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**ECONOMIC AND SOCIAL POLICIES TO ADDRESS LABOUR MARKET TRENDS IN
PACIFIC ISLAND DEVELOPING COUNTRIES AND TERRITORIES**

(Item 4 of the provisional agenda)

Note by the secretariat

SUMMARY

Owing to demographic changes, an increasing number of people are entering the labour market in Pacific island developing countries and territories. In order to ensure that new entrants into the labour market are able to be gainfully employed, Governments of countries in the Pacific subregion need to implement coherent macroeconomic and social policies that encourage growth in employment, especially in the private sector. The 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.

The present document reviews the labour market in selected countries in the Pacific and presents recommendations for creating greater employment opportunities at the national and subregional levels. The Special Body is invited to review the recommendations and provide guidance on the role of the secretariat.

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I. INTRODUCTION

1. A total of 12 members and 7 associate members of the Economic and Social Commission for Asia and the Pacific are located in the Pacific subregion.¹ With the exception of Papua New Guinea, these countries are small islands, with populations of fewer than 1 million people, 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. The distance from major economic centres in Asia and the Pacific has also adversely affected their integration into the regional economy. Since their economies 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 and employment. The public sector accounts for a large share of formal employment and overall labour productivity is low.

2. The labour markets in these countries and territories also have their own characteristics. As a result of their historically high birth rates, large numbers of young people 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 people from Polynesia and Micronesia have migrated to countries where they have familial or historic ties. While migration is possible only for skilled workers from other countries in the Pacific, the temporary migration of unskilled workers is a matter currently being negotiated. Although the 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 home country by returning migrants, however, is a recent phenomenon.

3. This document 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 document then presents recommendations for creating greater opportunities for employment at both the national and subregional levels. These recommendations were formulated by experts on these issues at the Expert Group Meeting on Labour Markets in Pacific Small Island Developing Countries, held in Suva, on 4 and 5 June 2007.

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

II. LABOUR MARKET CHARACTERISTICS

A. The labour force and employment

4. Labour force participation (see table 1) varies greatly across countries and territories in the Pacific as well as between men and women.² Vanuatu has high participation rates for both men and women, while in Fiji and Solomon Islands, only the male participation rates are high. In contrast, participation rates are low in the Marshall Islands, particularly for women, and in the Federated States of Micronesia. Much of the difference results from the way economic activities are treated. Some countries considers all those engaged in subsistence activities as economically active while others include only those who indicate that they are working for cash. The treatment of women's activities also varies.

Table 1. Labour force participation rates
(Percentage)

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

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

B. The role of the informal sector

5. 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. Although the informal sector has been undervalued, this sector has often employed those leaving the rural agricultural sector as well as the unemployed. Papua New Guinea is the only Pacific island developing country to adopt legislation recognizing the contribution of the informal sector to employment growth.³

C. Employment distribution between rural and urban areas

6. The distribution of total employment, both formal and informal, and between rural and urban areas (see table 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

² The absence of both comparative and time series data on the labour force in these countries, as well as the varying definitions of employment and unemployment in them makes it difficult to make comparisons.

³ That piece of legislation is the Informal Sector Development and Control Act, 2004.

subsistence agriculture and small-scale cash cropping in the informal sector, about 90 per cent of the 2.3 million people in employment live in rural areas. In contrast, more than half of those employed in Fiji live in urban areas.

Table 2. Total employment by sex in rural and urban areas

Country or territory	Total employment			Female employment			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	2 501	2001
Fiji	219 314	107 853	111 461	53 015	18 989	34 026	166 299	88 864	77 435	1996
Guam	54 980	..	..	25 690	..	..	29 290	..	..	2002
Kiribati	39 912	21 505	18 407	19 600	9 912	9 688	20 312	11 593	8 719	2000
Marshall Islands	10 141	3 218	6 923	3 133	956	2 177	7 008	2 262	4 746	1999
Micronesia (Federated States of)	29 175	..	..	12 218	..	..	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	3 556	348	3 208	5 827	865	4 962	2000
Papua New Guinea	2 344 734	2 157 500	187 234	1 141 501	1 072 813	68 688	1 203 233	1 084 687	118 546	2000
Samoa	50 325	37 933	12 392	15 207	10 457	4 750	35 118	27 476	7 642	2001
Solomon Islands	57 472	..	..	17 711	..	..	39 761	..	..	1999
Tonga	34 560	..	..	14 140	..	..	20 420	..	..	2003
Tuvalu	3 237	1 816	1 421	1 374	787	587	1 863	1 029	834	2002
Vanuatu	75 110	61 865	13 245	33 874	28 740	5 134	41 236	33 125	8 111	1999

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

Note: Two dots (..) indicate that data are not available.

D. Unemployment and underemployment

7. Reported unemployment varies considerably (see table 3) in part because each country has its own criteria for determining who is counted 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. As the concept of unemployment in the rural areas of many Pacific island economies is difficult to define, some agreed common definitions are needed in order to reflect the realities of rural life.

8. It is likely that underemployment rates are very high in most countries, where many are engaged in subsistence and small-scale cash cropping activities.⁴ Many would be willing to take up

⁴ 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.

other income-earning opportunities if the required infrastructure and services were available. Many are hampered by a lack of skills as well as a lack of access to proper education and training facilities. Gender discrimination practices also prevent women from participating fully in formal employment.

9. 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 Fiji where the number of urban unemployed is greater even though the rural and urban populations are roughly equal.

Table 3. Total unemployment by sex in rural and urban areas

Country or territory	Total unemployment			Female unemployment			Male unemployment			Year
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	
American Samoa	909	..	..	..	..	..	..	..	..	2000
Cook Islands	892	565	327	443	249	194	449	316	133	2001
Fiji	17 265	6 771	10 494	7 663	2 941	4 722	9 602	3 830	5 772	1996
Guam	7 070	..	..	2 760	..	..	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	60	24	22	21	1	62	39	23	2001
Palau	224	95	129	103	37	66	121	58	63	2000
Papua New Guinea	68 623	32 307	36 316	14 969	7 195	7 774	53 654	25 112	28 542	2000
Samoa	2 620	1 827	793	999	673	326	1 621	1 154	467	2001
Solomon Islands	27 652	..	..	9 695	..	..	17 957	..	..	1999
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	568	1999

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

Note: Two dots (..) indicate that data are not available.

E. Gender issues

10. Less than a third of the employed in Fiji, the Marshall Islands, Samoa and Solomon Islands are women; however, other countries, such as Kiribati and Papua New Guinea, have achieved gender parity in employment (see table 4). 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 underrepresented in urban employment in Papua New Guinea and Vanuatu, as fewer women are employed in the formal sector.

Table 4. Percentage share of women in total employment and unemployment

<i>Country or territory</i>	<i>Total</i>		<i>Rural</i>		<i>Urban</i>	
	<i>Employment</i>	<i>Unemployment</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Employment</i>	<i>Unemployment</i>
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	..	..	..	..
Tonga	41	27	..	27	..	27
Tuvalu	42	..	43	..	41	..
Vanuatu	45	34	46	30	39	35

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

Note: Two dots (..) indicate that data are not available.

11. The share of women in unemployment is often higher than in employment in Pacific island developing countries. Although greatly underrepresented in total employment, women in Fiji are near parity when it comes to being unemployed. In other countries, such as Papua New Guinea and Vanuatu, the proportion of women among those unemployed is low relative to their share among those 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.

F. Youth unemployment

12. In general, the labour force in most Pacific island developing countries is very young since, on average, 45 per cent of the population is in the 15- to 24-year-old 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 unemployment in this age group and it is likely that recorded unemployment figures understate the magnitude of the youth unemployment problem. 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, the problem of youth unemployment is especially acute. In the case of Fiji, about 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.

G. Labour mobility

13. Many workers from Fiji, the Federated States of Micronesia, Marshall Islands, Palau, Samoa and Tonga have used existing bilateral and preferential channels to migrate to countries such as Australia, New Zealand and the United States of America to look for work. Remittances now account for a high proportion of the gross national income in these countries. The citizens of Kiribati and Tuvalu have a long-standing tradition of working overseas as seafarers. The relatively tiny numbers of migrants from Papua New Guinea, Solomon Islands and Vanuatu reflect the limited opportunities available to the comparatively large numbers of unskilled people in those countries to find work elsewhere.

14. As it stands, the Pacific Island Countries Trade Agreement is designed to facilitate the free movement of goods within the subregion. Countries without exports, such as Kiribati and Tuvalu, would benefit to a greater extent if the movement of labour was also included in the Agreement.

15. While work overseas provides additional employment opportunities for people in Pacific island developing countries and provides higher incomes for their families 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 in providing public services such as health care. As a result, training institutions have to enrol larger numbers than are necessary in order to serve the needs of the home country itself.

H. Future trends

Population

16. In most Pacific island developing countries, population growth will be rapid for the foreseeable future except in those countries where emigration is significant. The obvious implication of such growth will be increased pressure on the fragile ecosystems and the small amount of available land in these countries, as well as on the 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 youths and 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.

17. 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, total fertility rates of between 3 and 4 children per woman mean that high population growth rates will persist in most countries for many years to come.

Table 5. Projected percentage change in population in the period 2004-2029

<i>Melanesia</i>		<i>Micronesia</i>		<i>Polynesia</i>	
Fiji	25.5	Kiribati	72.7	Cook Islands	-29.6
New Caledonia	37.5	Marshall Islands	82.4	French Polynesia	40.9
Papua New Guinea	72.2	Micronesia (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, D.C., World Bank, 2006).

18. The population of Papua New Guinea, Solomon Islands, Vanuatu, Kiribati and the Marshall Islands is forecast to grow significantly by 2029 (see table 5). In contrast, the population of Cook Islands is expected to contract owing to high rates of emigration, while that of Tonga will grow relatively slowly. Changes in migration patterns, mortality and fertility trends could affect these projections in individual countries.

Employment in the formal sector

19. Owing to the moderate economic growth expected, formal sector employment prospects are poor. The 20 per cent increase in employment in Fiji that is projected to occur between 2004 and 2015 could be plausible if the growth in the tourism sector continues (see table 6).

Table 6. Projected changes in formal sector employment

<i>Country or territory</i>	<i>2004</i>	<i>2015</i>	<i>Percentage change</i>	<i>Country or territory</i>	<i>2004</i>	<i>2015</i>	<i>Percentage change</i>
Cook Islands	5 900	6 000	1.7	Samoa	59 000	63 425	7.5
Fiji	122 000	145 880	19.6	Solomon Islands	30 070	32 360	7.6
Marshall Islands	10 480	11 270	7.5	Tonga	35 820	37 610	5.0
Micronesia (Federated States of)	15 350	16 470	7.3	Vanuatu	16 300	17 820	10.0
Papua New Guinea	205 870	226 460	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, D.C., World Bank, 2006).

20. As for smaller countries, such as the 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. Samoa has put in place some sound economic reforms 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. It may be some time before conditions become more favourable for increased private sector activity.

III. LABOUR MARKET POLICIES

21. All Pacific island developing countries have legislation that provides a framework for labour market operations. Many countries also have tripartite arrangements for addressing labour market issues and recommending 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 ILO.⁵

A. Employment acts and ordinances

22. The reach of labour legislation tends to be restricted to the formal sector, which represents only about 10-15 per cent of the labour force in most countries. The majority of the workforce is employed in the informal sector which 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.

23. Pacific island countries, with the exception of Tonga, have their own employment ordinances and legislation on trade unions. In addition, those countries usually have workman compensation acts which specify the definitions and conditions of various amounts/types of compensation to which an employee is entitled.

24. 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.

25. Since laws are generally outdated and not suitable for the changing labour market conditions, many Pacific island developing countries are revising and updating their labour legislation and regulations.

B. Trade unions

26. With the exception of Tonga, countries in the Pacific have legislation on trade unions. Trade unions tend to have a strong voice, particularly in the public sector and 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. However, Fiji has recently passed new labour legislation which will come into effect in 2008; it includes provisions relating to the elimination of gender discrimination and workplace harassment.

⁵ Fiji, Kiribati, the Marshall Islands, Papua New Guinea, Samoa, Solomon Islands and Vanuatu are members of the International Labour Organization.

C. Superannuation schemes, pensions and social security schemes

27. Most Pacific island developing countries do not have any social security arrangements or unemployment benefit schemes in place.⁶ Yet, many have national provident fund schemes, which are provided for under acts of parliament, that require both employees and employers to contribute. Again, these schemes cover only formal sector employees. As a result, the majority of working people who are in the informal sector are not covered by provident fund regulations.

D. Minimum wages

28. Most Pacific island 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.⁷ 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.⁸

29. Minimum wages vary considerably between Pacific island economies (see annex table). 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 hour. Regular revision of minimum wage levels, however, has been a problem in most Pacific island countries.

E. Skills training

30. 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 their employees with these important capacity-building services.

IV. LABOUR MARKET OPERATIONS

A. Worker protection

31. 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 are in the informal sector where legislation is not enforced.

⁶ Countries in the northern Pacific have generally established social security schemes, as have countries in the southern Pacific with free association with New Zealand.

⁷ 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.

⁸ For further information, see Teuea Toatu, "The Performance of the Labour Market in Kiribati", Working Paper No. 2/2004, Employment and Labour Market Studies Program, Pacific Institute of Advanced Studies in Development and Governance, University of the South Pacific, 2004.

32. High levels of protection for workers are prevalent in the large public sectors of many Pacific island economies. 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 higher than market-determined rates. Overgenerous terms and conditions can hamper job creation or may encourage 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.

33. Private employers tend to have more discretion in employing and dismissing workers, either because enforcement is weak in the formal sector because the 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.⁹

B. Labour market flexibility

34. 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 countries lack sufficient flexibility to stimulate private sector job creation. Such 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 and nurses, being underpaid, which leads to a high turnover and an excessive amount of training to replace lost skills. Where the opportunities are plentiful for the migration of those with skills, the situation is even worse.

35. Most of the Pacific island developing countries mandate a five-day workweek of eight hours per day, with additional hours paid at overtime rates, plus generous annual leave entitlements. As a result, countries in the region have some of the most restrictive working hours in the world.¹⁰ Minimum wage regulations are common, 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 the demand for labour is likely to exceed supply may be appropriate to safeguard workers’ interests. However, in industries that are not growing and have less competitive advantage, minimum wages could be counterproductive. In

⁹ More information on this issue may be obtained from Benedict Imbun, “Review of Labour Laws in Papua New Guinea”, Working Paper No. 20, Employment and Labour Market Studies Program, School of Economics, University of the South Pacific, 2006; and “Review of Labour Laws in Solomon Islands”, Working Paper No. 19, Employment and Labour Market Studies Program, School of Economics, University of the South Pacific, 2006.

¹⁰ See footnote 9.

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.

36. 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 subregion. 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 overprotective labour market regulations could slow its growth.¹¹

C. Reforming the labour market

37. The Governments of some Pacific island developing countries have recognized the need to improve labour market flexibility while maintaining adequate levels of protection for workers. However, there has been only limited progress in updating labour market legislation, 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 them. The institutional changes required to make the labour market more efficient are not easy and will require considerable political will to put into effect. An additional difficulty arises from the lack of comprehensive and timely statistics on labour markets, which hampers informed discussion on desirable changes in labour legislation.

D. Addressing gender issues

38. In general women are disadvantaged in the labour markets of Pacific island economies. Women tend to be underrepresented in formal employment categories except those regarded as “traditional” occupations for women. 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.

E. Skills mismatches

39. Many countries continue to rely on traditional types of training, provided through schools and tertiary institutions, and expect the products of that training to fit into contemporary labour markets. Economic structures have changed in many countries over the last decade; however, skill development and training have often failed to adapt. Agricultural productivity has continued to decline and the contribution of the primary sectors of Pacific island economies to their gross domestic product has also declined.

¹¹ For a more elaborate discussion, see L. Alan Winters and Pedro M. G. Martins, “When comparative advantage is not enough: business costs in small remote economies”, *World Trade Review*, 2004, vol. 3, No. 3, pp. 347-383.

40. The cost disadvantages for small Pacific island States in manufacturing and even in agriculture means that those countries increasingly need to rely on the services sector for their growth prospects and employment creation.¹² 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 the skills needed by the tourism industry are not available, and the Governments of Pacific island developing countries need to concentrate on developing skills for the tourism industry.

F. Labour mobility

41. The migration of skilled workers for permanent or temporary work overseas is a common feature of some Pacific island developing countries. As noted previously, emigration can drain these countries of skilled workers even though the incomes of their families may rise.

42. 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, could help to 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. CONCLUSIONS AND RECOMMENDATIONS

43. **To promote efficient labour markets, experts from selected countries and territories in the Pacific together with their development partners formulated a number of recommendations at the national and subregional levels. Their conclusions and recommendations are summarized below. The Special Body is invited to review the recommendations and to provide comments and guidance on the role of the secretariat as regards follow-up.**

A. Recommendations at the national level

1. Macroeconomic and employment generation policies

Recommendation 1

44. The public sector accounts for the overwhelming majority of formal sector employment in the Pacific. Since opportunities for further job creation lie in the private sector, it is a priority to promote growth that is led by the private sector.

Recommendation 2

45. 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

¹² Ibid.

more customary land available for development, facilitating longer land leases, and providing registration of customary land.

Recommendation 3

46. The lack of, or the poor state of, transport infrastructure is a serious impediment to private sector development. Since 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.

Recommendation 4

47. Securing successful outcomes from employment-generation programmes requires strong political will and commitment.

Recommendation 5

48. Sound employment generation policies and programmes should encompass the following seven pillars:

- (a) integrating employment as a central concern of socio-economic policies, such as in national development plans;
- (b) increasing employment and income-generating opportunities in rural areas;
- (c) bringing about parity in economic progress between regions and provinces;
- (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.¹³

Recommendation 6

49. Given the wide range of activities needed to ensure the success of employment-generation programmes, good coordination among the different line ministries involved is essential.

2. Labour market reform

Recommendation 7

50. Governments should consider reforming labour market regulations in a way that provides adequate protection for employees in order to ensure decent conditions of work while providing sufficient flexibility for job creation (hiring and firing, hours of work and wage determination).

Recommendation 8

51. Dialogue mechanisms between the public and private sectors should be promoted in order to ensure that private sector views and requirements are reflected in policy development.

¹³ They include school dropouts, people with disabilities, women, people living under the poverty line, prisoners' families, former prisoners and redundant workers.

Recommendation 9

52. 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.

3. Labour market information

Recommendation 10

53. Improving the regularity, scope and availability of public information on the 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 for national statistical offices.

Recommendation 11

54. Governments should examine the use of standardized methodologies for the collection of labour market information, in particular the collection and analysis of unemployment data.

Recommendation 12

55. The principles of gender equality need to be considered as an integral part of all labour market policies. In order to do this effectively there is a need for data disaggregated by gender.

Recommendation 13

56. Governments should examine the benefits of introducing a job-matching service or employment exchange facility in order to improve the flow of information about 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.

4. Skills development

Recommendation 14

57. Key industries with the potential to contribute to economic growth and employment should be identified in order to ensure the development of skills which meet the needs of employers. Tourism and related sectors could be considered a priority for many countries, while in the larger island countries, such as Fiji, Papua New Guinea, Solomon Islands and Vanuatu, commercial agriculture is also of importance.

Recommendation 15

58. Since there is a mismatch between the 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.

Recommendation 16

59. The relevance of educational curricula to the needs of the labour markets should be improved. This should include better career guidance.

Recommendation 17

60. A more comprehensive shift in culture and attitudes towards entrepreneurship is required. This should start with a stronger emphasis in schools on entrepreneurship training and the promotion of successful entrepreneurs as role models.

Recommendation 18

61. The accreditation of skills, including village-based skills, is needed to improve the information that is given to employers concerning the competencies to be expected from holders of various skills-training certificates.

5. Public sector compensation policy

Recommendation 19

62. Governments should consider developing a public sector pay policy that is conducive to private sector-led growth.

6. Youth unemployment and gender issues

Recommendation 20

63. 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.

Recommendation 21

64. Effective coordination of youth strategies requires partnerships between public agencies and civil society, including non-governmental organizations, in order 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 in order to ensure that planned strategies really are appropriate and not simply derived from assumptions about what could be effective in addressing youth issues.

Recommendation 22

65. Governments, with assistance from development partners, should develop tools, methodologies and good practices to reach vulnerable youths more successfully in the areas of education and skills training, thus easing the transition from school to work and preventing the worst forms of child labour abuse.

Recommendation 23

66. To enable more women to gain paid employment, Governments should ensure that legislation promotes part-time employment and support should be given for child care.

7. Migration

Recommendation 24

67. 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.

B. Recommendations at the subregional level

1. Labour market reform

Recommendation 25

68. Successful reforms to strengthen labour markets have been undertaken in some countries. Documenting and disseminating good practices would be a highly useful reference source for policymakers. 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.

Recommendation 26

69. Subregional pooling of resources could facilitate data collection and analysis. In addition, a subregional tripartite forum could be created in order to discuss industrial relations issues.

2. Labour mobility

Recommendation 27

70. Labour mobility among Pacific island developing countries could address skills shortages in individual countries. Serious consideration should be given to including the movement of natural persons (mode 4 of the General Agreement on Trade Services) under the Pacific Islands Centre Trade Agreement.

Recommendation 28

71. The formation of a regional job-matching service could be introduced for occupations amenable to greater mobility.

3. Harmonizing labour and employment legislation

Recommendation 29

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

Annex. Labour market matrix

Country or territory	Minimum wage legislation	Extent of public and private sector employment	Relationship between public and private sector wages	Extent of unionization	Level of skills	Extent of emigration and remittances
Cook Islands		As a result of a reform programme, public sector employment dropped from 42 per cent to 25 per cent of the formal labour force of 6,500.	Private sector wages are higher than public sector wages.		Skilled workers are scarce, owing to emigration.	Owing to unrestricted access to New Zealand, 18 per cent of the population has left the country since 1995.
Fiji	Industry-based minimum wages began in 1980 and range from F\$ 1.09 to F\$ 2.75 per hour.	The public sector accounts for about 40 per cent of employment.		Relatively strong unions have forced the Government to back down from plans to limit wage increases.	The adult literacy rate is 91 per cent (1995); 80 per cent of the workforce has a secondary education.	There is a high rate of emigration among professional and skilled workers.
Marshall Islands	US\$ 2.00 per hour.	The share of the public sector in formal employment reduced from 43 per cent in 1996.	Public sector wages are almost double private sector wages and have been frozen for three years under the Asian Development Bank policy reform programme.		The adult literacy rate is 91 per cent (1995); only 50 per cent of the workforce has some secondary education.	
Micronesia (Federated States of)	US\$ 1.35 per hour in the private sector.	The public sector accounts for 25 per cent of employment.	State and national government wages are 2-3 times higher than those of the private sector.		The adult literacy rate is 81 per cent (1995).	Emigration is about 1 per cent annually.
Kiribati		The public sector accounts for 70 per cent of the formal workforce.	Government wages are slightly higher than in the private sector.		The adult literacy rate is 93 per cent (1995); skilled workers are in short supply.	The international merchant marine employs thousands of workers and remittances are high.
Nauru					Limited skills development.	
Papua New Guinea	K37.50 per week (increase in 2005)	The public sector employs about 35 per cent of the workforce.			The adult literacy rate is 71 per cent (1995); the supply of skilled labour is limited and the costs are high.	There has been a steady decline in private transfer outflow in the past three years.
Samoa	WSS 2.40 per hour in the public sector and WSS 2.00 per hour in the private sector (increase from WSS 1.60 per hour in 2006)	The Government employs 25 per cent of the total formal employment of 18,000 persons.	WSS 75-160 per week in the private sector. WSS 150 per week in the public sector.	Not very extensive.	Adult literacy rate is 98 per cent (1995).	Remittances equal to tourism earnings as a source of foreign exchange.
Solomon Islands	SIS 1.20 per hour in fishing and agriculture, and SIS 1.50 per hour in other sectors (1996), as determined by the Wages Advisory Board. Redundancy provisions for public employees	The public sector accounts for 32 per cent of employment.	Government wages are fully indexed while only two thirds of private sector wages are indexed.	Main private sector unions are reported to be weak. Major strikes have been confined to the public sector.	Adult literacy rate is 62 per cent.	
Tonga		The public sector accounts for 40 per cent of formal employment.		None	Moderate. The literacy rate is almost 100 per cent but vocational training is poor.	Only 25 per cent of school leavers find formal work. The number of Tongans outside the country equals that inside (1999). Net remittances almost triple gross exports.

Country or territory	Minimum wage legislation	Extent of public and private sector employment	Relationship between public and private sector wages	Extent of unionization	Level of skills	Extent of emigration and remittances
Tuvalu		The public sector accounts for two thirds of the formal workforce.	Government wages are slightly higher than private sector wages.		The adult literacy rate is less than 90 per cent (1995). Semi-skilled and skilled workers are in short supply. Tuvalu Maritime School is under pressure to keep pace with industry needs.	The country relies heavily on remittances.
Vanuatu	VT20,000 per month (increased from VT16,000 per month in 2005)	In 1999, 30 per cent of the workforce was in the public sector. The Government is committed to 10-15 per cent reduction in staffing under memorandum of understanding signed with the Asian Development Bank.	Private sector wages are higher than civil service wages. Private sector wages appear uncompetitive.	Less than 10 per cent of workshop workers are unionized.	The adult literacy rate is 64 per cent (1995). There is a shortage of skilled labour, as 90 per cent of the workforce has only a primary education.	

Source: 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 Labour. Country Reports on Human Rights Practices 2005 – Papua New Guinea, United States Department of State, 2006, available at <www.state.gov/g/drl/rls/hrrpt/2005/61623.htm>, Ganesh Chand, "Overview of current economic conditions in Fiji", Fiji Trades Union Congress, 2004, available at <www.gpn.org/data/fiji/fiji-analysis.doc>; KVAConsult, "Samoa economic update 2007", *Pacific Economic Bulletin*, vol. 22, No. 3, October 2007 (Asia Pacific Press), available at <<http://peb.anu.edu.au/pdf/PEB22-3-survey-samoa.pdf>>, Evelyn Toa, "New Vanuatu minimum wages at VT20,000 monthly", *The Independent*, 23 August 2005, available at <www.news.vu/en/living/Employment/050823-New-Vanuatu-minimum-wages.shtml>.

Note: Minimum wages are updated.