gender and area, 2004-2005

	Per cent	
Female	6.0	
Male	4.1	
Rural	3.1	
Urban	6.2	
All	4.7	

Source: Wardan Narsey, Fiji Islands Bureau of Statistics, Report on the 2004-2005 Employment and Unemployment Survey (Suva, Vanuavou Publications, 2007).

The standard definitions of unemployment show that some 4.7 per cent of the labour force was unemployed in 2004-2005. The rate was higher for females and for those in urban areas. However, the report notes that levels of underemployment were very high. By taking into account the number of days worked per year and hours worked per day, the report finds that some 27 per cent of the labour force was unemployed or underemployed (Narsey, 2007).

Youth unemployment

The bulk of the unemployed are persons aged between 18 and 30. They have an unemployment rate of 8.8 per cent and account for two thirds of the unemployed but only around one third of the labour force (table V.5). The lowest unemployment rate was in the 55 years and above age category, indicating strong demand for people with high levels of work experience.

Table V.5. Unemployment in Fiji by age, 2004-2005 (Per cent)

Age group (years)	Unemployment rate	Share in the labour force	Share in the unemployed
< 18	7.6	2	3
18 - 30	8.8	35	66
31 - 55	2.4	52	27
> 55	1.4	11	3

Source: Wardan Narsey, Fiji Islands Bureau of Statistics, Report on the 2004-2005 Employment and Unemployment Survey (Suva, Vanuavou Publications, 2007).

Future trends

While the garment and sugar industries will continue to shrink, tourism, which is a fairly labour-intensive industry, should expand and provide job growth. There are also signs of growth in information technology and services, which could also be a source of employment creation in Fiji.

However, most new entrants to the labour force are likely to be engaged in informal activities. As noted earlier, the formal sector provides employment for around 120,000 workers. Approximately 16,000 people enter the labour market every year (mostly school leavers); of these, about 8,000 can be expected to succeed in gaining formal sector work as around 2,000 vacancies arise annually through migration, a further 3,300 or so through natural attrition, and a maximum of around 2,400 new jobs can be expected to be created each year. This is equivalent to an employment growth rate of 2 per cent per year (Based on Fiji Strategic Development Plan 2003-2006).

Under such a scenario, the other 8,000 job seekers each year will be obliged to enter the informal sector, in non-farm enterprises or cash crop or mixed cash crop and subsistence, agriculture. With additional numbers entering such typically low-productivity activities, the extent of underemployment can be expected to rise unless support is provided to informal sector workers to improve their productivity and incomes through skills upgrading and other forms of assistance.

Fiji's development plans contain policies aimed at promoting higher levels of employment growth. Constraints to this have been identified as poor economic growth; persistent skills shortages exacerbated by high levels of emigration; a lack of labour market information; and rigidities in wage-setting and industrial relations. Government policies to address those issues have included the setting up of employment placement centres for job seekers to have access to job information and job interviews, special training schemes for youth, as well as policies to ease skill shortages and improve formal sector job growth. A national productivity organization provides assistance in raising productivity awareness and with quality-control circles, as well as other initiatives. Available support for employers includes micro-credit and small business development assistance.

Conclusions

Fiji's economic structure has changed significantly over the last two decades. The contribution of agriculture to GDP has declined while that of manufacturing has increased, though not significantly enough to absorb resources released from the rural agricultural sector. The contribution of the tourism industry to the growth of the economy has been significant and now surpasses earnings from sugar exports. The services sector will continue to provide opportunities for increased exports and tourism is likely to continue expanding.

Fiji's economic performance in future will depend on how well it is able to navigate its way in the fast-changing global and subregional economic environments. The erosion of trade preferences for sugar and garment exports requires adjustment on several

fronts. Key among them will be creating appropriate and efficient institutions to support the development of the export sector, while seeking to remain competitive with other exporting countries.

The new Employment Relations Promulgation clarifies some of the ambiguities that existed in a number of areas in the past. For example, unions and workers will now have more flexibility in organizing their members. The new legislation is based on 'good faith' negotiations and is expected that this will provide a framework for better relations between the employers and unions. Fiji should consider the model of trade union partnership with employers and Government, based on the Japanese or Singapore models, as the relationship between those parties has always been adversarial. Furthermore, the collection of labour market data should be streamlined and updated on a regular basis as appropriate and timely data are vital to the creation of a better policy framework.



B. KIRIBATI*

Introduction

Kiribati is an island country of 33 atolls that span an ocean area of 3 million square kilometres straddling the equator. The islands are inhabited by 92,000 people of whom only 10 per cent work for money wages while the rest are in the subsistence economy. GDP per capita is around \$A1,000 but GNI is twice as much. The principal exports are copra, seaweed and pet fish and, in a typical year, the value of total exports is around \$A6 million against total imports of over \$A80 million. The large trade deficit is financed by remittances inflows from seamen, the sale of fishing licenses, the drawdown of the Revenue Equalisation Reserve Fund (RERF) and foreign aid. In recent years, the Government has been running a budget deficit of roughly \$A20 million a year that is also financed by the RERF. Foreign aid is in the range of \$A40-80 million a year and constitutes an important component of the Kiribati balance of payments.

Labour legislation

The Employment Ordinance (1965) provides for the regulation and setting of hours of work; minimum wages; recruitment of workers; written contracts; the employment of women and children; and other related issues. To date, however, no regulations regarding minimum wages have been issued under the Ordinance. For civil servants, the conditions and entitlements of staff are laid out in the National Conditions of Service manual and most State-owned enterprises have conditions of service aligned to these. Other legislation, some dating from 1946, provides for the formation of trades unions, the settlement of trade disputes and workmen's compensation. Recently, a tripartite committee with representation from unions, employers and the Government was established to provide a forum for consultations on legislation and regulations to safeguard and protect employees in line with international conventions, particularly the Decent Work Agenda of the International Labour Organization (ILO).

All employees, including those in the private sector, are legally required to contribute to the Kiribati Provident Fund and employers are required to top-up these contributions by the same amount. ¹⁰ Employees who are retiring or have reached their fiftieth birthday are entitled to withdraw their contributions. ¹¹ Seamen working overseas have recently been included in the scheme and others, such as copra cutters and commercial fishermen, can become voluntary members. In addition, a scheme was started in 2003 in which people 70 years of age and over are given \$A40 a month. The total annual budget for

Initially the contribution was 5 per cent of the person's salary or wage but it is now 7.5 per cent.

The retirement age was previously 55 years but has been lowered by the present Government.

^{*}Abridged from the country study prepared by Doctor Lete Rouatu, Permanent Secratary Ministryt of Finance and Economic Development, Republic of Kiribati.

this is more than \$A1 million. While it reflects the Government's social concern, the scheme's cost-effectiveness needs to be assessed in the light of other demands on the budget. Some small funding is also available for families or individuals in genuine hardship. There is, however, no system for the payment of unemployment benefits in the country.

The labour force and employment

With a population census every five years, Kiribati has relatively timely and comprehensive data on many aspects of the labour force. In 2005, some 63 per cent of the working-age population (15 years and over) was in the labour force (table V.6). The data for previous years indicate that labour force participation used to be much higher and it is likely that there are some inconsistencies between census years, particularly with regard to the classification of people as village workers or as being inactive. Village workers engaged in subsistence activities represented 58 per cent of the labour force in 2005, reflecting the dominance of subsistence activities in the Kiribati economy. Cash workers accounted for around 36 per cent of the labour force in that year, while the unemployed accounted for 6 per cent. However, many of the unemployed may also carry out village work.

Table V.6. Labour force trends in Kiribati, 1990-2005

Category	1990	1995	2000	2005
Cash workers	11 167	7 999	9 200	13 133
Employers	9	6	2	246
Employees	8 238	7 869	9 118	12 137
Self-employed (and others)	2 920	124	327	750
Village workers	20 546	30 341	30 712	21 582
Unemployed	914	67	644	2 254
Total labour force	32 627	38 407	40 556	36 969
Non-active population	10 550	7 294	9 664	21 371
Total population, 15 years and over	43 177	45 701	50 220	58 340
Total population	72 335	77 658	84 494	92 533

Sources: Kiribati National Statistics Office, Report on the 1990 Census of Population (Tarawa, NSO, 1993); Kiribati National Statistics Office, Report on the 1995 Census of Population (Tarawa, NSO, 1997); Kiribati National Statistics Office, Report on the 2000 Census of Population (Tarawa, NSO, 2002); and Kiribati National Statistics Office, Report on the 2005 Census of Population (Tarawa, NSO, 2007a).

Cash workers include employers, employees and the self-employed. The latter can be considered to be informal cash workers and consist mainly of people earning income through selling local smokes, sour toddy, fish, copra, seaweed and other local produce. It is important to note that census figures do not include approximately 2,000 I-Kiribati seamen, including those on fishing vessels, working on foreign vessels.

Formal sector employment by gender and occupation

Formal sector employment can be defined roughly as the number of cash employees. This refers mainly to people employed by the Government, public enterprises, churches, private businesses and the offices of foreign entities. The number of employees in the formal sector has grown relatively rapidly since 1995. In total, cash employment grew by 2.1 per cent per year between 1995 and 2000 and 4.2 per cent per year between 2000 and 2005, or an average of 380 additional employees per year.

Although females only accounted for 38 per cent of cash employees in 2005, this percentage has grown consistently since 1978. The number of female cash employees increased by an average of 4.6 per cent each year between 1978 and 2005 compared with 1.5 per cent for men.

Table V.7. Cash employees by gender in Kiribati, 1978-2005

Employees	1978	1985	1990	1995	2000	2005
Males	5,053	4,723	5,910	5,248	5,764	7,467
Females	1,377	1,597	2,328	2,621	3,354	4,670
Total	6,430	6,320	8,238	7,869	9,118	12,137

Sources: Kiribati National Statistics Office, Report on the 1985 Census of Population (Tarawa, NSO, 1986); Kiribati National Statistics Office, Report on the 1990 Census of Population (Tarawa, NSO, 1993); Kiribati National Statistics Office, Report on the 1995 Census of Population (Tarawa, NSO, 1997); Kiribati National Statistics Office, Report on the 2000 Census of Population (Tarawa, NSO, 2002); and Kiribati National Statistics Office, Report on the 2005 Census of Population (Tarawa, NSO, 2007a).



The number of contributors to the Kiribati Provident Fund gives an indication of the distribution of formal sector workers by type of employer. Although not strictly comparable to the census definitions, the provident fund data show that public sector employees accounted for nearly 73 per cent of cash employees in 2006 (table V.8), down from 76 per cent in 2000. In comparison, very strong growth, of around 7 per cent annually, was recorded in employment in private businesses but those businesses accounted for a mere 18 per cent of all cash employees.

Table V.8. Trends in employment by type of employer in Kiribati, 2000-2006

Type of employer	2000	2006
Public sector	7,745	7,720
Central government	5,167	4,456
Island councils	834	1,084
Public enterprises	1,744	2,180
Private sector	2,409	2,913
Churches	375	543
Island cooperatives	116	164
Private businesses	1,250	1,876
Embassies etc.	68	330
Foreign companies	600	0
Total	10,154	10,633

Source: Kiribati Provident Fund

The occupational profile of cash employees reflects the dominance of the public sector within the economy. Some 50 per cent of cash employees are legislators, administrators, professionals, technicians or clerical workers (table V.9). The small number of cash employees in the agricultural and fisheries category reflects the very small commercial agriculture and fisheries sector.

Table V.9. Cash employees in Kiribati by occupation, 2005

Occupational group	Number	Per cent
Legislators, administrators	558	5
Professionals, technicians	3 585	30
Clerical workers	1 771	15
Service workers	2 086	17
Agriculture and fisheries workers	525	4
Elementary workers	3 612	30
Total	12 137	100

Source: Kiribati National Statistics Office, Report on the 2005 Census of Population (Tarawa, NSO, 2007a). Note: Elementary workers include carpenters, office cleaners, drivers and so on.

Skills and training

Kiribati has a Technical Training Institute, a Teachers Training College and a Marine Training Centre for seamen, while a Fishermen Training Centre has opened more recently. A nursing school located within the main public hospital also trains around 30 nurses a year for subsequent employment within the hospital. Many people also attend courses overseas

All those institutions, apart from the Fishermen Training Centre, were established by the Government and are primarily geared to the needs of the public sector. The graduates of the Marine and Fishing Centres are, however, expected to work on foreign vessels.

Table V.10. The labour force in Kiribati by educational attainment, 2005

Education	Village workers	Cash workers	Unemployed	Total labour force
None	2 061	426	95	2 582
Pre-school	29	0	2	31
Primary	12 102	3 904	613	16 619
Junior secondary	3 973	2 326	515	6 814
Upper secondary	3 116	5 129	1 001	9 246
Certificates	115	576	12	703
Diploma	16	259	2	277
Bachelor degree	12	254	1	267
Master degree	1	82	1	84
Doctoral degree	1	7	0	8
Not stated	156	170	12	338
Total	21 582	13 133	2 254	36 969

Source: Kiribati National Statistics Office, Report on the 2005 Census of Population (Tarawa, NSO, 2007a).

A profile of education and training from the 2005 population census shows that 45 per cent of the labour force had completed primary education, while a further 25 per cent had completed the upper secondary level. Only 4 per cent of the labour force had tertiary qualifications, such as certificates, diplomas and degrees (table V.10).

A majority of those who had an upper-secondary-level education were employees in the cash sector. Of the total number of cash workers, 57 per cent had completed junior or upper secondary school, while 30 per cent had completed only primary education. This is to be expected as most cash workers are in formal, mostly public, sector jobs that require secondary education, although some junior public sector posts require only primary education. Cash workers also accounted for the vast majority of those with tertiary education. In contrast, village workers were less well educated with 56 per cent having only primary education and 10 per cent not having been to school. However, nearly one third of village workers have completed some form of secondary education.

Unemployment and underemployment

The 2005 census recorded some 6 per cent of workers as being unemployed but actively seeking work. Nearly half of the unemployed (44 per cent) had completed upper secondary education. Clearly, the completion of even the highest level of secondary education may be insufficient to secure a cash job. While the definition of the unemployed in the census is the same as that used in the developed world, it may not be appropriate for measuring unemployment in many countries where subsistence and cash cropping are the principal economic activities.

Definition of unemployment

The concept and, therefore, the definition of unemployment as advocated by ILO and used in developed countries, i.e. people not employed but actively seeking work, within some specified time period, may not be applicable to Kiribati. This is because of the predominance of the subsistence and informal sectors and the inherent difficulty in determining who actually is not working but is actively seeking work. The meaning of "actively seeking work" is difficult in the Kiribati context because there is no employment or other similar agency to which unemployed people can easily go and report their intention to look for paid work. In addition, there is no unemployment benefit or other social welfare scheme that can only be accessed if a person registers as unemployed, which would facilitate the collection of unemployment data as in developed countries.

Anecdotal evidence suggests that there are many unemployed and dissatisfied people in Kiribati looking for work and that the official definition of the unemployed does not convey the correct or the relevant picture of the situation in the country. A more appropriate measure of unemployment would take account of the difficulty that people have in signalling that they are looking for work and also take account of underemployment, where people are willing to work longer hours but cannot find paid work.

Many village workers would opt for any paid job if available. On the outer islands, for instance, a very basic job, such as office cleaner, watchman or messenger, would attract many applicants on the island, mostly from among village workers, as it would provide cash income to purchase many basic foodstuffs and services. In addition, virtually everyone undertakes some form of subsistence or village work so being a village worker is not really a choice but more a default position for people without formal or paid employment. Furthermore, some workers in the self-employed category, namely copra cutters, seaweed growers, sour toddy sellers and so on, are significantly underemployed as they tend to work short hours and would in fact take more formal jobs if they were given the opportunity. Because of the difficulty in knowing exactly whether a person is

actively seeking work or not, a question was inserted in the 2005 population census that asked respondents whether he or she was seeking a paid job. The responses are shown in table V.11

Table V.11. Workers seeking paid jobs in Kiribati, 2005

		Are you seeking a paid job?			
Category	Total	Yes	No	Not stated	
Cash workers	13 133	4 035	8 842	256	
Village workers	21 582	6 635	14 700	247	
Unemployed	2 254	2 254	0	0	
Labour force	36 969	12 924	23 542	503	

Source: Kiribati National Statistics Office, Report on the 2005 Census of Population (Tarawa, NSO, 2007a).

The total number seeking paid jobs amounted to 12,924 or 35 per cent of those in the labour force in 2005 compared with the 6 per cent unemployment rate. Excluding cash workers who may just be looking for a better job, 8,889 persons, or 24 per cent of the labour force, were actively seeking work. It is clear that the unemployment rate could be determined in several ways and it is really up to the Government to decide which measure would be most useful for its planning and policy formulation purposes.

Youth unemployment

In Kiribati, approximately 21 per cent of the population was in the 15-24 years age group in 2005, while a further 40 per cent of the population was below 15 years of age. This youthful population continues to exert pressure on the economy for job creation.

Table V.12. Youth labour force in Kiribati, 2005

Category	15-24	Age group: 25+	All ages
Cash workers	2,011	11,106	13,117
Village workers	5,628	15,954	21,582
Unemployed	1,307	947	2,254
Total Labour force	8,946	28,007	36,953
Unemployment rate (Per cent)	15	3	6

Source: Kiribati National Statistics Office, Report on the 2005 Census of Population (Tarawa, NSO, 2007a). Note: The total for cash workers excludes those not giving their age.

Youths aged 15 to 24 years make up 24 per cent of the total labour force (table V.12). However, they make up 58 per cent of the unemployed, using the standard definition of unemployment. This is reflected in the much higher unemployment rate of 15 per cent for youths compared with 3 per cent for older age groups. As pointed out by some observers, frustrated, unemployed youths are a 'social time bomb'.

Conclusions

Private sector development

Generating higher levels of employment, especially for the young, will involve greater efforts to boost private sector development. As noted earlier, the Kiribati economy is driven primarily by the public sector and by cash flows from abroad. The manufacturing base is tiny and the output of agriculture and fisheries is just 5 per cent of GDP. Unfortunately, the private sector in Kiribati lacks the capital and skills necessary for large-scale investment and so far, there has been a very limited number of interested foreign investors. Constraints on private sector growth include limited land and water resources; inadequate infrastructure such as roads and telecommunications; and the great distances to overseas markets.

An industry that has considerable potential for significant foreign currency earnings is tourism. In Cook Islands, Fiji and Vanuatu, for example, tourism is one of the main employers of local people and constitutes an important market for local produce. However, it requires very high initial capital outlays and good infrastructure, such as air transport and hotel facilities. Developing this infrastructure will take time and effort so fostering tourism could be considered as a longer-term strategy towards addressing unemployment.

Appropriate education and skills

Adequate levels of education or relevant training are usually required to work in the formal sector. Unfortunately, most school and training curricula and the educational budget are geared primarily towards work in the public sector and not towards private sector activities. Vocational training in sewing, catering, and other similar trades is non-existent, yet these are the very skills that many individuals could use to start their own businesses. Social and cultural factors also hinder the involvement of I-Kiribati in business. Some of these factors could be overcome with more emphasis on entrepreneurship in schools and better support for the transition from school to work.

Labour legislation

Most employees are not fully aware of the details of their work contracts and the conditions of service provided by their employer and this has created many problems between employees and employers. In most cases, employees suffer because they do not get the wage they were expecting or have to work long hours or occasionally lose their jobs without a clear reason. The Government's National Development Strategy states that the need for work makes employees vulnerable to exploitation by employers and proposes three strategies to address this problem (Kiribati National Economic Planning Office,

2003). They are: improving the understanding and capability of trade unions so that they are able to negotiate better deals for employees; promoting compliance with international conventions on working conditions and rights of workers; and pursuing employment opportunities abroad. A tripartite labour market committee, with members from the trades unions, the Chamber of Commerce and the Government, should also be set up to look into labour market issues both from the supply and demand sides.

Information on labour markets

The Ministry of Labour in Kiribati is responsible for national employment registration where the unemployed can register their interest in advertised vacancies. However, very few resources are available for this function and there is very little information on available vacancies. More effort in compiling information on vacancies, training and the general state of the labour market would assist both with job placements and better policy formulation. Furthermore, all those seeking jobs should be encouraged to register, not only applicants registering for announced job vacancies. Lastly, the National Statistics Office should undertake labour force surveys more frequently than is the case at present and the results should be readily accessible.



C. Papua New Guinea*

Introduction

The population of Papua New Guinea was 5.3 million in mid-2000 and is estimated at over 6 million in 2007. The annual average population growth between 1990 and 2000 was around 2.6 per cent, compared with 2.1 per cent in 2000-2005 (ESCAP, 2007). High growth of the population feeds through into high labour force growth and adds to the challenge of finding sufficient employment opportunities.

The rural majority is engaged in cash and subsistence farming and produces a wide variety of crops. Some 80 per cent of rural households grow vegetables and root crops, and also keep livestock, mainly for subsistence, while major cash crops are coffee, cocoa, and betel nut.

Labour legislation

Papua New Guinea has a number of Acts governing employment and employmentrelated issues. ¹² In general, the legislation provides for high levels of protection for employees in relation to contracts, hours of work, wage levels, leave and so on. However, the regulations apply only to the small formal sector and enforcement is poor owing to limited resources. Most workers are in the informal sector and so do not have any form of protection.

The labour market and employment

Information about Papua New Guinea's labour market is very scarce and the main source of information is the national population census of 2000 (National Statistical Office of Papua New Guinea, 2003). There is no annual employment survey nor have any major labour force surveys been conducted; a proposed labour force survey has not yet been funded. The National Apprenticeship Trade Testing Board under the Ministry of Labour and Industrial Relations is a source for data on the country's skilled trade personnel. Other Government ministries and agencies also have data on other skills, such as health and education personnel, but they are not readily available.

The labour market in Papua New Guinea is highly fragmented and segmented, with low skill intensity. Outside the National Capital District, the population is scattered with many small villages and towns and unreliable and costly transport infrastructure. This impedes the flow of goods, services and inputs, including labour and information, across the country particularly between the highlands and the coastal lowland areas. The skilled labour force is concentrated in the National Capital District and also in mining centres.

They include the Employment Act; Workers Compensation Act; Industrial Relations Act; Industrial Organizations Act; National Apprenticeship Act; Employment of Non-citizens Act; and Public Services Management Act.

^{*}Abridged from the country study prepared by Samuel Petau, Economist, Department of National Planning and Monitoring, Papua New Guinea.

Large numbers migrate to urban centres each year in search of higher wage employment opportunities. But with little growth in urban jobs, the result has been increased urban unemployment and crime.

Out of a total labour force of approximately 2.2 million in 2000, 78 per cent was engaged in farming for cash and subsistence (table V.13). Only 11 per cent was engaged in formal sector employment, with 7 per cent self-employed, and around 3 per cent was recorded as unemployed. Recent data on labour force participation rates in 2005 indicate that those rates were relatively high in Papua New Guinea, at 75 per cent for men and 73 per cent for women (chapter II. table II.1).

Table V.13. The labour force by economic activity and gender in Papua New Guinea, 2000

				Male	Female
Category	Male	Female	Total	(Per cent)	(Per cent)
Wage employment	182 324	59 527	241 851	75.4	24.6
Self-employed	85 927	70 519	156 446	54.9	45.1
Farming (cash)	110 611	106 186	216 797	51.0	49.0
Farming (subsistence)	676 761	794 169	1 470 930	46.0	54.0
Unemployed	51 920	14 044	65 964	78.7	21.3
Total labour force (15+)	1 107 543	1 044 445	2 151 988	51.5	48.5

Source: National Statistical Office of Papua New Guinea, 2000 Census National Report (Port Moresby, National Statistical Office, 2003).

Males take more of the small number of available formal sector wage jobs, with 16 per cent of the male labour force in wage employment compared with only 6 per cent of females. In contrast, subsistence farming is dominated by women and approximately 76 per cent of the female labour force in this sector compared with 61 per cent of men.

The informal sector and growth in formal employment

As noted above, the majority of Papua New Guinea's population and labour force remains in the informal sector engaged mainly in small-scale cash cropping and subsistence activities in rural areas. However, a significant proportion of the population in urban centres is also engaged in informal and black-market activities, which are unaccounted for in any conventional employment statistics. The informal sector continues to act as a sponge, absorbing the majority of those who have not been able to find formal employment.

Employment in the small formal sector in Papua New Guinea, which comprises the public sector, mining, construction and distribution, has grown sluggishly but the picture may be changing. Indications are that formal employment rose by 15 per cent between 1994

and 2006 (Bank of Papua New Guinea, 2006). However, the Department of Treasury reported that formal employment grew strongly during the first half of 2006, with private non-mining employment increasing 7.8 per cent (Government of Papua New Guinea, 2006). This is in line with the robust economic growth of recent years where growth in the non-mining sector has been well in excess of population growth. The mining sector has also being growing faster than the rural agriculture sector.

Skills shortages

Formal sector jobs require both experience and appropriate skills training at the tertiary level especially within the expanding mining sector and in construction. But the local labour market in Papua New Guinea lacks the appropriate number of skilled personnel to meet the demands of those growing industries, as well as the demands for specialist health personnel and many other specialist skills required in other sectors.

Demand for skills training in the country far outweighs enrolments at institutions that can provide such training. In line with a growing population, an increasing number of high school and secondary school graduates compete for the limited number of places available for training at institutions of higher learning such as technical schools, colleges and universities. The numbers of colleges and technical schools run by churches and the Government have not increased since independence in 1975. Papua New Guinea has a total of six universities, five technical and teacher training colleges, one fisheries college and a few nursing colleges to cater for the overwhelming demand for skills training. The demand for skills training has led to the growth of training providers from the private sector, although the courses offered are unaffordable for many.

Employment by occupation

In many instances, the skills shortages in Papua New Guinea have resulted in the engagement of non-citizens in certain highly skilled areas of work. Non-citizens are primarily to be found employed as senior officials, managers, professionals and technical and associate workers (table V.14). This is also the case in the public sector. As can be expected, the overwhelming majority of the local population is engaged in occupations related to agriculture and fisheries.

Table V.14. Employment of citizens and non-citizens by occupation in Papua New Guinea, 2000

				Percentage
Occupational Group	Citizens	Non-Citizens	Total	distribution
Legislators, senior				
officials and managers	16 687	2 521	19 208	8.0
Professionals, technical				
and associate workers	70 498	2 430	72 928	3.1
Clerks	27 260	3	27 263	1.2
Service, shop and				
market sales workers	46 188	137	46 325	2.0
Agricultural and				
fisheries workers	1 928 836	142	1 928 978	82.1
Craft and related				
trade workers	72 115	219	72 334	3.1
Plant and machine				
operators and assemblers	26 789	121	26 910	1.1
Elementary occupations	143 775	39	143 814	6.1
Not stated	12 586	703	13 289	0.6
Total	2 344 734	6 315	2 351 049	100.0

Source: National Statistical Office of Papua New Guinea, 2000 Census National Report (Port Moresby, National Statistical Office, 2003).

Unemployment and underemployment

According to the 2000 census, recorded unemployment (those without a job and actively seeking work) was relatively low at 3 per cent overall in Papua New Guinea. But unemployment in urban areas was much higher at 16 per cent. Just over half the 66,000 unemployed were in urban areas but with a much higher rural population, the rural unemployed represent a small percentage of the labour force. This is a result of the heavy involvement of the rural labour force in subsistence or non-monetary activities. However, the rural sector in Papua New Guinea is thought to have high levels of underemployment in the form of underutilized labour receiving low cash incomes over the course of the year. Unfortunately there are no data available on the extent of this phenomenon.

Unemployment falls most heavily on youths, with over one quarter of the population in the 20-24 years age bracket recorded as being unemployed in the 2000 census.

Future trends

Papua New Guinea is already facing a labour force absorption crisis and the creation of employment has become a major economic challenge. The labour force is likely to grow at an average rate of 2.4 per cent per year for the foreseeable future, more than doubling from 1.5 million to 3.2 million between 1990 and 2020. It is estimated that the

annual net addition to the labour force will increase from 46,000 in 1995-2000 to 66,000 between 2010 and 2015 (Government of Papua New Guinea, 1999). Most of the new entrants will be youths who will be unable to find any jobs in the formal sector as they lack the necessary training and experience.

HIV/AIDS has the potential to seriously erode the country's economic and social development in the long term if efforts to control the epidemic prove to be ineffective. In particular, the epidemic in Papua New Guinea is hitting people in the most productive age group of 15-29 years especially hard. The protection of Papua New Guinea's labour force, especially the economically productive population group that is currently being affected by HIV/AIDS, is therefore of utmost importance (Petau, 2005).

Conclusions

It is widely recognized that employment opportunities cannot increase at adequate levels in Papua New Guinea unless the performance of major sectors for employment creation improves. The Government has adopted policies to enhance international competitiveness and encourage private-sector-led economic growth especially in agriculture, fisheries and forestry. However, there remains much to be done including improved access to markets, improved infrastructure, expanded agricultural extension services, support for small business development and access to credit facilities, as well as securing land for development.

Other policies to improve employment are being considered and a strategy to develop human resources is being formulated by the Government of Papua New Guinea. There is also recognition of the need to improve the skill base and labour productivity levels considerably. Skills shortages are acute in fields such as technical trades and the accounting and medical professions.

The lack of labour market data will continue to constrain the Government's ability to develop sound policies. An immediate priority would be to conduct a labour force survey which would provide valuable information for the preparation of a human resources strategy.

The strategy should also address the impact of high levels of worker protection in the formal sector and how this may be holding back employment growth. Enhancement of dialogue between the Government and the private sector, between employers and employees, and between non-governmental organizations (NGOs) and Government, would also assist in developing effective policies for employment creation.

D. Tonga*

Introduction

Poor economic growth has resulted in weak demand for labour and, consequently, problems of unemployment especially among youths. It is widely acknowledged that the poor growth performance is a result of weaknesses in the environment for private sector development.

A fiscal crisis resulting from large pay increases in the public service and large-scale public service redundancies has meant that the Government has had to take drastic measures to stave off economic instability. Efforts to restore fiscal balance are being made, while governance is being strengthened and private sector activity promoted.

Labour legislation

The Tonga labour market has been operating without any specific labour legislation in place. There is no legislation governing industrial relations or disputes and the role of trades unions nor is there any law governing minimum terms and conditions of work or occupational health and safety. These issues are being addressed and preparation commenced on an Employment Relations Bill in 2006. Consultations on the draft with key stakeholders have so far been completed.

The labour force and employment

Demographic changes and the characteristics of the labour force are affected by the high rate of emigration from Tonga. This has affected the skills available for both the public and private sectors, although it has also reduced pressure on services and land.

Table V.15. Labour force trends in Tonga

Category	1986	1996	2003
Labour Force	23,745	33,908	36,450
Employed	21,604	29,406	34,560
Unemployed	2,141	4,502	1,890
Unemployment rate (Per cent)	9.0	13.3	5.2
Not economically active	30,852	24,194	20,890
Population, 15 years and over	54,597	58,102	57,340
Labour force participation rate (Per cent)	43	58	64

Sources: Statistics Department, Kingdom of Tonga: Population Census 1986 (Nuku'alofa, Kingdom of Tonga, 1991); Statistics Department, Population Census 1996: Administrative Report and General Table (Nuku'alofa, Kingdom of Tonga, 1999); and Statistics Department, Report on the Tonga Labour Force Survey 2003 (Nuku'alofa, Government of Tonga, 2004).

^{*}Abridged from the country study prepared by Sione Fifita Maumau, Deputy Secretary, Ministry of Labour, Commerce and Industry, Kingdom of Tonga.

The population of Tonga was 90,400 in 2003 according to a survey of the labour force conducted in that year. This can be compared with the 97,784 enumerated in the 1996 population census. Although the labour force survey results are not strictly comparable with the population census, indications are that there was a significant decline in population in that period. In the decade prior to 1996, population growth was only 0.3 per cent per year. The overall picture is one of high migration of people away from Tonga.

In line with this trend, there has been a small reduction in the working-age population (aged 15 years and over) since 1996. At the same time, the overall labour force participation rate increased from 58 per cent in 1996 to 64 per cent in 2003 (table V.15). This was reflected in the strong growth in total employment from approximately 22,000 in 1986 to 35,000 in 2003, a growth rate of 2.8 per cent per year.

The employed population includes all persons in paid employment, i.e. with either a full-time or part-time job, as well as those engaged in farming, fishing or making handicrafts. In 2003, the employed labour force numbered 34,560 persons, 41 per cent of whom were female compared with 37 per cent in 1996 (table V.16). Almost half of all males (46 per cent) were employed in the agricultural sector, whereas over half of all employed females (54 per cent) worked in the manufacturing sector, mainly making handicrafts at home. The industries that were the principal sources of employment growth between 1996 and 2003 were construction, manufacturing and the wholesale and retail trades.



Table V.16. Trends in employment by industry and gender in Tonga

		1996 Females	2003 Females	
Industry	Total	(Per cent)	Total	(Per cent)
Agriculture, hunting and forestry	8 886	1	9 980	5
Fishing	1 067	3	1 050	17
Mining and quarrying	43	12	60	0
Manufacturing	6 710	94	8 530	89
Electricity, gas and water	504	19	530	30
Construction	500	3	1,440	2
Wholesale and retail trade	1 960	43	2 930	54
Hotels and restaurants	546	56	630	63
Transport, storage, etc	1 209	23	1 580	27
Financial intermediation	536	54	510	57
Real estate, renting, etc	121	35	260	35
Public administration and defence	3 701	26	2 590	27
Education	1 721	56	1 780	60
Health and social work	510	74	660	58
Other community and personal services	1 133	24	1 330	26
Private household employment	187	60	610	57
Foreign organizations and bodies	72	61	90	33
Total	29 406	37	34 560	41

Sources: Tonga Statistics Department, Population Census 1996: Administrative Report and General Table (Nuku'alofa, Kingdom of Tonga, 1999) and Tonga Statistics Department, Report on the Tonga Labour Force Survey 2003 (Nuku'alofa, Government of Tonga, 2004).

Unemployment

Tonga's unemployment rate remains high relative to many other countries in the region and to other island nations. From 9 per cent in 1986, the rate climbed to 13 per cent a decade later. The strong employment growth between 1996 and 2003, noted earlier, led to the unemployment rate falling to 5 per cent in 2003. However, it is likely that unemployment has risen since then as a result of recent sluggish growth and the fiscal crisis of 2005. Public and private sector wage increases and public sector redundancies may well exacerbate the problem.

Youth unemployment

Unemployment, particularly youth unemployment, is widely recognized as a significant problem facing Tonga. In 1996, unemployment was very high in the 15-24 age group which accounted for 55 per cent of the total unemployed. By 2003, the share of youth unemployment in the total had fallen to 42 per cent reflecting strong job growth in that period. As the economy has weakened since then, the youth unemployment situation is likely to be worse today.

Skills shortages

The number of non-citizen workers employed in the country is around 600 of whom about half are mid-skill-level technical workers. This reflects the shortage of local skills in related disciplines such as construction and mechanical engineering, and provides an indicator of the areas where skills training is needed. A new Ministry of Training, Employment, Youth and Sports has recently been created to strengthen and improve existing technical and vocational training so that it becomes more responsive to the needs of industry.

Conclusions

The only solution over the long term for sustained employment generation in Tonga is steady economic growth. The Government is committed to achieving higher economic growth through the development of the private sector. Improvements in governance, economic policy and the regulatory environment within which the private sector operates are now being pursued by the Government and policies to foster growth in the labour-intensive services sector, such as tourism, are also being developed.

The 2005 pay increases for public servants in Tonga were very substantial and ranged from 60 to 80 per cent. To make the increases affordable, the Government introduced a voluntary redundancy package which was taken up by over 800 public service employees. The full impact of the large pay increases on the rest of the economy has yet to be felt. The lack of adjustment in public service pay in the past was one of the reasons for the large increases that occurred. This indicates that there is a need for the introduction of a sound public service pay policy that takes account of comparable pay rates in the private sector as well as the affordability of public service pay to the country.

There will be few prospects of finding employment in the public service in the near future for those currently unemployed as well as for new entrants to the labour force and unemployment is likely to worsen. The youthful demographic profile of Tonga, where more than 50 per cent of the population is below the age of 20, implies greater pressure in the future for job creation. The increase in labour force participation also gives a clear indication that more and more people would prefer to be employed.

A legislative framework for the labour market in the form of an Employment Act is currently being implemented in Tonga. The enforcement of the new employment regulations will, however, require increased capacity within relevant Government ministries.

E. Vanuatu*

Introduction

Vanuatu comprises more than 80 volcanic islands that are generally mountainous with narrow coastal plains. Only 65 islands are inhabited but some 80 per cent of the total population lives on the eight largest islands. The total population was estimated by the 1999 census at approximately 200,000 and most people live in rural areas, mainly along the coasts. The country is largely undeveloped, with the bulk of the population engaged in subsistence agriculture. Population has been increasing rapidly, at an average annual growth rate of around 3 per cent, increasing to over 4 per cent in urban areas.

Vanuatu has considerable agriculture, fisheries and tourism resources. However, inadequate economic management, major structural weaknesses and political volatility have affected the country's economic performance. Economic growth over the past two decades has barely kept pace with the rapid growth of population and there have been some erratic fluctuations in the economy. Economic development is hindered by dependence on a relatively small number of commodity exports, vulnerability to natural disasters and long distances from main markets as well as between the country's islands. The underdeveloped infrastructure and high cost structure are also serious constraints, tending to amplify the geographic isolation and fragmentation of the country.

Labour legislation

Vanuatu has a number of Acts governing employment and employment-related issues.¹³ As in Papua New Guinea, the legislation generally provides for high levels of protection for employees in relation to contracts, hours of work, wage levels, leave, severance pay and so on. However, the regulations apply only to the small formal sector and enforcement is poor owing to limited resources. Most workers are in the informal sector and so do not have any form of protection.

A tripartite Labour Advisory Board, with representatives from labour and employers organizations as well as from the Government, is provided for in the legislation. Its role is to advise the Government on employment and labour relations issues but it has not been active in recent years. Vanuatu has an established trade union movement, although only a low proportion of formal sector employees are members of unions.

These include the Employment Act; Health and Safety at Work Act; Workmen's Compensation Act; Minimum Wage and Minimum Wages Board Act; Trade Unions Act; Trade Disputes Act; and the Public Service Act.

^{*}Abridged from the country study prepared by Tarisu Kailes, Senior Labour Officer, Department of Labour, Vanuatu.

The labour force and employment

There are very few statistics available on the labour market in Vanuatu. Those are from the 1999 population and from a one-off labour market survey, largely covering the formal sector, conducted in 2000. Some employment statistics are also available from the Vanuatu National Provident Fund

The census recorded a working-age population of nearly 98,000 with some 78 per cent in the labour force (table V.17). The overwhelming majority were employed in the rural sector with males accounting for 55 per cent of total employment. Urban employment was only 18 per cent of the total and, in this sector, males predominated with 61 per cent of all jobs. Rural employment was closer to gender parity, as women held 46 per cent of all jobs.

Table V.17. The labour force in Vanuatu, 1999-2000

		U	rban			Rural	
Category	Total	Total	Male	Female	Total	Male	Female
Employed	75 110	13 245	8 111	5 134	61 865	33 125	28 740
Unemployed	1 260	878			382		
Unemployment rate (Per cent)	2.0	6.6			0.6		
Working age population	97 642						
Labour force participation							
(Per cent)	78						

Sources: Vanuatu Statistics Office, The 1999 Vanuatu Population and Housing Census, Main Report (Port Vila, VSO, 2000) and Vanuatu Statistics Office, Vanuatu 2000 Labour Market Survey Report (Port Vila, VSO, 2002).

Formal and informal employment

A majority of the employed population, 68 per cent, was involved in subsistence activities in rural areas that would be included in the informal sector (table V.18). Only 13 per cent were engaged in formal sector activities in the private sector, with 6 per cent in the public sector. The remainder of the workforce is in other informal sector activities such as public transport operators, kava bars, handicraft manufacturers and small retailers.

Table V.18. Total employment by sector in Vanuatu, 1999-2000

Sector	Employment	Per cent	
Private sector	9 797	13	
Public sector	4 848	6	
Subsistence activities	51 309	68	
Other activities	9 156	12	

Sources: Vanuatu Statistics Office, The 1999 Vanuatu Population and Housing Census, Main Report (Port Vila, VSO, 2000) and Vanuatu Statistics Office, Vanuatu 2000 Labour Market Survey Report (Port Vila, VSO, 2002).

The labour market survey of 2000 provides a detailed picture of employees in the formal sector. However, the data are not entirely consistent with data from the population census. The survey covered private sector businesses, based on those registered for value added tax, as well as Government services and the financial sector. The majority of privately-owned businesses were small in size, with over 60 per cent having 1-9 employees. Around one third of those employees was female and Ni-Vanuatu nationals accounted for over 95 per cent of the total number, expatriates accounting for the rest. Over 80 per cent of all formal employees (15 to 64 years old) were in the services sector (table V.19) which is heavily concentrated in the two urban areas of Port Vila and Luganville. Activities related to tourism and Government, including health and education, were the main providers of jobs in that sector. The construction sector was also a large employer. There were only a few employees in the formal agriculture, forestry and fishing sectors, while the small number of manufacturing jobs was concentrated in light industry and import substituting sectors.

Table V.19. Employees in the formal sector by industry in Vanuatu, 2000

Industry	Employment
Agriculture	626
Forestry and logging	263
Fishing	76
Mining	3
Manufacturing	782
Construction	1 494
Electricity, gas and water	107
Transport and communication	1 571
Wholesale and retail	2 770
Hotels and restaurants	1 300
Community social services	597
Government	2 513
Education	2 000
Health	611
Financial services	367
Other services	396
Domestic workers	1 909
Total	17 385

Sources: Vanuatu Statistics Office, Vanuatu 2000 Labour Market Survey Report (Port Vila, VSO, 2002).

A breakdown of total employment in Vanuatu, both formal and informal, by occupation, shows that most workers were engaged in occupations related to agriculture and fisheries, which are included in the informal sector (table V.20). Excluding those informal sector occupations, some 22 per cent of formal sector employees were in the professional, technicians and associate professionals categories. This includes Government employees such as health workers and teachers. The second largest category, 19 per cent of formal jobs, was the service and sales workers group, which reflects the size of the wholesale and retail sector.

Table V.20. Total employment by occupational category in Vanuatu, 2000

Occupation	Number
Legislators, senior officials and managers	797
Professionals	795
Technicians and associate professionals	3 612
Clerks	1 713
Craft and related workers	3 533
Plant and machine operators and assemblers	1 782
Service workers, shop workers	3 945
Skilled agricultural and fisheries workers	54 829
Elementary occupations	3 431
Armed forces and not stated	673
Total	75 110

Sources: Vanuatu Statistics Office, Vanuatu 2000 Labour Market Survey Report (Port Vila, VSO, 2002).

The labour market survey also collected data on the standard salary and wage paid to employees. About 10 per cent of formal sector employees received a monthly salary between 100,000 and 300,000 vatu and only 2 per cent received a monthly salary over 300,000 vatu.

Unemployment and underemployment

As noted in table V.17 above, reported unemployment was low with an overall unemployment rate of around 2 per cent according to the labour market survey of 2000. The urban unemployment rate was much higher, at 6.6 per cent, compared with the 0.6 per cent rate in rural areas. There are, however, likely to be high levels of underemployment in those areas and the apparently low unemployment rate is probably an understatement of the true situation.

Skills shortages

Skills shortages are widely acknowledged as being a key constraint to growth in the private sector in Vanuatu. A literacy rate of around 50 per cent for 15-24 year olds reflects the low skill levels of the labour force (Vanuatu Statistics Office, 2002). The labour market survey reported that 60 per cent of businesses experienced difficulties in recruiting employees with appropriate skills and education. The most frequently reported skills required that were in short supply were in accounting, computing and management.

Minimum wages

The minimum wage is set in Vanuatu following the advice of a tripartite board and is based on criteria that include living costs as well as the requirements of economic development and the desirability of attaining and maintaining a high level of employment.

The minimum wage has not been changed often but it was raised in 2005 from 16,000 vatu to 20,000 vatu. The extent to which the current minimum is observed outside the formal sector is not known.

Conclusions

The lack of data on the labour market in Vanuatu hinders analysis and policy development and is an issue needing urgent attention.

It is also clear that the pursuit of private-sector-led growth in the country cannot succeed without large improvements in the education and skills of the labour force. The mostly informal nature of employment calls for more effort to be made in assisting the development of small and micro-enterprises.

Labour legislation plays a role in the development of private businesses through its impact on labour costs and on the ease of business operations, affecting the investment environment in Vanuatu. Legislation that increases labour costs unduly could hinder the growth of employment as businesses may seek to minimize labour inputs in order to reduce operating costs.

Labour laws must also be workable, in the sense that they must be drafted clearly and unambiguously, in order to avoid uncertainty in their interpretation. They must also be appropriate to the Vanuatu context, avoiding the establishment of expensive administrative mechanisms if no money is available to pay for their operation.

VI. CONCLUSIONS AND RECOMMENDATIONS

National Governments have a vital role to play in promoting efficient labour markets. Critical issues that need to be addressed by Pacific island developing countries include: macroeconomic and structural reforms to raise economic growth rates, an essential prerequisite for faster growth in employment opportunities; high rates of unemployment, especially among the young; the lack of policies for the informal sector; the lack of jobs for women and the low wages they receive; and the mismatch between available skills and training and the growth of key industries such as tourism. In addition, there has been little progress in reviewing and updating labour and employment legislation to meet the demands of the changing macroeconomic environment and business conditions in those countries and in the subregion.

Conclusions and recommendations are based on the preceding chapters and on papers prepared for the Expert Group Meeting. They are also based on the deliberations at the meeting itself as recorded in the Expert Group Meeting Outcomes document (appendix I). Most of the recommendations concern measures that can by taken by the Governments of Pacific island developing countries themselves. However, there are important supporting actions that can also be taken at the subregional level.

Recommendations at the national level

A. Macroeconomic and employment generation policies

The key factors in promoting employment generation within a country are its macroeconomic policies, including trade policies, the extent of private sector development and the ease of doing business in that country. Without sustainable economic growth, there cannot be a substantial improvement in the outlook for employment. Reforms to make the economies of Pacific island developing countries more competitive, including through trade liberalization, are essential to secure higher rates of growth.

Of particular importance for private sector development in the Pacific islands is creating supporting infrastructure for expanding industries, while seeking to reduce costs of essential services such as telecommunications, energy, water and transport. In addition, access to land remains a major constraint to economic development in many of those countries. However, it must be recognized that in some of the smaller Pacific island developing countries, such as Kiribati, the role of the private sector is likely to remain limited for the foreseeable future.

For employment generation programmes and policies to be successful, good coordination will be required as the programmes tend to involve many different public and private agencies. Interventions in complementary areas also need to be linked so as be truly productive. For example, individuals benefiting from microfinance should also be graduates of a skills training or small and medium-sized enterprise (SME) programme. Furthermore, it goes without saying that strong political commitment is essential.

Unemployment is generally higher for youths, women and other disadvantaged groups such as those with disabilities. Employment generation programmes can be particularly beneficial for those groups and countries often make special attempts to assist them in securing income-earning opportunities and formal jobs. As reported by the United Nations ESCAP Special Body on Pacific Island Developing Countries in 2006 (E/ESCAP/SB/PIDC(9)/1), those attempts can be broadly described as active labour market programmes (ALMPs) and include employment services, training, public works, wage and employment subsidies and self-employment assistance. The programmes are aimed at improving labour supply (e.g. through training); increasing labour demand (e.g. by means of measures such as public works and wage subsidies); and improving the functioning of the labour market (e.g. by providing employment services). ALMPs are often targeted to the long-term unemployed including youths, workers in poor families and certain groups that are at a disadvantage in the labour market, such as those with disabilities. It is important to note that those programmes have social, as well as economic, objectives.



Recommendations

- The public sector accounts for the overwhelming majority of formal sector employment in the Pacific. Opportunities for further job creation lie in the private sector. Therefore, it is a priority to promote private-sector-led growth as a central component in all employment creation programmes.
- Access to land remains a major constraint to economic development. Governments
 could consider mechanisms for addressing land issues, such as land commissions,
 with a view to making more customary land available for development; longer land
 leases; and registration of customary land.
- Lack of, or the poor state of, transport infrastructure is a serious impediment to private sector development. Governments lack funds for infrastructure development and maintenance. Incentives for private sector involvement in infrastructure development and maintenance could be offered under public-private partnership arrangements.
- Securing successful outcomes from employment generation programmes requires strong political will and commitment.
- Sound employment generation policies and programmes should encompass the following seven pillars:
 - integrating employment as a central concern of socioeconomic policies, such as in national development plans;
 - increasing employment and income generating opportunities in rural areas:
 - bringing parity between regions and provinces in economic progress;
 - d. promoting entrepreneurship and self-employment;
 - e. improving the skills and competencies of the workforce;
 - f. ensuring access to finance and marketing for small businesses;
 - g. supporting vulnerable groups. 14
- Given the wide range of activities needed to ensure success of employment generation programmes, good coordination among the different line ministries involved is essential.

They include school dropouts, people with disabilities, women, people living under the poverty line, prisoners' families, ex-prisoners and redundant workers.

B. Labour market reform

While attempts are being made to reform labour markets in the subregion, progress has been slow in many of the countries. This is mainly the result of insufficient political will and the limited development of appropriate institutions for implementing reforms. Labour markets in Pacific island developing countries remain inflexible and not tuned to the imperatives of private-sector-led growth. The economic integration envisaged by Pacific island leaders could remain elusive if reform of labour markets is not addressed carefully and with some sense of urgency. However, a few of the larger countries, such as Fiji, have made some progress in reviewing labour market legislation.

Much of the labour legislation in existence in Pacific island developing countries applies only to the formal sector. Given that most workers are in the informal sector, there is a need to consider how the informal sector could be "formalized", as, for example, in the Informal Sector Development and Control Act of Papua New Guinea.

Recommendations

- Governments should consider reforming labour market regulations in a way that provides adequate protection to employees to ensure decent conditions of work while providing sufficient flexibility for job creation (hiring and firing, hours of work, wage determination).
- Dialogue mechanisms between the public and private sectors should be promoted to ensure that private sector views and requirements are reflected in policy development.
- Most Pacific islanders are employed in the informal sector. Governments could promote "formalization" of the informal sector through appropriate policies and regulations, while retaining flexibility. entrepreneurship training, as well as the provision of business development services.

C. Labour market information

Most of the Pacific island developing countries conduct periodic population censuses, employment surveys and household income and expenditure surveys, which provide vital information on the key labour market issues. The larger countries collect some data on the informal sector and on wages and have undertaken tracer studies to improve

their understanding of labour markets but those have tended to be haphazard and unsystematic. Furthermore, such efforts have not been adequate for informed and detailed policy formulation in devising labour market reforms, for example, nor have they been sufficient to assist job seekers. A related issue is the lack of capacity to analyze the statistics collected and to make full use of the data for policy purposes.

There is always a mismatch of skills in any economy and part of the reason why this is so is insufficient information. The formation of a national labour exchange mechanism in Pacific island developing countries would allow some matching of supply and demand. ¹⁵ In many of those countries, a general oversupply of labour, often unskilled, can be found in the informal sector. A labour exchange can provide a process whereby information is generated on the availability and requirements of various skills in the labour market; this could also cover opportunities in the informal sector. Such an exchange could be linked to programmes for skills training and business development.

Recommendations

- Improving the regularity, scope and availability of public information on trends and features of labour markets would improve the design and implementation of employment and other social policies. There is also a need to build capacity and to provide adequate resources to national statistics offices in the subregion.
- Governments should examine the use of standardized methodologies for collection of labour market information, in particular the collection and analysis of unemployment data.
- The principles of gender equality need to be considered as an integral part of all labour market policies. To do this effectively there is a need for data disaggregated by gender.
- Governments should examine the benefits of introducing a job-matching service or employment exchange facility to improve the flow of information on those looking for work, vacancies and pay rates. Such a service should also be linked to the provision of skills and entrepreneurship training, as well as the provision of business development services.

A labour exchange is a physical market for labour. It is similar to most other markets. While a municipal vegetable market, where farmers and/or sellers of vegetables bring produce for purchase by consumers, provides a simple example, a more relevant example would be a stock exchange, where buyers assemble to purchase shares on companies listed in the exchange. A labour exchange, however, is a more dynamic facility where both the suppliers of labour and potential employers list their skills and requirements respectively. The exchange facilitates rapid transactions through the provision of information to both suppliers and buyers of labour skills.

D. Skills development

The Governments of Pacific island developing countries should identify key industries with the potential to contribute to economic growth and employment generation in order to ensure that appropriate skills are developed. This would help in matching skills to areas where employment growth is possible and sustainable. Tourism and related sectors could be considered a priority for many of those countries, while in the larger island countries, such as Fiji, Papua New Guinea, Solomon Islands and Vanuatu, commercial agriculture is also of importance.

Educational curricula are generally not geared to provide most school leavers entering the labour market with the necessary skills. Many school leavers will only be able to find opportunities to earn income in the informal sector or in self-employment and there is a need to encourage and support young people wishing to become entrepreneurs. In this regard, training in business skills may not be sufficient in itself to overcome cultural obstacles to entrepreneurship.

As well as better-targeted skills training, there is a need to ensure that employers and employees alike recognize the value and relevance of training qualifications through accreditation.

Recommendations

- There is a mismatch between skills taught by educational and training institutions and the requirements of the labour markets. More emphasis in identifying and providing relevant marketable skills is required, including technical and vocational education and training.
- The relevance of educational curricula to the needs of the labour markets should be improved. This should include better career guidance.
- A more comprehensive shift in culture and attitudes towards entrepreneurship is required. This should start by a stronger emphasis in schools on entrepreneurship training and the promotion of successful entrepreneurs as role models.
- Accreditation of skills, including village-based skills, is needed to improve information to employers about the competencies to be expected from holders of various skills training certificates.

E. Public sector compensation policy

Pacific island developing countries should develop a policy regarding public sector pay to ensure that terms and conditions in the public service are consistent with fiscal realities and the development of the private sector. As the public sector does not face any competition in most cases, it is easy to give in to pay demands when costs can be covered by higher taxes or reduced operations and maintenance. There can also be a conflict of interest where public servants determine their own terms and conditions. In many cases, public sector wage increases have had an undue influence on private sector pay increases in Pacific island economies.

Recommendation

 Governments of Pacific island developing countries should consider developing a public sector pay policy that is conducive to private-sector-led growth.

F. Youth unemployment and gender issues

Unemployment in Pacific island developing countries is generally higher for youths, women and other disadvantaged groups such as those with disabilities. Those groups also tend to be in lower-paid jobs that require lower levels of skills. Special programmes, such as ALMPs, are often developed to assist such groups, particularly youths, to secure opportunities to earn income, including through jobs in the formal sector. For the special programmes to be effective, it is important to involve the targeted beneficiaries themselves in the planning of programmes and activities. Effective coordination of various efforts by the Government, NGOs and community groups is essential.

In Pacific island developing countries in particular, many young people above the minimum working age and below 18 years do not have a smooth transition from school to work. Problem areas that need attention include child labour and the acquisition of the skills required for the jobs available.

Of particular importance in promoting the employment of women in Pacific island developing countries would be ensuring that labour legislation does not discriminate against part-time employment. In addition, the lack of support for child care in those countries puts many women at a disadvantage when seeking employment.

Recommendations

- Governments should integrate youth issues in national plans and priorities. Policies are more likely to be successful if youth issues are well integrated into national policy planning and implementation mechanisms, as they are largely implemented by traditional line ministries. Ensuring that the ministries understand their roles and responsibilities will help to build and maintain a constituency for youth issues.
- Effective coordination of youth strategies requires partnerships between public agencies and civil society, including NGOs, to ensure efficient allocation of resources and to prevent confusion in communities as to the purpose of the activities. In the case of youth projects, it is essential that youths participate in project planning to ensure that planned strategies really are appropriate and not simply derived from assumptions about what could be effective in addressing youth issues.
- Governments, with assistance from development partners, should develop tools, methodologies, and good practices to reach vulnerable youth more successfully in the areas of education and skills training, so easing the transition from school to work and preventing the worst forms of child labour abuse.
- To enable more women to gain paid employment, Governments should ensure that legislation promotes part-time employment and support should be provided for child care.

G. Migration

While migration generates remittances that play an important role in poverty alleviation in many Pacific island developing countries, the ensuing loss of skills creates serious problems. The shortage is especially felt by critical sectors such as health and education. There is a need for broader policies that provide incentives for migrants to return with better skills.

Recommendation

• Governments should seek to ensure that adequate levels of skills are maintained in critical sectors such as health and education. Governments should also consider adopting measures to attract return migrants as this would bring much needed skills back into domestic economies.

Recommendations at the subregional level

A. Labour market reform

Cooperation within the subregion could assist countries in resolving some of the institutional constraints to labour market reform in Pacific island developing countries. Reform initiatives in some of those countries could provide valuable lessons to the others, while comparative labour market data could also assist in learning lessons about successful reforms and labour market programmes for specific groups such as youths. Other possible reform initiatives could be envisaged at a subregional level, such as subregional tripartite forum.

Recommendations

- Successful reforms to strengthen labour markets have been undertaken in some Pacific island developing countries. Documenting and disseminating good practices widely in the region would be a highly useful reference source for policy makers in those countries. Further studies are also required to develop understanding in depth on why some countries have been successful in labour market reform while others have stagnated.
- Pooling resources on a subregional basis could facilitate data collection and analysis. In addition, a subregional tripartite forum could be created to discuss industrial relations issues.

B. Labour mobility

Pacific island developing countries have expended a lot of political capital in attempting to convince Australia and New Zealand to open their labour markets, yet among themselves barriers and restrictions on the mobility of labour continue. A subregional approach to labour mobility, where workers with appropriate talents and skills are able to move freely to undertake employment in any Pacific island country could go a long way in addressing the skills shortages that have occurred in some of those countries as a result of emigration. It would also be relatively cheaper than the current tendency of employing expertise from outside the subregion, particularly in the more technical and professional occupations. The social and political consequences of this freedom of movement could be offset by improved economic growth and better provision of public services. Labour mobility would also be greatly enhanced by some form of job-matching service or labour exchange at the subregional level.

Recommendations

- Labour mobility among Pacific island developing countries could go a long way in addressing skills shortages in individual countries. Serious consideration should be given to including the movement of natural persons (mode 4 of GATS) under PICTA.
- The formation of a regional job-matching service could be introduced for occupations amenable to greater mobility.

C. Harmonising labour and employment legislation

Harmonising labour and employment legislation in Pacific island developing countries would help to foster labour mobility and provide a better understanding of labour market conditions in the subregion. It would also be an attractive feature for potential investors in the subregion.

Recommendation

• Harmonising labour and employment legislation on a subregional basis would facilitate labour mobility among Pacific island developing countries and help to attract foreign investment.



APPENDIX 1. EXPERT GROUP MEETING OUTCOMES

Joint ILO and United Nations ESCAP Expert Group Meeting on Labour Markets in Pacific Small Island Developing States,

4 to 5 June 2007, Suva, Fiji

Outcomes of the Expert Group Meeting

- The joint ILO and United Nations ESCAP Expert Group Meeting on Labour Markets in Pacific Small Island Developing States (SIDS), held in Suva on 4 to 5 June 2007 examined a range of issues for the consideration of the tenth session of the Special Body on Pacific Island Developing Countries scheduled to be held in 2008.
- 2. Experts made presentations and exchanged views on the main issues in Pacific SIDS labour markets with a view towards identifying corrective policy actions; examined how economic growth contributes to employment creation and ways in which international development frameworks such as the MDGs can be a factor in employment generation; discussed the role of international partnership agreements and the equity dimension of employment creation; and considered practical labour market policies for improving employment opportunities in Pacific SIDS.
- 3. The experts noted that unemployment and under-employment in Pacific SIDS is fast approaching alarming proportions. It is fuelled by high population growth rates, made more complex by a rapidly urbanizing Pacific and an inability to generate a sustainable rate of economic growth through correct implementation of sound economic policy.
- 4. They recognized the special circumstances that Pacific SIDS face in coping with employment demands of their people: which include physical smallness, isolation, lack of resources and weak governance institutions.
- 5. They noted that many genuine and well-meaning attempts had been made in the past and continued to be made to bolster countries employment capacities through investment in both the public and private sectors. However, employment impacts had been mediocre at best. Even the best resourced countries still could not sustain adequate rates of economic and employment growth to cater for the growing population and several countries had made little progress in the last decade.
- 6. They noted that the quality of work was as important as quantity of work and highlighted the importance of creating decent work opportunities.

- 7. The Experts noted that youth unemployment was one of the most important issues facing Pacific SIDS.
- 8. They also highlighted the need to ensure that labour market policies take into account key principles of gender equality.
- The Experts noted the importance for governments to adopt sound macroeconomic policies and legislation to create an enabling business environment that is conducive towards employment creation.
- The Experts considered key findings of a regional study on labour markets in the Pacific subregion and of country studies on Fiji, Kiribati, Papua New Guinea, Samoa and Vanuatu.
 - i. The **regional study** provided an over view of labour market trends in the Pacific and highlighted some policy issues for consideration both at the regional and national level. On the national level the study recommended that governments should develop supporting infrastructure for growing industries, including looking at ways to reduce the costs of essential services such as telecommunications, energy, water and transport; the need to adopt appropriate macroeconomic policies to make labour markets more flexible; the need to retain adequate levels of employment in critical areas despite migration pressures; and the need to generate information on availability of employment opportunities particularly in the informal sector. At the regional level the study recommended pooling of resources for institutional development, improving labour mobility amongst the Pacific SIDS and harmonizing policies and legislations within the region.
 - iii. The country study on Fiji presented the key labour market trends and policy issues in Fiji. The study noted the importance of the national planning office in addressing labour market issues and highlighted the role of Tripartite Forums in creating flexible labour markets in Fiji and the Pacific.
 - iii. The country study on Kiribati provided an update on labour markets in Kiribati and highlighted youth employment as a key policy issues. It also noted that high population growth, limited employment opportunities, contractual issues in labour markets and globalization posed challenges to the labour markets in Kiribati. The report made several recommendations for measures

to improve labour markets in the Kiribati that were broken down into immediate, medium and long-term measures.

- iv. The country study on Papua New Guinea noted that labour markets in Papua New Guinea were highly fragmented due to low levels of human capital, small sizes of human settlements in rural and urban areas, impediments to the smooth flow of goods and services and differences in wages and working conditions in different parts of the country. The study highlighted a range of issues, including the impact of HIV/AIDS on the labour markets, the lack of data and capacity for research and analysis, mismatch of available skills and requirements of industry and inadequate capacity to absorb especially unskilled labour force. The study made several policy recommendations including the need to conduct regular labour force surveys and to develop and implement a human resource development strategy.
- v. The country study on Samoa provided an overview of trends and characteristics of the labour force in Samoa and highlighted some policy initiatives, including education assistance, localization of employment, private sector fiscal policies, foreign investment and initiatives to improve gender, youth and private sector employment. The study made several recommendations and highlighted youth employment as a priority area. Labour market issues that required immediate action included the lack of job opportunities, proper education, appropriate skills and training opportunities.
- vi. The country study on **Vanuatu** presented the current state of labour markets in the country and highlighted key findings for the 2000 labour market survey. The study also discussed labour market policies issues with r egard to labour laws, public and private sector employment, trade unions and industrial relations and trade disputes. The study made policy recommendation, particularly with regards to the employment act and the public service staff manual in Vanuatu.

- 11. The Experts also considered presentations made by international and regional organization on key issues related to labour markets in the Pacific.
 - i. The ILO highlighted key regional youth employment challenges and prospects. Issues of priority concern for youths in the Pacific over the next decade and beyond were most likely to be in education and training, youth participation in economic development, adolescent health, development of young women, law and order, migration, environmental sustainability and information and communications technology. The main reasons that youth issues continued to be a major concern in the Pacific region is that most of the effort had focused on addressing the symptoms rather than the underlying causes.
 - ii. In a separate presentation, the ILO also highlighted key points in developing dynamic national employment policies in the Pacific SIDS. Key considerations included obtaining political will to support employment generating programmes, generating regular and consistent statistics on labour markets, strategic planning, capacity building and attitude change in policy designing, implementation and monitoring, involving greater participation of civil societies in formulating and implementing job creating programmes as well as to create models to replicate good practices.
 - iii. The IMF/PFTAC (Pacific Financial Technical Assistance Centre) provided an overview of growth, inflation and employment trends in the Pacific and discussed the tradeoffs between inflation and unemployment. The presentation also raised key issues in regards to migration and remittances in the Pacific and highlighted some macroeconomic policies to enhance pacific employment.
 - iv. The Pacific Islands Forum Secretariat (PIFS) presented an update on the current state of negotiations for an Economic Partnership Agreement between Pacific ACP countries and the European Union on temporary labour mobility on Mode 4 of GATS. The presentation also noted some of the positive as well as negative impacts of Mode 4.
 - v. UNDP Pacific Centre noted that the Millennium Development Goals were relevant to employment creation, in particular targets related to poverty eradication, wage employment for women, and reducing unemployment for youths. Main issues in the Pacific

were that poverty and hardship was increasing, domestic employment opportunities were insufficient to meet demands of growing populations, and traditional lifestyles were no longer attractive to young people. The importance of empowering the private sector and developing mechanisms to stimulate growth, the need to promote public-private sector dialogue and to include entrepreneurship in school curriculums were emphasized.

vi. **UNIFEM** highlighted the gender dimension in labour markets and emphasized that labour markets remain gender segregated with unequal work conditions for men and women. Women tended to work in jobs and sectors with lower status and wages. In addition, national statistics is some cases continue to have a gender bias.

Key issues identified

- 12. To identify key issues and recommendations to improving labour markets in the Pacific, the Experts held group discussions: one focusing on labour market issues in small island state (SIS), namely Cook Islands, Kiribati, Samoa, Tonga and Tuvalu; and another group focusing on bigger high islands (BHI), namely Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The two groups identified the following priority issues:
 - High unemployment or underemployment was noted as the biggest challenge facing the region. This was compounded by high population growth and low economic growth in most Pacific SIDS.
 - Political will, both at the political and administrative levels, for reform is necessary for employment creation. Most Pacific SIDS also lacked a clear employment strategy.
 - iii. Employment legislation in many countries is either outdated or non existent. Furthermore, the roles and responsibilities of different ministries in implementing labour market policies are unclear or overlap. Also, access to labour market legislation and policies is often difficult, especially for those in rural areas.
 - iv. Legislation changes are needed to make the business environment more investor friendly for both domestic and foreign investors. This includes adhering to the principles of sound economic policies for growth and addressing market access issues.

- v. Institutional arrangements for implementation and monitoring of labour market policies are not in place. In addition most small island Governments lack the capacity to effectively implement policies and monitor performance.
- vi. Extensive bureaucratic procedures as well as cultural differences were identified as bottlenecks in attracting foreign direct investment.
 Secure access to land is an issue for local and foreign investors, including micro-enterprises
- vii. Countries also lacked information management systems for collection of labour market data as well as capacity to analyse the data. A central repository for that labour market data is also missing in most countries.
- viii. Skills shortages and mismatches exist in most Pacific SIDS, i.e., technical skills are in short supply and this co-exists with excess supply of unskilled and well educated workers. Out migration was one reason for the skill shortages. Temporary labour mobility among Pacific SIDS could ease skills shortages in some countries.
- ix. Providing relevant skills training was an issue in the Pacific. Some countries did a lot of training but it was not in the skills required by employers. The relevance to labour markets of the education curriculum also needed to be considered, including better career guidance.
- x. Accreditation of skills (including village based skills) was needed to improve information to employers about what competencies could be expected from a particular skills training certificate.
- xi. Poor access to labour markets could prevent some from getting a job, or knowing what skills are in demand. This included physical access, as well as remote access e.g. telecommunications. Job matching services or employment exchange was needed to improve the flow of information about those looking for work, vacancies, and pay rates.
- xii. The small size of the private sector in all Pacific island countries was noted as a constraint.

Recommendations

Having considered the above labour market issues, the Experts made the following recommendations:

 As an overarching theme, the experts emphasized the importance of obtaining political will and actions for ensuring success of employment generating programmes.

Macroeconomic and labour market policies

- Adopting sound macroeconomic policies to ensure that labour market remains competitive and flexible.
- Reforming labour market regulations in a way that provides adequate protection to employees to ensure decent conditions of work while providing sufficient flexibility for job creation (hiring and firing, hours of work, wage determination).
- 4. Legislation for part-time employment could also provide further flexibility in the labour market and could promote the employment of women for whom part-time employment could be a suitable option. The lack of support for child care in the PIDCs puts many women at a disadvantage and part-time employment could help.
- 5. The experts noted that successful reforms and initiatives to strengthen labour markets in several Pacific island countries had been undertaken. Documenting and disseminating these good practices widely in the region would be a highly useful reference source for policy makers in Pacific SIDS. Further studies are also required to develop in-depth understanding on why some countries had recently been successful, while others are stagnating.
- 6. Harmonising the labour and employment legislation on a regional basis so that there is a better and effective understanding of the labour markets conditions in the region. This would be beneficial, as the region as a whole could promote a set of transparent and harmonised pieces of legislation and this could be an attractive factor for potential investors to the region. Countries could also consider one-stop-shops to simplify administrative procedures and encourage foreign investments.
- 7. The experts identified seven strategic pillars for good employment generation policies and programmes. These were 1) integrating employment as a central concern of social-economic policies; 2) increasing employment and income

generating opportunities in rural areas; 3) bringing parity between regions and provinces in economic progress; 4) promoting entrepreneurship and self employment; 5) improving the skills and competencies of the work force;6) ensuring accessibility to finance and marketing; and 7) supporting vulnerable groups These include school drop-outs, people with disabilities, women, people living under the poverty line, prisoners' families, ex-prisoners, redundant workers.

Labour information mechanisms

8. The formation of a national level labour information sharing mechanisms, possibly leveraged to a Pacific wide mechanism, would allow some matching of supply and demand. The exchange sharing would facilitate rapid transactions through the provision of information to both the suppliers and buyers of labour skills.

Skills and education

 There is a mismatch between skills taught by the educations system and the requirements of the labour markets. More emphasis in identifying and providing relevant marketable skills is required, including Technical Vocational Education Training.

Labour mobility within the region

- 10. Pacific SIDS should consider a regional treaty and develop a concept of regional arrangements where workers with appropriate talents and skills can move freely to undertake employment. This could go a long way to address skills shortage in some of the countries as a result of migration. The social and political consequences of this could be outweighed by greater economic success.
- 11. Pooling of resources on a regional basis could provide more resources for regional data collection and analysis. In additional a regional tripartite forum could be created to deal better with industrial relations issues.

Public sector

- 12. There is a need to include labour market issues as a central issue in national development plans and to ensure that labour market issues are properly coordinated among the different line ministries involved.
- 13. There is a need to develop a public sector pay policy to ensure that public service terms and condition are consistent with fiscal realities and development of the private sector. As the public sector in most cases faces no competition, it is easy to give in to pay demands when costs can be passed on in higher taxes

or reduced operations and maintenance. There can also be a conflict of interest where public servants are setting their own terms and conditions. In many cases public sector wage increases have an undue influence on private sector pay increases.

14. Governments could consider exploring options for privatizing state owned enterprises.

Private sector led growth

- 15. The public sector accounts for the overwhelming majority of formal sector employment in the Pacific. Opportunities for further job creation rely in the private sector. Therefore, it is a priority to promoting private sector led growth as a central component in all employment creation programmes.
- Public-Private sector dialogue mechanisms should be promoted to ensure that private sector views and requirements are reflected in policy development.
- 17. Explore economical options for microfinance to promote self-employment.
- Governments could consider tax incentives to encourage employment creation in the private sector.

Informal sector

19. Most Pacific islanders are employed in the informal sector. Governments could promote "formalization" of the informal sector through appropriate policies and regulations, while retaining flexibility, such as in the Papua New Guinea Informal Sector Act.

Identify priority sectors

20. Governments should identify key industries with potential for contributing to economic growth and employment generation for skills development. The tourism and related sectors could be considered a priority for many Pacific SIDS. This would help match the skills to areas where employment growth is possible and sustainable. In bigger countries, such as Fiji, PNG, Solomon Islands and Vanuatu skills development for commercial agriculture could be considered a priority.

Youth employment

21. Governments in all Pacific SIDS are recommended to integrate youth issues in national plans and priorities: Policies are more likely to be successful if youth issues are well integrated into national policy planning and implementation mechanisms, because most of them are implemented by traditional line ministries. Ensuring that they understand their roles and responsibilities builds and maintains a constituency for youth issues.

- 22. Effective coordination of youth strategies requires partnerships between government agencies, civil society, including NGOs, to ensure efficient allocation of resources and to prevent communities from becoming confused as to the purpose of activities. In the case of youth projects, it is essential that youth participate in project planning to ensure that planned strategies really are appropriate, not simply derived from assumptions about what will be effective in addressing youth issues.
- 23. Particularly in developing countries, many young people above the minimum working age and below 18 years do not have a smooth transition from school to work. Governments with assistance from Development partners should develop tools, methodologies, and good practices to better reach vulnerable youth in the areas of education and skills training and to prevent the worst forms of child labour and ease the transition from school to work.

Data

- 24. Most of the Pacific SIDS do not have regular labour force surveys. Most data on the labour market is derived from population census surveys, which are carried out every five or ten years, or from household income and expenditure surveys, which do not usually have detailed entries on employment status. In some countries Ad hoc labour market or informal sector surveys are available, but not in a systematic manner. Improving the regularity, scope and availability of public information on trends and features of the labour market would clearly improve design and implementation of employment and social policies. There is a need to build capacity and to provide adequate resources to national statistics offices in the region.
- 25. Experts also noted the need to standardize methodologies for collection of labour market information, in particular the collection and analysis of unemployment data.

Gender

26. The principles of gender equality need to be considered as integral part of all labour market policies. To do this effectively there is a need for gender disaggregated data.

Entrepreneurship

27. Training in business skills is not sufficient to encourage young people to become entrepreneur. A more comprehensive shift in culture and attitudes towards entrepreneurship is required. This should start by a stronger emphasis in schools on entrepreneurship training is required and the promotion of successful entrepreneurs as role models.

Migration

- 28. While migration generates remittances that play an important role in poverty alleviation in many Pacific island countries, Governments should seek to ensure that adequate levels of skills are maintained in critical sectors such as health and education. Government should also consider adopting measures to attract return migrants as this would bring much need skills into domestic economies.
- 29. Labour mobility amongst the PIDCs could go a long way in addressing the skilled shortage amongst the countries. It would also be relatively cheaper than the current mode of employing expertise from outside the Pacific SIDS region particularly in the more technical and professional occupations. Serious consideration should be given in implementing mode 4 (GATS) amongst the Pacific SIDS under PICTA.

Land issues

30. Access to land remains a major constraint to economic development. Governments could consider mechanisms for addressing land issues, such as land commissions, with a view to making more customary land available for development; longer land leases and registration of customary land.

Infrastructure

31. Lack or poor state of infrastructure is a serious impediment to private sector development. Governments lack funds for infrastructure development and maintenance. Incentives for private sector involvement in infrastructure development and maintenance could be offered under public-private partnerships.

International and regional organizations

32. The Experts noted that organizations such as ILO, PIFS, ESCAP and UNDP could play an important role in facilitating and assisting in implementation of national and regional level recommendations.

APPENDIX 2. PACIFIC ISLANDS DEVELOPING COUNTRIES LABOUR MARKET MATRIX

PACIFIC ISLAND DEVELOPING COUNTRIES LABOUR MARKET MATRIX

PACIFICIS	SLAND DEVELOPI	ING COUNTRIES LAI	PACIFIC ISLAND DEVELOPING COUNTRIES LABOUR MARKET MATRIX	XIX			
Country/ Territory	Minimum wage legislation	Extent of public and private sector employment	Relationship between public and private sector wages	Extent of unionisation	Level of skills	Extent of emigration and remittances	
Cook		Prior to reform programme 42 per cert of 6.500 formal labour force was in Government. Now about 25 per cent.	Private sector wages higher than public sector.		Scarce, due to emigration.	Unrestricted access to New Zealand. 18 per cent of population has left since the end of 1995.	
Ē	Industry-based minimum wages began in 1980 and range from FJ\$1.09 to FJ\$2.75	Government employment about 40 per cent of employment.		Reasonably strong: Government forced to back down from plans to limit wage increases.	80 per cent of workforce has secondary education. Adult literacy rate 91 per cent (1995).	High rate of emigration of professional and skilled workers.	
Micronesia (Federated States of)	US\$1.35 per hour in the private sector.	Government employment about 25 per cent of employment.	State and national Government wages two to three times higher than in private sector.		Poor - quality of education declining. Adult literacy rate 81 per cent (1995).	Emigration around 1 per cent per annum (Guarin, Northern Marianas, US)	
Kiribati		70 per cent of formal workforce is in the public sector.	Government wages are slightly higher than in the private sector.		Skilled workers are in short supply. Adult iteracy rate 93 per cent (1995).	International merchant marine employs thousands of workers. Remittances are a very important component of the economy.	
Nauru					Poor Due to huge phosphate reserves, workplace skills have never been developed.		

Over the past three years there has been a steady decrease in the private transfer outflow.		Remittances equal to tourism earnings; major source of foreign exchange.		Only one quarter of school leavers find work in the formal sector. Pressure to leave is findly. The number of Tongans living outside the country equals that living inside. (1999) Heavy reliance on transfers. Net transfers are almost triple gross exports for past two fiscal years.
Limited supply of skilled labour. Costs are high. Adult literacy rate 71 per cent (1995).	Only 50 per cent of workforce has some secondary education. Adult literacy rate 91 per cent (1995).	Good Adult literacy rate 98 per cent (1995).	Worst adult literacy levels in the Pacificonly 62 per cent	Moderate Literacy rate is almost Literacy rate is almost 100 per cent but vocational training is poor.
		Not very expensive.	Main private sector union reported to be relatively weak. Major strikes in recent years confined to public sector.	None
	Public sector wages are almost double private sector wages. Public sector wages frozen for three years under the policy reform program of ADB.	About the same, S\$75-160 per week in the private sector. S\$150 per week on avarage in the public sector.	Government wages are fully indexed while private sector wages only two thirds indexed.	
Government employs about 35 per cent of the workforce.	Share of public sector in formal employment 43 per cent in 1996. Reduced in 1997.	Total formal employment is 18,000. Government employment about 4.500.	32 per cent of employment is in the public sector.	40 per cent of formal employment is with the Government.
K37.50 per week (increased in 2005)	US\$2.00 per hour.	ST\$2.40 an hour in the public service sector. ST\$2.00 an hour in the private sector (increased from ST1.60 an hour in 2006)	SI\$1.20 per hour in fishing and agriculture; SI\$1.50 per hour in the rest (1996). Wages Advisory Board is responsible.	
Papua New Guinea	Marshall Islands	Samoa	Solomon Islands	Tonga
	ew K37.50 per week Government employs (increased in the workforce. 2005) We workforce the workforce in the	w K37.50 per week Government employs (increased in the workforce. 2005) US\$2.00 per Share of public sector wages hour. Reduced in 1997. Reduced in 1998. Reduced in 1997. Reduced in 1998. Reduc	(increased in the workforce. US\$2.00 per in formal employment about in the public sector was sector forms are applicable. ST\$2.40 an hour in the public sector. ST\$2.00 an hour in 2006) In the public sector. ST\$2.00 an hour in 2006. In the public sector. ST\$2.00 an hour in 2006. In the public sector. ST\$2.00 an hour in 2006. In the public sector. ST\$2.00 an hour in 2006) In the public sector. ST\$2.00 an hour in 2006) In the public sector. ST\$2.00 an hour in 2006) In the public sector. ST\$2.00 an hour in 2006) In the public sector. ST\$2.00 an hour in 2006) In the public sector. ST\$2.00 an hour in 2006)	were K37.50 per week Government employs 2005) Limited supply of about 35 per cent of about 35 per cent of hour. Share of public sector wages hour. Adult literacy rate 71 per cent of hour hour hour hour hour hour in 2006) Share of public sector. Share of public sector wages hour. Adult literacy rate 71 per cent of hour hour hour hour hour hour hour hour

Extent of emigration and remittances	Country relies heavily on remittances.	
Level of skills	Semi-skilled workers and above are in short supply. Adult literacy rate less than 90 per cent (1995). I valuans work on many European ships. Tuvalu Martime School under pressure to keep pace with needs of the industry.	Shortage of skilled labour. 90 per cent of workforce has only primary education. Adult liferacy rate 64 per cent (1995).
Extent of unionisation		Less than 10 per cent of workshop workers unionized.
Relationship between public and private sector wages	Government wages are slightly higher than those in the private sector.	Private sector wages higher then civil service wages. Private sector wages appear uncompetitive.
Extent of public and private sector employment	Public sector accounts for two thirds of formal workforce.	In 1999, 30 per cent of the workforce is in the Public sector. Government is committed to 10-15 per cent reduction in public sector staffing under a Memorandum of Understanding signed with ADB.
Minimum wage legislation		VT20,000 per month (increased from 16,000 per month in 2005)
Country/ Territory	Tuvalu	Vanuatu

Source: R. Duncan, S. Cuthbertson and M. Bosworth, Pursuing Economic Reform in the Pacific, Pacific, Pacific Studies Series, No.18 (Manila, Asian Development Bank, 1999).
Note: Minimum wages are updated, Sources: Bureau of Democracy, Human Rights, and Labor, 2006. Country Reports on Human Rights Practices 2005 - Papua New Guinea, United States Department of State, available at http://www.state.gov/g/dr/ris/hrm/v/2005/61623.html, Chand, Ganesh, 2004. "Overview of current economic conditions in Fiji", Fiji Trades Union Congress, available at http://www.gpn.org/data/iji/liji-analysis.doc, KVAConsult, 2007. "Samona economic update 2007", Pacific Economic Bulletin, vol.22, no.3 October 2007 (Asia Pacific Press), at airliable at http://www.napa.aru.edu.au/dr/FEB22-suvve-samona.pdf, Toa, Evelyn, 2006. "New Vanuatu minimum wages at VT20,000 monthly", The Independent August 23, 2005, available at http://www.news.vu/en/lifing/Ernployment/G80823-New-Vanuatu-minimum-wages.shtml."

APPENDIX 3. DATA TABLES

Table 3.1 Total employment by gender in rural and urban areas of selected Pacific island countries and territories

Country / Territory	Ĕ	Total employment	ŧ	_	Female employment	yment	ž	Male employment		Year
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	
American Samoa	12 902	:	:	:	:		:	:	:	2004
Cook Islands	5 928	1 359	4 569	2 542	474	2 068	3 386	885	2501	2001
Fiji Islands	219314	107 853	111 461	53 015	18 989	34 026	166 299	88 864	77435	1996
Guam	54 980	:	:	25 690	:	:	29 290	:	:	2002
Kiribati	39 912	21 505	18 407	19 600	9 912	889 6	20 312	11 593	8719	2000
Marshall Islands	10 141	3 2 1 8	6 923	3 133	926	2 177	7 008	2 262	4746	1999
Micronesia										
(Federated States of)	29 175	:	:	12 2 18	:	٠	16 957	:	:	2000
Nauru	:	:	•	:	:	•	:	:	·	2002
Niue	663	403	260	276	154	122	387	249	138	2001
Northern										
Mariana Islands	42 753	3 530	39 223	23 268	:	:	19 485	:	:	2000
Palau	9 383	1 213	8 170	3 2 2 6	348	3 208	5 827	865	4962	2000
Papua New Guinea	2 344 734	2 157 500	187 234	1 141501	1 072 813	889 89	1 203 233	1 084 687	118546	2000
Samoa	50 325	37 933	12 392	15 207	10457	4 750	35 118	27 476	7642	2001
Solomon Islands	57 472	:	:	17 711	:	:	39 761	:	:	1999
Tokelau	542	:	:	216	:		326	:	:	2001
Tonga	34 560	:	:	14 140	:	:	20 420	:	:	2003
Tuvalu	3 237	1 816	1 421	1374	787	287	1 863	1 029	834	2002
Vanuatu	75 110	61 865	13 245	33 874	28 740	5 134	41 236	33 125	8111	1999
Wallis and Futuna	2 465	2 033	432	1 068	:	:	1 397	:	:	1996

Sources: Compiled from the Secretariat of the Pacific Community, Pacific Regional Information System database, available at , and the University of the South Pacific, Employment and Labour Market Studies Program database.

Note: ... not available.

Table 3.2 Total unemployment by gender in rural and urban areas of selected Pacific island countries and territories

County / Township	F	lamour let	************	Š	amoun olon	tu omine	TOM	anolumoun o	***	V002
country / remitted	2	iotal ullellipioyillelli	oyment	<u> </u>	remale unemployment	oyment		Male ullelliployillelli	=	בפ
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	
American Samoa	606	:		:	:	:		:	:	2000
Cook Islands	892	292	327	443	249	194	449	316	133	2001
	17 265	6 771	10 494	7 663	2 941	4 722	9 602	3 830	5 772	1996
Guam	7 070	:	:	2760	:	:	4 310	:	:	2002
Kiribati	810	:	•	499	162	337	311	91	220	2000
Northern Mariana Islands	1 712	306	1 406	:	:	:	•	•	:	2000
Marshall Islands	4 536	:	:	1 865	:	:	2 671	:	·	1999
Micronesia (Federated States of)	8 239	:	:	3 820	:	:	4 419	:	:	2000
Nauru	:	:	:	:	:	:	:	:	:	2002
Niue	84	09	24	22	21	-	62	39	23	2001
Palau	224	92	129	103	37	99	121	28	63	2000
Papua New Guinea	68 623	32307	36 316	14 969	7 195	7 774	53 654	25 112	28 542	2000
Samoa	2620	1 827	793	666	673	326	1621	1 154	467	2001
Solomon Islands	27 652	:	:	9696	:	:	17 957	:	:	1999
Tokelau	31	:	:	26	:	:	2	:	•	2001
Tonga	4 502	2 572	1 930	1 209	682	527	3 293	1 890	1 403	1996
Tuvalu	:	:	:	:	:	:	:	:	:	2002
Vanuatu	1 260	382	878	424	114	310	836	268	268	1999
Wallis and Futuna	402	:	:	179	:	:	223	:	:	1996

Sources: Compiled from various national censuses; the Secretariat of the Pacific Community, Pacific Regional Information System database, available at; and the University of the South Pacific, Employment and Labour Market Studies Program database. Note: .. not available.

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