

# Pacific 2020

BACKGROUND PAPER: EMPLOYMENT AND LABOUR MARKETS

May 2006

## **Pacific 2020 Background Paper: Employment and labour markets**

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### Disclaimer

This paper is one of a series of nine background papers written for the Pacific 2020 project, which was conducted by the Australian Agency for International Development (AusAID) in 2005. Pacific 2020 examines various components of the economies of the Pacific, Papua New Guinea and East Timor. It aims to generate practical policy options to contribute to stimulating sustainable, widely shared economic growth in these countries.

This paper is based on the discussion at a round table meeting of regional practitioners and experts, which occurred in June 2005. The findings, interpretations and conclusions expressed in this paper are based on the discussion at this round table, and from a subsequent peer review process. They are not necessarily the views of any single individual or organisation, including AusAID, the Pacific 2020 Steering Group, contributing authors, round table participants or the organisations they represent.

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## INTRODUCTION

Beyond the emergencies of war, communal strife, natural disasters and pandemics, the issue of how people make their livelihood is fundamental to human well-being. Employment has been a major policy issue in the Pacific islands, Papua New Guinea and East Timor (the region) since these areas were first drawn into contact with international economic activity. Today the region faces employment challenges which, if not addressed, threaten economic development and social stability. This paper identifies issues impacting on employment growth in the region, possible barriers to employment growth and policy options to improve future employment opportunities.

### ISSUES IMPACTING ON EMPLOYMENT GROWTH

Labour markets and employment prospects vary across the region and employment data are generally incomplete, outdated or of poor quality. However, analyses of the region's labour markets and employment prospects<sup>1</sup> have highlighted several key points. The region faces labour market demand and supply problems. The most important characteristic of employment in the region is that a high percentage of the population at a 'job seeking' age (15–29 years) has little chance of gaining formal sector employment. With a few exceptions of specific industries for short periods, growth rates in gross domestic product have not kept pace with population growth. With continued low economic growth projections and the population phenomenon of the 'youth bulge' this situation is likely to become worse.

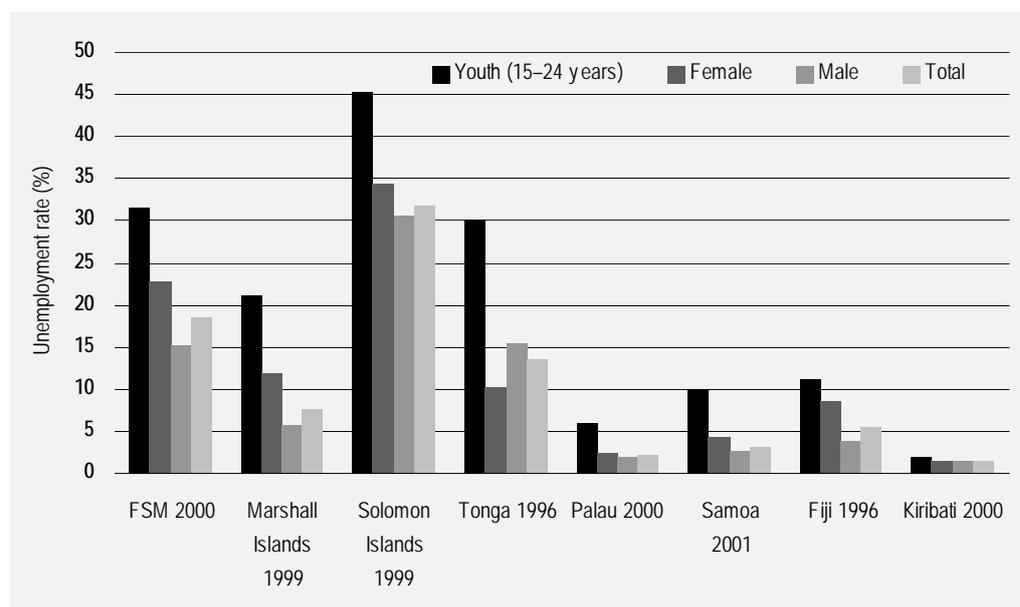
**TABLE 1 DEMOGRAPHIC PROFILE IN THE PACIFIC**  
YOUTH (15–29 YEAR OLDS) AS A PERCENTAGE OF TOTAL POPULATION

	2000	2005	2010
Fiji	28%	29%	27%
Kiribati	25%	27%	28%
Marshall Islands	29%	31%	29%
Micronesia, Federated States of	29%	30%	29%
Palau	24%	21%	21%
Samoa	31%	32%	31%
Solomon Islands	29%	29%	30%
Tonga	29%	32%	33%
Vanuatu	30%	31%	30%

Source: US Census Bureau, International Database, 2006. <<http://www.census.gov/ipc/www/idbnew.html>>.

<sup>1</sup> See, amongst others: Chapter 7 in R Duncan, S Cuthbertson and M Bosworth, *Pursuing economic reform in the Pacific*, Pacific Studies Series No. 18, Asian Development Bank, Manila, 1999; Chapter 5 in United Nations Development Programme, *Pacific human development report 1999: creating opportunities*, Suva, Fiji, 1999; and Section 2.5 in R Duncan and J Gilling, *Analytical report for the white paper on Australia's aid program*, AusAID, Canberra, 2005.

FIGURE 1 YOUTH UNEMPLOYMENT RATES



**Note:** The working-age population is restricted to people aged 15–67 years. Excluded from the labour force are students, housewives, retirees, disabled people, and prisoners. The passive unemployed (those who are not actively looking for work) are also excluded where they are identified. The employed definition covers all types of work including subsistence. For the Federated States of Micronesia (FSM), Marshall Islands, Palau, Samoa, Fiji and Solomon Islands, the unemployed are those in the labour force not working and looking for work. For Tonga and Kiribati, the unemployed also includes those who are not actively looking for a job.

**Data source:** World Bank, *Pacific regional strategy FY2006-2009*, Washington, DC, 2005.

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/PACIFICISLANDSEXTN/0,,contentMDK:20214889-pagePK:141137-piPK:217854-theSitePK:441883,00.html>.

Generally, unemployment rates of more than 15 per cent are reported for the 15–24 age group (see Figure 1) but this almost certainly underestimates the scale of youth underemployment and unemployment within the region.

There is potential for large numbers of young people to be drawn to urban areas with no prospect of employment and every chance of joining any social unrest. In some areas this process is well advanced.

Three areas of economic activity need to be distinguished. One is the formal employment sector which consists of jobs for which employees receive regular wages. The second is entrepreneurial activity in which economic action by individuals or groups generates ‘employment’ outside the formal labour market and produces profit. This might be self-employment or family employment and is often in the informal economy. The third is subsistence economic activity which has been the historic mainstay of regional economies and continues to be the major area of labour absorption. While the available data are limited and subject to severe definitional problems, it appears that among the countries with the biggest populations:

- > most people in the ‘economically active’ population continue to derive their livelihood from informal and subsistence activities, and

- > the public sector has provided a substantial proportion of total formal employment.

A number of problems make local entrepreneurship difficult in the informal economy. These include issues relating to collective ownership and the problems this creates for individuals who do take the initiative of launching into economic ventures.<sup>2</sup> In market oriented economies such individuals can reasonably expect that they will retain their earnings for their own benefit and that of their immediate family. In nations with strong clan loyalties and a more collective ethic this is less likely. There is evidence that this can act as a significant disincentive to individual action.

This aside, there are difficulties facing would-be entrepreneurs that policymakers can address. One relates to business training, especially small business training, in schools. Another is the barriers to micro-business by government regulation. By focusing on measures to encourage formal employment, governments have tended to overlook the potential of micro-business and have sometimes discriminated against informal activity such as street vending.

The relationship between subsistence activity and formal labour markets also needs to be thought about more carefully and creatively. While subsistence production has proved to be highly durable, it is difficult to see it absorbing the numbers involved in current population projections for some countries. Nor do traditional forms of subsistence activity seem likely to satisfy the demands of young people for meaningful roles or adequate incomes in the futures they imagine for themselves. Nonetheless, the dedication shown in many areas of the region to traditional land and sea-based economic activity needs to be seen as a strong motivator and incorporated into strategies for economic growth and labour absorption.

Recent analysis recognises that small island states face unique structural problems that result in high costs of doing business. Suggested creative approaches have included greater regional cooperation through radical measures such as pooling and regional out-sourcing. At the 2004 Pacific Islanders Forum leaders committed to enhance regional cooperation through the Auckland Declaration of 2004 under the auspices of the Pacific Plan.

Debate among decision makers over how to confront these challenges has been characterised by significant frustration. Donors have been disappointed that the funding that has flowed into education and training (often at rates well above the public spending on education and training in other parts of the world) has not materialised into anticipated employment benefits. Governments have sought to attract foreign investment but have been frustrated by their limited success. Decision makers in business and government who put their faith in labour intensive export

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<sup>2</sup> M Monsell-Davis, *Safety net or disincentive? Wantoks and relatives in the urban Pacific*, National Research Institute, Port Moresby, 1993.

oriented production have been discouraged that the economic size, remoteness and land issues which contribute to the high transaction costs of doing business have undermined their efforts. Economic reformers, particularly where reform has been seen as successful (eg in Samoa), have been frustrated that this has not resulted in the creation of more jobs.

However, there is a point of agreement from which future discussion can begin. This is that strategies to promote future economic and employment growth need to focus on areas of comparative advantage for nations of the region and ways of reducing barriers to their development. There is plenty of evidence to show that when people in the region are equipped with appropriate skills and incentives they are at least as creative, entrepreneurial and motivated as those of any other region and can prosper in highly competitive labour markets. For example, seafarers from Kiribati have been holding their own in skilled international employment for decades. The training, administration and remittance aspects of this employment play a major part in the national policy and economic activity of Kiribati. Migration from Polynesia has a long history with more ethnic Polynesians now living outside the region than in it. There is strong evidence that they achieve success in labour markets such as the United States, New Zealand and Australia and that their earnings sent home provide major benefits for their countries of origin.

Further evidence comes from the periodic 'good news' stories of innovative activity by local entrepreneurs leading to increased employment by tapping into business opportunities based on cultural or historical traditions. An example is the employment generated by Tongan gatherings, particularly those associated with significant religious occasions. These gatherings generate informal economic activity through small markets for local handicrafts and the supply of food and beverages, turning a social event into an economic opportunity. In one case, a business was created to provide cooking equipment and portable ovens for these occasions. A mobile mortuary has now been added to this. It facilitates the delay of funerals until family members can gather, with many having to travel from overseas.

## **CONTEMPORARY BARRIERS TO EMPLOYMENT GROWTH**

Barriers to employment growth can come from the demand or supply of labour markets. Some barriers such as the small size and isolation of an economy are beyond the influence of governments. Others, however, can be reduced or eliminated by appropriate policies. The following overview outlines barriers to employment growth that appear to be most significant to the Pacific region and most amenable to corrective action by governments.

TABLE 2 EMPLOYMENT STRUCTURES

	Youth (15-29 year olds) as a percentage of total population <sup>a</sup>	Economically active as a percentage of total population aged more than 15 years		Percentage of labour force in agriculture		Percentage of labour force in:		
		Males	Females	Males	Females	Private sector	Government	Subsistence agriculture
	%	%	%	%	%	%	%	%
Cook Islands	na	70	48	15	6	26	13	48
Fiji	29	89	33	47	28	na	na	na
Kiribati	27	91	78	10	1	12	6	74
Marshall Islands, Rep. of	31	80	31	28	3	16	16	15
Micronesia, Fed. States of	30	59	32	12	3	16	16	10
Nauru	30	65	46	na	na	23	33	2
Niue	na	83	66	na	na	12	25	22
Palau	21	81	65	16	12	na	na	na
Papua New Guinea	29	87	67	71	84	na	na	na
Samoa	32	77	40	73	67	na	na	na
Solomon Islands	29	87	85	na	na	na	na	na
Tokelau	na	85	52	4	20	9	20	27
Tonga	32	73	41	53	1	10	11	28
Tuvalu	27	85	86	45	34	10	14	13
Vanuatu	31	89	79	69	80	na	na	na

a In 2005. na Not available.

Source: US Census Bureau, International Database, 2005 <<http://www.census.gov/ipc/www/idbnew.html>>; United Nations Development Programme, *Pacific human development report 1999: creating opportunities*, Suva, Fiji, 1999.

#### DISINCENTIVES TO PRIVATE INVESTMENT

A previous generation of policies sought to attract export oriented production to the region funded by foreign investment on the basis of internationally competitive wages and significant government assistance. While this worked for short periods in some countries, these industries have not proven sustainable in the longer term. Wages cannot be low enough to enable industries in the region to compete internationally on cost alone. Nor can governments afford the assistance required to maintain industries which are not internationally competitive. Issues surrounding an economy's size and isolation create a low capital absorption capacity, particularly in the smaller and weaker economies.<sup>3</sup>

Given that many nations face inherent economic disadvantages, recent thinking has shifted to emphasise the ways in which governments within the region can act to reduce disincentives to private investment and employment growth. Attention has increasingly focused on the 'costs of doing business' in the region. These include the costs of regulatory compliance, costs arising from difficulties in obtaining secure legal

<sup>3</sup> G Bertram, 'Economy', in M Rapaport (ed.), *The Pacific islands: environment and society*, Bess Press, Honolulu, 1999, pp. 337-52; C Tisdell, 'Globalisation, development and poverty in the Pacific islands: the situation of the least developed countries', *International Journal of Social Economics*, vol. 29, 2002, pp. 909-22; P Cohn, *Economic independence through expansion of the private sector enterprise - the 'prescriptive unreality' of Niue's development planning*, School of Development Studies Working Paper No. 11, Melbourne University Private, 2003.

rights in relation to business transactions (eg rights over land and enforcement of business contracts) and costs associated with the inefficient or uncompetitive supply of basic infrastructure services. The report *Doing business in 2005* has shown that the Pacific region's comparable cost structures are relatively high by world standards.<sup>4</sup> Such disincentives and policy responses to deal with them have been addressed more fully in other background papers prepared for Pacific 2020.

#### BARRIERS ASSOCIATED WITH LABOUR MARKET SEGMENTATION

Labour markets in the region are highly segmented between the formal, informal and subsistence sectors. The informal sector offers both a possible<sup>5</sup> 'safety valve' for productive activity where formal employment opportunities are limited and also a potential breeding ground for more formal entrepreneurial activity in the future. The barrier this segment represents to employment growth is how it is perceived by policymakers. Textbook approaches to economic growth – borrowed from the successful examples of larger and stronger economies – are not helpful to understanding how policy might respond to economic activity taking place outside regulatory frameworks. The informal sector is often ignored and sometimes persecuted by policy instruments. For example, the 'clean up the town' type of action by local authorities removes street vendors and limits a lively venue of micro-business activity. Similarly, subsistence activity poses no barriers to employment growth as such. It represents a potential barrier to productive employment in that its contribution to the livelihoods of many within the region is neglected by policymakers.

#### BARRIERS ASSOCIATED WITH LABOUR MARKET SKILLS

Notwithstanding severe data limitations, it appears that the region faces a skills deficit. Employers anywhere have a tendency to complain that they are unable to get the skilled employees they want. Therefore the fact that they have been doing so in the region for a long time is noteworthy.<sup>6</sup> Nonetheless there appears to be a mismatch between the skills delivered through the region's education and vocational training systems and the needs of regional labour markets.

Education systems inherited from colonial rule have traditionally focused on basic numeracy and literacy skills, with their archetypal product being a graduate capable of moving into administrative roles in the public sector or employment in military,

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<sup>4</sup> World Bank and International Finance Corporation, *Doing business in 2005: removing obstacles to growth*, World Bank, Washington, DC, 2005.

<sup>5</sup> 'Possible' but by no means certain. As noted by others, '... the informal sector could be a source of vibrant new entrepreneurship: a place for people to learn valuable business skills. However, with ... limited private sector development, people in the informal sector cannot move up into the formal sector. Therefore, the informal sector is essentially a "sink" in which some of the unemployed and underemployed earn additional income, sometimes by illegal means' (R Duncan, S Cuthbertson and M Bosworth, *Pursuing economic reform in the Pacific*, Pacific Studies Series No. 18, Asian Development Bank, Manila, 1999, p. 162).

<sup>6</sup> C.F. Jackson, *Native Labour Law and Practice in Papua*, Sydney, 1924; C.D. Rowley, 'Labour Administration in Papua and New Guinea', *South Pacific*, 9(11), 1959, pp. 540-550.

religious or political organisations. There is some evidence of a decline in output quality (literacy and numeracy) but such measures may miss the point that the technical and vocational training needed to improve human capital relevant to labour markets and entrepreneurial opportunity has not been emphasised historically and continues to receive little policy recognition. There is a strong perception that current education and training systems are not addressing the needs of local, regional or international markets. This issue goes beyond the details of curricula to the style and focus of schooling. If the aim of the school system is to produce a grade 10 or 12 school leaver who has an understanding of politics, history and law and who can read formal documents and statistics, then the system will produce students equipped to enter white collar employment in administrative positions. However, the number of jobs available in this area has always been small, especially within the private sector, and is likely to remain unchanged.

The aim of schooling needs to be reoriented to produce people with skills relevant to specific markets and approaches focused on initiative and creativity as well as managerial and supervisory skills. Whether this produces a nurse with the capacity to operate in a community environment or a mechanic with the ability to start a small business, such people require markedly different skills and a different orientation to work than those taught by traditional school systems. Despite calls for more vocationally and technically focused training, there is still a clear deficit in skills and work orientation relevant to regional labour markets. This is an area in which the policies of governments and donors can make a difference.

#### BARRIERS TO THE FORMAL EMPLOYMENT OF WOMEN

Gender role prescriptions in some nations of the region have important impacts on employment and job prospects. This is especially the case where strong historical and cultural traditions have assigned gendered roles and these have produced gender differentiated skills sets. Many of the roles traditionally reserved for women such as gardening, caring for livestock and child rearing involve effort-reward calculations, forecasting and planning which equate fairly readily to economic ways of thinking. By contrast, traditional male roles tend to involve social and political activity focusing on status and power rather than productivity. Yet in several countries formal employment, business activity and training opportunities are dominated by men. While some nations of the region have adopted and followed through with policies of gender equity, there are numerous examples in which women are being held back in employment. These range from individuals for whom progress in their chosen employment is limited because of their gender and the other responsibilities it carries, to national statistics showing much higher percentages of males in better paid jobs and in more advanced areas of education and training. There is clearly a role for policy in removing formal barriers and implementing practices which encourage the

breakdown of informal barriers to equal labour market participation. However, policies to enhance formal employment opportunities for women are likely to have little impact without overall employment growth.

#### BARRIERS TO LABOUR MOBILITY

Mobility into and within the region is constrained by immigration and citizenship regulations. Generally these are guided by a perception that foreign nationals working in local labour markets are taking jobs away from local people.<sup>7</sup> While this may be true in some work classifications at a particular point in time, it is also the case that the import of certain types of labour – especially highly skilled experienced workers – actually generates local employment. It is many years since research pinpointed the benefits to local markets of importing highly skilled labour. For example, it has been estimated that the loss of one highly skilled expatriate worker results in the loss of 11 local jobs. This challenges the conventional perception that expatriates replace local managerial level workers and has led to calls for governments to foster a more positive attitude to expatriate workers through such measures as visa regulation.<sup>8</sup> Some governments such as PNG are currently reviewing their regulations but others have been slow to do so. All governments in the region should urgently consider how they can follow PNG's lead in reducing barriers to labour migration into the region.

Labour mobility within the region is facing similar barriers where issues of citizenship and national sovereignty prevent a rational use of labour. There are issues with the impact of a closed labour market on labour costs and the narrowness of the benefits it delivers. This may be especially severe in situations such as the resources boom predicted for East Timor. In such circumstances a closed labour market with a small pool of skilled workers is likely to result in a rapid increase in the wages of elite, usually urban, employees. By contrast, more open labour markets give employers access to the best available employees and restrain local labour costs and therefore the cost of living.

Mobility out of the region is also affected by regulations in more developed economies where there is a perception that labour migration takes jobs away from citizens. For labour from the region to be able to overcome this perception it needs to be targeted at areas of labour shortage in the neighbouring more developed economies and workers from the region need to be trained to international standards. As noted earlier, the training of the seafarers of Kiribati is an example of success with this approach. Nurses from the Philippines are another example of workers trained in internationally accredited colleges who have proven capable of competing successfully for work internationally.

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<sup>7</sup> The so-called 'lump of labour fallacy'. P Holden, M Bale, and S Holden, *Swimming against the tide?: An assessment of the private sector in the Pacific*, Asian Development Bank, Manila, 2004, p. 163, for discussion of this fallacy.

<sup>8</sup> R Duncan and T Lawson, *Cost structures in Papua New Guinea*, Discussion Paper No. 69, Institute of National Affairs, Port Moresby, 1997.

A key aspect related to labour migration is the impact of money sent home by overseas workers. Several studies in the Pacific island countries, particularly Samoa and Tonga, have noted the importance of remittances in cash and kind from citizens working overseas, with many families using the funds and goods to start small businesses.<sup>9</sup> According to the Governor of the Reserve Bank of Fiji, Savenaca Narube, remittances grew from F\$50 million in 1999 to an estimated F\$300 million in 2004.<sup>10</sup> Remittances seem to have had a particularly marked impact on remote communities such as Kiribati.<sup>11</sup> However, the cost of making cash transfers within the region appears to remain surprisingly high given advances in information and communications technology.

#### OTHER POSSIBLE BARRIERS

Other barriers to employment growth may include intervention by governments and unions in setting minimum wages and other terms and conditions of private sector employment (eg statutory regulation of dismissals). However, previous analysis has suggested that, with the possible exception of Fiji Islands, labour market regulation appears to have had only minor effects on employment because it has not been binding.<sup>12</sup> It has also been suggested that the region's relatively large public sectors (compared with formal private sector employment) have distorted the demand and supply of labour to the private sector. The issue here is not the remuneration offered to public sector employees, but the relationship between that level and the productivity of the employees compared with wages for similar work elsewhere. Regarding the outcomes of substantial public sector retrenchments from some government administrations in recent years, it is far from apparent that 'similar work' exists within the private sector for those retrenched, either at their previous salaries or substantially lower wages. In other words, public sector wages and conditions may 'crowd out' private sector investment and employment opportunities if there is restricted demand for substitutable labour. Generally, such restricted labour market conditions have not existed in the region. This is not to suggest that public sector wages should be set without regard to their potential impact on the private sector.

#### POLICY OPPORTUNITIES TO IMPROVE EMPLOYMENT PROSPECTS

Governments have two sets of instruments which they can use to influence labour markets. The first is their policies to remove direct barriers and create incentives for

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<sup>9</sup> J Connell and RPC Brown, *Remittances in the Pacific: an overview*, Asian Development Bank, Manila, 2005.

<sup>10</sup> S Narube, 'Fiji's economy: performances and prospects', Address to the Fiji–Australia Business Forum, Nadi, Fiji, 17 October, 2005. <<http://www.bis.org/review/r051019c.pdf>>.

<sup>11</sup> M Borovnik, *Seafarers in Kiribati – consequences of international labour circulation*, PhD thesis, Christchurch, University of Canterbury, 2003.

<sup>12</sup> R Duncan, S Cuthbertson and M Bosworth, *Pursuing economic reform in the Pacific*, Pacific Studies Series No. 18, Asian Development Bank, Manila, 1999.

sustainable economic growth. The second is government practices and benchmarks they set in local labour markets.

#### POLICY OPPORTUNITIES TO REDUCE DIRECT BARRIERS AND CREATE INCENTIVES

Encourage the formation of small businesses.

The issues confronting the region in identifying areas of competitive advantage and associated opportunities for foreign investment are being addressed by other Pacific 2020 background papers. However, the potential to develop formal employment through local small businesses that commercialise individual entrepreneurial activity needs at least equal attention. Provided entry costs are kept low, the initial investment for such businesses can be met from local sources such as remittances from overseas workers. Government fees and charges for establishing a business in the region are high by international standards. These costs, many of which are incurred before a business can start operating, discourage efficient business structures for small-scale entrepreneurial activity. The lowering of cost and regulatory barriers to commercialisation of entrepreneurial activity would benefit economic and formal employment growth.

A major impediment to local business activity and employment generation is the high cost or non-availability of finance geared to the needs of small enterprises.

Theoretical work on the relationships between local networks (social capital) and investors (financial capital) indicate that transaction costs can be considerably lower where networks provide a strong basis for trust. If this is true anywhere in the world it ought to be true in the Pacific region yet the costs of borrowing remain high by international standards. Policymakers have begun to investigate collaborative arrangements between financial institutions and donors to improve access to finance and lower transaction costs associated with loan guarantees and recoveries. The developing collaboration between the ANZ Bank and the United Nations Development Program in Fiji is an interesting example of how this might be extended to other Pacific island countries.

Recognise and support the informal and subsistence sectors.

As outlined earlier, an important barrier to commercialising informal or subsistence activities has been the neglect of these sectors, at least until recently, as the means for many people to continue earning a productive livelihood. The implication that people involved in these activities are not employed in the 'modern' economy or that their work is less valuable than those formally employed undermines policymaking because it relegates these activities to second class status. Governments need to develop, and feed into policy processes, broader definitions of economic activity to encompass the informal or subsistence sectors so as to include the local, often culturally conditioned, drivers of economic opportunity. Drawing on inputs from the small business sector, they should also consider how individuals in the informal and subsistence sectors can be provided with better information and practical skills to help them to spread their activities into small businesses with greater long term potential.

Align labour skills with market needs.

The skills of people seeking to enter or work within regional labour markets need to be enhanced and better aligned with national and regional employment opportunities. Business education, especially relating to entrepreneurship and innovation, needs to be brought into schools to orient young people towards business activity. Vocational training needs to be aligned with private sector labour market opportunities and skill requirements in the formal and informal sectors. Technical and trade training has long been available in the region but there has been little attempt to establish minimum competency standards. A regional approach to the setting and administration of competency standards through a regional accreditation system involving governments and business would better align training standards with the realities and needs of regional labour markets and facilitate greater global skilled migration.

Labour mobility can benefit from targeted training.

Some countries, notably Kiribati, Samoa, Tonga, and Tuvalu, had been substantial exporters of labour. This is mainly a private rather than a policy decision. With the value of remittances in the successful labour exporting countries regularly exceeding the combined value of aid and official development assistance, it seems sensible to consider ways in which public policy can support and facilitate enhanced labour mobility. For example, vocational training targeted at international labour markets may make good sense as an investment in future income earning and employment generation capacity. At the 2005 Pacific Islands Forum, the Australian Prime Minister, John Howard, announced the initiative to establish the Australia-Pacific Technical College with a network of campuses delivering Australian-standard qualifications to students from the region in a range of disciplines. With a dual aim of providing practical skills for the Pacific and global labour markets, the college will provide a much-needed boost to technical and vocational training in the Pacific. Developed economies in the region could explore opportunities to reduce barriers to short-term labour migration within the region. Less sensitive options are also available. For example, governments and financial institutions could work together to examine ways of lowering the transmission costs of remittances by overseas workers to their home countries.

There are similar barriers to inter-country business within the region. These include the separate registrations required in each nation where business is conducted and the more general issues of excluding regional competitors through the policy and practice of national regulatory agencies. Including services in the intra-Pacific free trade area would address many of these issues. There is also considerable scope for reducing formal links within the region which would have the potential to aid business and employment. In this area, policymakers need to work with business to identify areas where economic activity in one country can support congruent activity in other nations.

Policy changes can improve gender equality.

Some countries in the region have comparatively fewer cultural barriers to gender equality in employment but others have substantial restrictions on full participation by women in the labour market. The costs of these barriers are great, especially where the traditional work of women remains of major economic importance.

There are four policy options to improve gender equality. First, countries can review policies to identify barriers to female participation in employment. Second, quotas (or better targeted approaches) especially in training, could be considered to overcome disadvantage. Third, decision makers could be trained to better understand and deal with gender based employment issues. Fourth, governments should also look at their employment policies to ensure they are family friendly and encourage private sector employers to consider gender specific needs of employees. Gender issues may be treated as matters of equality which the political democracies of the region might support for political motives. They can also be seen as issues of labour utilisation. Countries within the region currently have a high degree of gender based under-employment and addressing this will remove barriers to employment for a large group of people.

#### POLICY OPPORTUNITIES TO REFINE GOVERNMENT EMPLOYMENT PRACTICES

Governments have typically been the biggest single source of formal employment. Their employment practices should avoid adverse impacts on private sector employment growth through the benchmarks they set in local labour markets.

Governments can do this by aiming to ensure that:

- > the remuneration levels set for public sector employees reflect their productivity relative to private sector benchmarks and the extent of competition within local labour markets
- > remuneration levels are set after factoring in all benefits accruing to public sector employees, not only salaries
- > changes in public sector employment levels are implemented in a carefully planned, phased and sustainable way, and
- > public sector employment practices adhere to the principles of appointment and remuneration on merit and apply gender equity principles and practices.

#### CONCLUSION

The region faces major challenges in generating sufficient employment to meet the aspirations of its rapidly growing population. Failure to tackle these now will entail substantial social and economic costs in the future. However, there are several practical ways in which governments in the region can address the challenges. These include strengthening the role of the subsistence and informal sectors, reducing constraints on business development, and improving skills development to ensure

Pacific islanders are competitive and productive in global and regional labour markets.