

Employment Opportunities for Papua New Guinea Youth

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Synopsis: Youth unemployment is a major and increasing problem in Papua New Guinea. Currently only about one in 10 school leavers find work in the formal sector, and there is little absorption of labour in rural areas. This is a reflection of rapid population growth and a stagnating economy that is biased towards exports of minerals and raw materials, with minimal development of local industry and small business. A National Youth Policy is in place, but so far the focus has been on establishing a mechanism to implement the policy, and there have been few practical achievements. Poor transport and communications infrastructures hinder decentralisation and restrict the development of modern industries such as information technology. The concentration of wage employment in urban areas has fostered large-scale and often short-term rural-to-urban migration, resulting in urban congestion and high crime rates. A new approach to human resources development is needed, one that prepares the majority for village-based livelihoods, informal activities and income generation rather than formal wage employment. Previous attempts to address youth unemployment have achieved little because they have taken a short-term approach and focused on the immediate problem rather than a long-term strategy that includes the creation of an enabling environment. A successful strategy must begin with restoration of law and order, and include rural electrification, rural community development and fostering supportive community attitudes for youth enterprise, as well as for enterprise in general. The entry point that is most likely to expedite the entire process, while contributing most in terms of employment opportunities for youth and reducing crime, is rural community development and informal training in business management.

Introduction

Papua New Guinea is a paradox. By world standards it is rich in natural resources while its population of around 5.2 million is still reasonably small relative to its land area and potential wealth. Despite high rates of economic growth and public spending in the early 1990s, it has some of the lowest social indicators in the world while conditions continue to deteriorate. In recent years the economy has actually contracted (Table 1). Even these figures do not reflect the true condition of the majority of the population. In 1996, when average GDP per capita was around \$US 1200, it was estimated that 80 per cent of the population earned less than \$US 350 per annum (Hamidian-Rad, 1997: 47). It is probable that the disparities are even greater today.

Table 1: Recent Economic Indicators

	1996	1997	1998	1999	2000 *	2001 *
GDP (US\$ billion)	5.2	4.9	3.8	3.6	3.9	4.0
GDP per capita (US\$)	1,186	1,167	824	776	823	814
Real GDP Growth (% change in YOY)#	7.8	-3.9	-3.8	3.3	0.7	1.2
Current account balance (%GDP)	189	-192	-29	97	278	-33
Inflation (%change in YOY)	11.6	3.9	13.6	14.9	15.6	9.8

Although AusAID (2001) uses positive growth estimates for 2000 and 2001 derived from the Papua New Guinea National Budget Papers, other commentators such as Duncan (2001: 11) and Baxter (2001: 39) estimate negative growth of around -1.8 per cent for 2000 and -2.0 per cent for 2001.

Source: AusAID, (September 2001).

Papua New Guinea was largely isolated from the world until World War Two, and even today has a poorly developed road network. It is often said that the first wheels seen by most of its people were on aeroplanes. The nation is characterised by extreme cultural diversity, with more than 800 separate language groups, and high levels of circulation between rural and urban areas. In 1990 some 15 per cent of the Papua New Guinea's population lived in urban areas, i.e. settlements with urban functions and comprising 2000 or more residents. This includes the two major areas of Port Moresby and Lae, and the provincial capitals, but large agglomerations of rural villages are excluded.

The physical distinction between rural and urban areas is blurred to some extent, in that some urban dwellers, especially squatters may grow much of their food in garden plots within the town boundary and/or live in villages for some of the year (Baxter, 2001: 2). Even so, there are marked differences in social indicators between rural and urban areas. For example, in 1996 GDP per capita income in the National Capital District was 3-20 times higher than in any of the provinces, and the UNDP Human Development Index was from 30-60 per cent higher (Baxter, 2001: 14).

Economic progress has been hampered by the mountainous landscape, the isolation of many communities, and the persistence of conservative traditional customs and social orders. The real cause of underdevelopment, however, is the economic model adopted, which is based on a relatively small urban-based modern sector supported by the export of raw materials, while most of the rural population remains peripheral to the modern economy and receives little benefit.

The shortage of wage employment opportunities, which affects all age and gender groups not just school leavers and youth, is symptomatic of rapid population growth and a stagnating economy, exacerbated by political and social instability. The situation is much the same in Papua New Guinea's smaller Melanesian neighbours, Vanuatu and Solomon Islands. In all three countries around 80 per cent of the population depend mainly on subsistence agriculture, there is little manufacturing or commercial development and the major sources of formal employment is the government sector and enterprises providing services to government and government employees.

It is against this background that the problem of youth unemployment in Papua New Guinea must be viewed. It is not an isolated problem that affects one specific group in society, but part of a Melanesia-wide socio-economic crisis that has disadvantaged almost everyone in the countries concerned. This has important implications for strategies to combat youth unemployment in Papua New Guinea. Limited economic development and socio-

economic infrastructure make it costly and difficult to generate appropriate jobs and opportunities for youth in the modern sector. The institutional structure for delivery of special assistance to youth is poorly developed, while the juxtaposition of the traditional and modern sectors makes it difficult for young people to find and remain in wage employment. In particular, social structures that accord low status to young people, the reluctance of young people to remain in villages when modernisation is largely confined to urban areas, and very high crime levels, especially in urban areas, discourage enterprise.

There is a general paucity of data on employment in Papua New Guinea, especially data disaggregated by age and gender. As Papua New Guinea does not carry out economic surveys much of the information on employment is derived from censuses, which generally lack detail. Moreover, processing of the 2000 census data was still underway when this paper was written, and data on employment are not expected to be available until late 2002.

Many of the statistics quoted in this paper are therefore based on the 1990 census, plus a few statistics collected by other government departments or by independent researchers. It is now recognised that the 1990 census was a substantial, non-systematic, under-count, and the overall average annual population growth rate was actually 2.7 per cent per annum in the period 1980-2000, rather than around 2.3 per cent, as assumed prior 2000. Estimates of youth unemployment based on 1990 data are therefore under-estimates.

This paper begins with a review of Papua New Guinea's National Youth Policy. It then examines the national labour market and evaluates the supply and demand sides of youth employment. It concludes with an evaluation of recent national and international initiatives to promote employment of Papua New Guinea youth, and recommends strategies for the future.

1. National Youth Policy

The most recent National Youth Policy of Papua New Guinea was approved in January 1997 and still applies in December 2001 when this paper was written. This 29-page document, prepared by the National Youth Service of the Department of Home Affairs, identifies the problem of youth unemployment and formulates objectives and strategies in general terms (Papua New Guinea National Youth Service, 1996). It emphasises the need for special policies for vulnerable groups and the social consequences of youth unemployment.

The approach is sound and generally consistent with the recommendations of the UN/World Bank/ILO High Level Panel of the Youth Employment Network (United Nations/World Bank/ILO Youth Employment Network, 2001). The main function of this document, however, is to propose objectives and mechanisms, while the strategies are presented in general terms only. Moreover, the target population of 10 to 34 years is somewhat wider than the usual definition of youth (15-24 years) and could serve to diffuse efforts and reduce their effectiveness.

The policy has five primary objectives and proposed strategies to achieve them, as follows:

- Objective 1: Training: Facilitate and support training, education and rehabilitation to improve the quality of life of young people.

Strategy: Support local and provincial trainers in government, NGO, church and community organisations engaged in youth development programmes by providing training materials, assisting with skills training and education courses and encouraging enrolment in distance education, courses at tertiary institutions and courses to develop livelihood skills.

- Objective 2: Youth Enterprise: Encourage and provide avenues for young men and women to enter the workforce

Strategy: ‘The National Youth Commission will enable registered groups of young men and women to have easy access to capital assistance so as to enter the workforce either by working for wages, being self-employed, running a business or maintaining and improving subsistence practices, ... providing technical and managerial support and linkages to appropriate agencies in sustaining funded projects, ... [and] provid[ing] avenues for motivation and competition.’

- Objective Three: Communication and Information Networks To improve and strengthen the communication network to enhance the self-organisation capabilities of young people and link them to local, provincial, national and international organisations of young people.

Strategies: Publish quarterly bulletin for wide distribution, circulate information on youth activities overseas, disseminate information on PNG youth to international agencies, acquisition of computers by the National Youth Commission to process this information and maintain a database on youth groups and facilitate annual, biennial or triennial provincial, regional and national youth congresses.

- Objective Four: Social Services: To promote and encourage young people to have respect for the social, spiritual and cultural heritage of their communities through active participation in community service activities

Strategies: Provide funding for Community Service Projects identified by Local Level Governments which promote the involvement of people between the ages of 12 and 35 years in cultural and community development.

- Objective Five: Development Administration: To improve and strengthen the National Youth Commission to enable it to efficiently and effectively address the changing needs of youth at the local level.

Strategies: Ensure representation of young men and women in local-level governments and provincial authorities, and support and serve Provincial Youth Federations and the National Youth; commit to a regular review and evaluation process of the National Youth Commission, and support staff development, professional training and attendance at national and international training courses.

2 Implementing youth policies:

Strength of the National Youth Policy is that it is based on partnerships with a number of government agencies, NGOs and donor agencies. Those represented at the 1994 Consultative Youth Policy Review Workshop to formulate the policy included:

- *National Government Departments:* Religion, Home Affairs and Youth; Agriculture and Livestock; Education, Police, Attorney-General's Department, National Capital District Commission; and National Youth Commission.
- *Provincial Departments:* Manus; Southern Highlands; Gulf; Central; East Sepik; Western; and East New Britain.
- *NGOs and Churches:* National Volunteer Service; Lae Seventh Day Adventist Mission; Lutheran Church;
- *Pacific Youth Council representatives* from Morobe, East Sepik, East New Britain, Central, Southern Highlands, Western Province, Western Highlands and National Capital District

However, a progress report on activities presented to the Second General Assembly of the Pacific Youth Council in December 2000 repeats the objectives and strategies of the policy, but does not detail any specific achievements in generating employment opportunities for youth (National Youth Commission of Papua New Guinea, 2000). The two major reasons why little has been achieved are non-release of Government funding for youth activities and economic stagnation.

The National Youth Policy states that increased employment opportunities for youth will derive from the 1994 Government development strategies of developing a vibrant private sector, achieving sound macro-economic performance, moving towards an industrial-based economy and increasing opportunities for rural production (Papua New Guinea National Youth Service (1996: 2-3). Since none of these strategies has been implemented, the essential basis for success of the National Youth Policy has not yet been created.

An important concern in the implementation of this and other social strategies in Papua New Guinea, as well as Pacific countries elsewhere, is that policies are made at the government level but non-government organisations (NGOs) are expected to deliver most of the necessary services. Ineffective mechanisms to manage the interaction between government and NGOs is a main cause of failure of social programmes. The National Non-Government Organisations Policy, released in the mid-1990s (Government of Papua New Guinea, n.d.) attempted to address this problem by emphasising the need for more co-operation between government and NGOs and better co-ordination of NGO activities, but the problem remains.

3 Overview of employment opportunities and labour markets

3.1 Employment and labour force

Overall, close to three million Papua New Guinea citizens are of working age, while only around 270,000 are employed in formal wage labour. Those without formal employment depend on subsistence and the traditional safety net provided by Papua New Guinea social structure. There is therefore strong competition for any wage jobs that do become available. This, plus the extent to which labour market regulatory markets are copied from Australia without regard to local conditions and needs, are the key features of the labour market (Hess and Imbun, forthcoming: 13).

In 1996 the government set its major development objectives as improved private sector development, improved delivery of public services, increased employment

opportunities, increased rural production and improved access to services and income earning opportunities. At that time most investment was in capital intensive industries, there was undue emphasis on developing natural resources and a failure to recognise the importance of human resource development (Tautea, 1997: 177-8). This remains true in 2001.

It is estimated that around 40,000 students leave the education system each year, plus at least 10,000, who did not get into the education system at all, reach working age and begin looking for work. In contrast, the absorptive capacity of the economy is currently only about 5,000 per year, most of the 45,000 young people who are not absorbed immediately do not have any qualifications (Tautea, 1997: 185). Moreover, as absolute population size increases, the number in each age cohort also increases. Papua New Guinea's population is currently increasing by about 130,000 people each year, virtually all of them infants, since immigration is negligible. This means that in 16 or 17 years time the annual number seeking to enter the labour force will be close to 130,000, even if the population growth rate has declined by then (McMurray, 2001).

In contrast to the steady population growth rate, the rate of real growth in GDP has deteriorated since the mid-1990s. Moreover, since most of the growth that occurred in the early 1990s was in mining and petroleum with much of the benefit going to overseas, it did little to increase overall employment opportunities, and contributed almost nothing to expanding youth employment.

Papua New Guinea's manufacturing sector is small, comprising mainly food processing, beverages, tobacco and timber processing for small local markets and contributing in total less than 10 per cent of GDP. It has stagnated over the past two decades, becoming heavily dependent on tariffs and other protective measures. Agriculture, which provides the livelihoods of around 85 per cent of the population and which must be expected to absorb most of the labour force in the near future, suffers from low productivity and high domestic costs (Hamidian-Rad, 1997: 55).

3.1.1. Occupation, status and industry

Table 2 shows the distribution of all formal wage-labour by sector, and compares changes between 1982 and 1999. It can be seen that the largest single sector is agriculture, while retail/wholesale, manufacturing and construction are relatively small. The leading national income earner, mining, generates very little employment. Although it remained the largest employer of wage labour, agriculture employed fewer workers in 1999 than in 1982 and 1992, even though, as noted in 3.1 above, this is the sector that must absorb most of the labour force. The sector that showed the greatest relative increase was education (7.2 per cent to 11.5 per cent). Although this reflects an expansion in the number of primary school places, it has been paralleled by an absolute increase in the number of school age children, while there has been comparatively little expansion in other sectors of the economy.

Table 2: Distribution of the wage labour force by sector, 1982 – 1999

	1982	%	1992	%	1999	%
Retail	6,000	2.7	5,692	2.4	7,978	3.1
Wholesale	15,343	6.8	14,328	6.0	14,577	5.6
Manufacturing	17,700	7.8	17,795	7.4	23,156	8.9
Construction	15,000	6.6	10,732	4.5	10,606	4.1
Transport	11,128	4.9	10,755	4.5	10,172	3.9
Agriculture	47,500	21.0	52,479	21.9	43,050	16.5
Finance	9,800	4.3	11,370	4.8	16,457	6.3
Mining	8,742	3.9	5,680	2.4	10,068	3.9
Public utilities	2,511	1.1	2,336	1.0	2,209	0.8
Communications	4,176	1.8	3,476	1.5	5,031	1.9
Community and business service	4,104	1.8	4,293	1.8	6,213	2.4
Amusement & hotels	6,958	3.1	7,268	3.0	10,519	4.0
Education	16,209	7.2	21,283	8.9	30,000	11.5
Health	7,936	3.5	10,019	4.2	10,741	4.1
Central Government	23,838	10.5	25,305	10.6	23,602	9.1
Public authorities & other	29,020	12.8	36,542	15.3	36,180	13.9
TOTAL	225,965	100.0	239,351	100.0	260,561	100.0

Source: Derived from Curtin (unpublished), cited in Hess and Imbun, (forthcoming: 15, Table 1)

Table 3 shows the distribution of the privately employed (i.e. non-public service) wage-labour force by sector. In 1995, 37 per cent were employed in agricultural enterprises, with the remainder, only around 100,000 people, in the type of industrial and commercial activities that usually generate most employment opportunities.

Table 3: Privately employed workforce by sector, 1995

	Number	Per cent
Retail	6,777	4.0
Wholesale	13,069	7.7
Manufacturing	21,797	12.8
Building and construction	19,614	11.5
Transport	12,536	7.4
Finance and business	11,912	7.0
Other	21,405	12.5
Agriculture	63,148	37.1
Total	170,258	100.00

Source: McGavin, 1997: 72

Table 4 shows the population aged 10-24 years by principal activity in 1990. The table indicates that substantial numbers were entering the labour force before age 15 years, 11 per cent to engage in monetary activities. By far the most common monetary activity for these age groups, and, indeed for all ages, was food related, including growing cash crops. Table 3 also shows that from 5-10 per cent in each age group left school only to become unemployed. As discussed in Section 3.2, the real rate of unemployment is likely to be a substantially higher.

Table 4a: Economic activity of citizen population aged 10-24, 1990

Age group	Monetary Activities				Non-Monetary Activities					TOTAL
	Wage job	Business	Self Employed	Food related	Subsistence	Student	Unemployed	Housework	Other	
10-14	1,774	404	3,602	41,108	53,680	232,340	22,080	22,508	57,026	434,522
15-19	17,833	1,658	9,054	86,450	84,833	95,366	42,240	36,959	21,784	396,177
20-24	44,763	2,290	9,739	93,099	77,882	13,234	28,749	46,595	10,841	327,192

Table 4b: Economic activity of citizen population aged 10-24, 1990 (per cent)

Age group	Monetary Activities				Non-Monetary Activities					TOTAL
	Wage job	Business	Self Employed	Food related	Subsistence	Student	Unemployed	Housework	Other	
10-14	0.4	0.1	0.8	9.5	12.4	53.5	5.1	5.2	13.1	100
15-19	4.5	0.4	2.3	21.8	21.4	24.1	10.7	9.3	5.5	100
20-24	13.7	0.7	3.0	28.5	23.8	4.0	8.8	14.2	3.3	100

Source: National Statistical Office, 1994: 256.

3.1.2 *The impact of crime on expansion of the formal and informal sector*

Crime is a major factor inhibiting the development of employment opportunities in Papua New Guinea. In one sense crime can be regarded as a type of informal economic activity in Papua New Guinea. However, it is treated separately here because it has a profound negative impact on the development of legitimate informal and private sector activity.

Fear of crime has become a major barrier to economic growth. It disheartens local entrepreneurs, deters serious foreign investors, increases the cost of doing legitimate business, and diminishes the quality of life, especially in urban areas. It also damages the productive capital and increases the security costs of legitimate businesses, and reduces the competitiveness and productivity of domestic investments (Hamidian-Rad, 1997: 58). Violent crime, including murder, assault and rape as well as larceny are endemic in urban areas, and less but still considerable in rural areas. Crime prevents shift work because of the danger of venturing out at night (Chand and Levantis, 1998: 33) and severely limits the development of tourism, potentially a very substantial source of employment for labour of all types, including youth.

Chand and Levantis estimate that direct losses due to larceny in 1995 equalled 4.7 per cent of total GDP. This includes the cost of security measures to reduce crime. They cite the example of a car hire company that has each of its cars stolen four times a year on average (1998: 34-35). Only very lucrative and highly capitalised businesses can afford to operate in such a climate, which usually means overseas-owned companies. Because of crime, it is very difficult to establish new businesses, especially the type of low capital ventures that are commonly established by youth groups and by NGOs to generate employment opportunities for youth.

The other side of the crime story is that many of the perpetrators of crime are young people. There is both *ad hoc* and organised crime in Papua New Guinea. Perpetrators commonly operating in gangs, with unemployed young men especially likely to join criminal (*raskol*) gangs because they are offered good returns for short working hours, as well as an excitement and challenge which is unmatched by most junior positions in the formal economy.

On the basis of field surveys in Port Moresby, Levantis made the remarkable claims that 14.8 per cent of the urban work-force engage in crime as their primary source of income, while there were around 33,000 incidences of property crime annually per 100,000 population (Levantis, cited in Chand and Levantis, 1998: 34). This contrasts sharply with UNDP's estimate of 392 reported incidences of break and enter per 100,000 population in Port Moresby in 1997 (UNDP, 2000: 16). The huge discrepancy in these figures is plausible, however, given that UNDP's figures are based on official reports, and, since the rate of apprehension of criminals and recovery of stolen goods is extremely low, generally only those with insurance, i.e. mostly expatriates, would bother to report larcenies.

Clifford (1984, cited in Chand and Levantis, 1998: 37) suggested that in Papua New Guinea crime may be the business activity with the best profits and the least risk, and this is even truer today with the further deterioration of the law and order situation. Levantis (1997, cited in Chand and Levantis, 1998: 37) found that 70 per cent of respondents who depended on illegitimate activities were contented and not seeking alternative employment. This was partly because the probability of being arrested was only around 3 per cent, and the rate of conviction of those who were arrested was poor. As young women are especially vulnerable to crime, including rape, the high prevalence of crime is an enormous deterrent to the participation of women in the labour force, and to the establishment of low cost enterprises by groups of young women.

Comparable data on crime for other Pacific countries were not available at the time of writing. However, within the Pacific region, Papua New Guinea is widely acknowledged as having the highest overall crime rate, both by Papua New Guineans and by other Pacific islanders. Although Fiji and Solomon Islands have experienced high crime rates during recent political disturbances, they lack the well-established organised crime gangs of Papua New Guinea.

3.1.3 Formal sector and informal sector; wage employment and self-employment

There are no reliable data on informal sector activity in Papua New Guinea. However, as is apparent from the foregoing discussion, there has been little development of legitimate informal sector activities, and at times they have been actively discouraged. For example, street vendors are aggressively dispersed by authorities in Port Moresby, 'which destroys legitimate income earning opportunities for unskilled youths who otherwise turn to crime' (Pitt, 2001: 130).

The promotion and development of formal rather than informal employment has its origins in the colonial-founded education system's perception that the objective of every student should be employment in the formal sector, and anything else is second best. Primary schooling is seen as preparation for secondary school, which, in turn, is seen as preparation for employment in the modern sector, or even preparation for tertiary education. In addition, the conditions that regulate formal employment, inherited from the Australian administration

and similar to those operating in Australia, are so favourable that formal sector employment is generally much more attractive than informal sector employment.

This plus the huge negative impact of crime, described in Section 3.1.2 above, have been major factors inhibiting the development of both in formal activity and self-employment. Other factors are small markets, since so few people are involved in wage work, cultural factors and a poorly developed 'entrepreneurial culture'. Traditional values play a much more significant role in economic life in Pacific countries than in most other regions of the world (Hooper, 2000: 3). The core of Papua New Guinea culture is a system of obligation and reciprocity that often requires decisions and behaviour that appear to be the opposite of economic rationality. For example, profits may be dispersed rather than reinvested, stock may be given away, loans may not be paid and employees and business associates tend to be selected on the basis of kin rather than qualifications. An illustration of the impact of social structure on formal employment is presented in Section 4.1.2.

Hess and Imbun (2001: 11) make the interesting comment that in traditional Papua New Guinea society women were largely responsible for economic activities such as food production, while men tended to focus on political activities. Although women may have tended to develop a more 'economic way of thinking', modern formal sector activities are overwhelmingly male-dominated, and men now hold the economic power, although the inclination of many remains more political than economic. Paradoxically, although it might be assumed that women would take the lead in informal sector activities, their participation has been inhibited by their greater vulnerability to crime. Even so, the most widespread informal sector activities are street and market place selling of food, largely by women.

One of the most successful examples of self-employment the author has observed among Papua New Guinea nationals was a trout farm established near Mt Wilhelm in Simbu Province by a young woman. She had raised the capital to set up a substantial trout breeding and fattening operation that employed a staff of about 10. A major factor in her success, however, was that she was married to an Australian man. This protected her to some extent from the demands of other relatives, gave her a good credit rating, and enabled her to fully exploit her natural entrepreneurial ability and business acumen.

3.2 *Unemployment*

As evident from the preceding discussion, unemployment, including hidden unemployment, is a major problem in Papua New Guinea. The 1990 census counted a total working age population of 2,535,000. Of these, only 134,000 reported themselves as unemployed, yielding a gross unemployment rate for people of working age of only 5.3 per cent. Similarly, the gross unemployment rates for each age group derived from Table 3 (above) range from 5-10 per cent. The real unemployment rate is more difficult to determine, however.

If the labour force is assumed to be those engaged in subsistence and monetary activity, the unemployment rate for the population as a whole in 1990 can be estimated as 8.3 per cent. However, this relatively low figure also masks the real situation. It is evident from the high levels of circulatory migration from rural to urban areas that substantial numbers of those engaged in subsistence (24 per cent of all people of working age) would prefer to participate in the monetary economy, or at least supplement their subsistence activity with wages. While they are absent from their villages in search of wage work they are effectively

numbered among the unemployed. It is also likely that many of those reporting as house workers (11 per cent of all people of working age) would also prefer to participate in the monetary economy if they could. If this is so, the true rate of unemployment could be much higher

Although there are clearly large numbers of Papua New Guinea nationals without work, there is still a heavy reliance on expatriates to fill managerial and technical positions. Although numbers fluctuate, during the 1990s there were around 8,000, expatriate workers in Papua New Guinea (McGavin, 1997: 73). Of these 42 per cent were professional and 34.4 per cent were administrators or managers (Tautea, 1997: 183). Reliance on expatriates is necessary because of low education levels in the Papua New Guinea national workforce, with 64 per cent not having completed primary education, and only 5 per cent had completed secondary or higher education, as discussed in more detail in Section 4.1.1.

Closer analysis of the data in Table 4 shows that the unemployment rates for young people could also be very high. If the labour force is defined as those engaged in monetary activity, plus those engaged in subsistence and the unemployed, the overall unemployment rate for ages 10-24 is 15 per cent (18 per cent for ages 10-14 years, 17.4 per cent for ages 15-19 years and 11.2 per cent for ages 20-24 years). Subsistence accounted for 53 per cent of all employment of those aged 10-14 years, 42 per cent for those aged 15-19 years and 34 per cent for those aged 20-24 years. This suggests that the subsistence sector absorbs surplus youth labour to some extent, but that young people tend to move out of this sector if other employment becomes available. Hence, many young subsistence workers could also be effectively classified as hidden unemployed.

Since it is unlikely that many of those aged 10-19 years in 1990 were married, it can be assumed that most of those reporting as house workers were also hidden unemployed. This is also true of many those in the category 'other', (15 per cent of those aged 10-14 years, 8 per cent of 15-19 years and 6 per cent of 20-24 years). Only about 2,000 in each age group were sick or disabled while the balance were likely to be hidden unemployed. Overall, it seems likely that in 1990 more than 20 per cent of young people were leaving school (or never attending school) only to become unemployed.

3.3 *Underemployment*

Underemployment is a concept that needs to be considered in the specific context of the Pacific. In traditional Pacific village society the concepts of unemployment and underemployment do not exist (Hooper, 2000: 6). Resources are shared and the family and community provide a safety net for those who cannot provide for themselves. While many Papua New Guinea workers can be considered underemployed in that they work irregularly and/or short hours, it must be recognised that not only is underemployment inevitable in most Pacific contexts, but also it may not always be undesirable. For example, the labour requirements of subsistence agriculture are seasonal, especially the contribution of men, which tends to be confined to clearing and preparing land for planting. This has a positive aspect in that many of those classified as subsistence workers are able to leave their villages for months at a time to go in search of supplementary wage work in urban areas.

Donors have perceived underemployment in the public sector as a consequence of overstaffing as a major problem because it contributes to high costs and inefficiency. While this is true from a Western perspective, overstaffing and underemployment is consistent with

the Pacific social objective of sharing resources. Restructuring programmes implemented during the 1990s targeting inefficient staff structures have helped to reduce public sector underemployment, but even the relatively small changes made so far have brought hardship. It is not uncommon to find families of 10 or more dependent on a single wage earner, and if this person is made redundant, many people are affected. This is a typical example of collision between Western economic objectives and traditional Pacific social mechanisms. While in the long run the Western approach may bring the greatest increase in productivity, and eventual benefit for all, Western economic strategies need to be modified to ensure they are appropriate for the Pacific contest.

It is virtually impossible to measure the extent of underemployment in the Papua New Guinea economy as a whole, and it is questionable whether such an exercise would be worthwhile. The elimination of unemployment should not be considered as a priority but rather as a very long-term objective that can be achieved only when there are sufficient employment opportunities for all who need them. At present levels of development there is simply not enough work to go round. If it is considered necessary to implement programmes of restructuring, resource-sharing mechanisms such as job sharing could be introduced so that the remaining employment opportunities are shared as widely as possible. In general, the negative concept of underemployment should be abandoned, while strategies should be couched in terms of multi-tasking, in which formal and informal employment are supplemented with income generation. This would foster a more pro-active approach to seeking income generation opportunities, including developing small businesses.

4 Active labour market policies

4.1 Supply side: Improving human capital

Human resources development is a long-term strategy. The issue of improving human capital needs to be addressed very carefully in Papua New Guinea. On the one hand, the labour force is poorly educated and there is a reliance on expatriates to provide a substantial part of the skilled labour force. On the other hand, it is important to avoid overemphasising formal education, since the vast majority of young workers will need to be absorbed into unskilled employment. The education system therefore needs to be reshaped so it is better adapted to the varying needs of the labour force, rather than focusing only on the acquisition of formal literacy. In particular the school system needs to 'cultivate and understanding of how access to market goods and services is achieved and of the possibilities for access to market products through rural productive activities and the possibilities for quality of life improvements in village settings (McGavin, 1998: 92).

4.1.1 Education and training

A major limitation of the current labour force is that the national literacy rate is only around 45 per cent. Figures for the period 1989-1992 indicated a primary school enrolment rate of 66 per cent and a secondary school enrolment rate of only 12 per cent, while less than 2 per cent progress to vocational, technical or tertiary education (Papua New Guinea National Youth Service, 1996: 10). This was largely due to insufficient capacity in schools. Although enrolment in secondary education has improved, in the mid-1990s still only one in every six 13-16 year olds was enrolled in secondary school. Upper secondary education is especially costly because of a low teacher student ratio of 1:8, employment of expatriates at two or three

times the local salary rate and a national scholarship scheme that covers costs for students living away from home (Tautea, 1997: 182). Law and order problems generally restrict participation of women in teaching.

A significant feature of education is gender inequality. Whereas 50 per cent of males aged 15 years and over in 1990 were literate, the figure was only 40 per cent for females (Papua New Guinea National Youth Service, 1996: 7). In the mid-1990s, 80 per cent of males eligible for primary school were enrolled, compared to only 67 per cent of eligible females. In secondary school females achieved only 85 per cent of the male rate, and at tertiary level only about 30 per cent. This is reflected in low levels of labour force participation and earnings. Estimates of female labour force participation range from 40-60 per cent, with only around 16 per cent of total earnings going to women. This is largely because almost 50 per cent of economically active women are employed in the subsistence sector. Only two per cent are in the formal employment sector (Hess and Imbun, forthcoming: 17).

Table 5: Percentages with no schooling in various labour force categories

	Males		Females	
	1980	1990	1980	1990
Subsistence agriculture	83.3	69.7	86.6	78.6
Cash cropping	76.6	59.7	85.0	68.4
Total labour force	67.0	53.1	81.2	68.3
Population over 10 years	60.4	46.7	72.8	58.5

Source: National Statistical Office, 1994: 252

Table 5 shows an improvement in educational attainment between 1980 and 1990, as measured by the percentages with no schooling in various labour force categories. It is notable however that in 1990 there were around 50 per cent or more males with no education in every category, and the figure was around 60 per cent or more for females. (Tautea, 1997: 185).

One reason for relatively low participation in education, especially for females, is school fees. In order to increase enrolments, Papua New Guinea abolished school fees across the board in early 1993. Although this led to some increase in enrolments, the net effect was regressive and increased overall costs. The highest fees had been charged at the high quality urban schools whose patrons could afford to pay for them, while many schools in poorer areas simply could not afford not to charge fees, so continued the practice. It is arguable that in Papua New Guinea small fees, or in-kind contributions, would perhaps help people to value education more (Economic Insights, 1994: 68)

In 1997 16 per cent of public expenditure was on education, eight per cent on infrastructure and 9 per cent on health. UNDP (2000: 40) points out that the funds expended on services per capita were greater than expended by other countries at similar stages of development, but social indicators for Papua New Guinea were relatively low compared with those countries. For example, in 1989 Papua New Guinea spent 6.2 per cent of GDP on education, compared with around 3 per cent in Thailand and Philippines. Primary and secondary school costs were two to three times the average of neighbouring countries, and tertiary costs nearly seven times as high. (Economic Insights, 1994: 65-67). Gannicott and McGavin estimated private and social rates of return on investment in various levels of education in Papua New Guinea using data from 1979 and 1986. They found that, despite

much higher costs, private returns based on fees actually paid rather than the full cost were no better or worse than for other developing countries. The social rate of return on tertiary education, which reflects the full cost, was much worse, from 1-8 per cent compared with 13 per cent for all developing countries at that time (Economic Insights, 1994:65, Table 4.2).

There is nothing to indicate that education has become more efficient since these data were collected. Hess and Imbun (forthcoming: 16) comment that successive governments have failed to find funds to keep teachers in front of classes. Absenteeism is widespread and resignations common because of low salaries and delayed or non-payment. While there is a need to progressively increase the percentages attending secondary school, this may not necessarily contribute to more employment opportunities for youth in the short term. During the 1990s there was an expansion in primary education, the level at which the rate of return was estimated to be highest. The priority, however, should be training in practical skills to facilitate labour absorption into the rural and informal sectors. This could be achieved in primary schools or by non-formal education for those who have already left school.

Although there is a shortage of highly qualified workers and an on-going reliance on expatriates, as described in Section 3.2, it is questionable whether at this point in time it is cost effective for Papua New Guinea to offer tertiary education. No fees are charged at tertiary institutions in Papua New Guinea, and one third of the public education budget is spent on 2 per cent of students who attend them. Among the factors keeping the costs very high are the practice of providing accommodation for students, which is mostly funded by national scholarships, high overheads and unit costs, and salaries and conditions based on an Australian rather than a local model. The very low social rate of return for university education suggests that it may be more cost effective to send students to universities abroad, which have the added advantage of higher academic standards.

4.1.2 *Guidance and counselling*

Formal guidance and counselling facilities are extremely limited in Papua New Guinea. Most of the available counselling services are provided by NGOs, especially churches, and by schools or tertiary institutions, and reach only the young people affiliated with these organisations. In the absence of a pool of jobs, these services are of only limited value unless coupled with employment generation schemes. Even when NGOs do have funding to support employment generation, their activities are inevitably small scale and make only a small impact on the overall picture. Courses in personal development, such as the leadership training courses offered by the Secretariat of the Pacific Community, help to develop appropriate attitudes and encourage enterprise, but again their impact is necessarily very limited. In the absence of very substantial funding to support the creation of employment, there is little these organisations can do to help young people find work.

An important consideration is the impact of family dynamics on youth employment. In Papua New Guinea, as elsewhere in the Pacific, communication between parents and adolescents tends to be constrained. Young people are low on the social hierarchy, with many obligations to relatives and *wantoks*¹, and parental expectations tend to be high. Most parents assume their children will repay the costs of child rearing as soon as they reach working age. This system of obligation acts as a disincentive to work, for both young and old alike, even though it is an essential social safety net in times of crisis. Many businesses have failed

¹ Kin or close friend to whom a person is mutually obligated..

because obligations to family and *wantoks* have prevented sound business practices. A typical example of how this system impacts on young workers is as follows:

“A well-educated young man in Port Moresby had a good job with the Post Office that potentially could have led to a very well-paid position. This was his first job after leaving school, and he received K143 (about \$US 70) take-home pay per fortnight. Every single fortnight, however, his parents would turn up from the village to extract money from him, and the occupants of the house he was living in seemed to expect him to pay the full rent for the house and to purchase much of the food for the household.

“Because he was working, his parents slowed down their fish and vegetable marketing, which they did to collect money for school fees, expecting instead that their son would now take over the responsibility of the school fees for his younger siblings. He had to find nearly K900 (about \$US 430) for fees for his two younger brothers in 1992.

“In the village his parents and other relatives sometimes purchased items at the local store in his name, with the result that he was saddled with bills when he visited home. Out of total frustration he has now abandoned his job and lives off other relatives. (Monsell-Davis, 1993: cited in Economic Insights, 1994: 53)

This example illustrates the pressing need for community education to create a more supportive environment for young workers. Unless there is a change in community attitudes, efforts to create employment opportunities for young people tend to be undermined by social obligations. An essential prerequisite to the expansion of wage employment communities is a change in family and community values and attitudes to those consistent with Western production practices as opposed to Papua New Guinea’s communal mode of production and communal social structure. Education should emphasise non-cognitive aspects of learning aimed at changing the values of society and developing work ethics (Tautea, 1997: 186).

4.1.3 Job placement and labour mobility

The main mechanisms for job placement in formal employment in Papua New Guinea are personal contacts or job advertisements. Even recruitment into the Public Service usually depends on having personal contacts within a particular department. Cultural factors also intrude on recruitment, as there tends to be a preference in both the public and private sector for employing *wantoks*, from whom loyalty can be expected. Although a few private sector recruitment agencies also exist, they are responsible for relatively few placements because few job seekers can afford to pay the required fees.

The Department of Labour and Employment’s Work Permit Scheme and Training and Localisation Programme were established with the objective of limiting the employment of foreign personnel and ensuring that Papua New Guinea nationals were trained to take over jobs held by expatriates. In practice, however, there is still active recruitment of foreign workers, especially for senior management positions (Hess and Imbun, forthcoming: 23).

The lack of wage earning opportunities in rural areas has contributed to substantial unregulated movements of labour. In the past this was mostly short-term circulation between rural and urban areas, but in the past two decades there has been increasing settlement in urban areas. Rural to rural movements still tend to be very infrequent except during times of crisis, such as during the 1997-1998 drought.

Whereas urban populations have trebled in the last 30 years, from less than 200,000 to more than 650,000, because of this massive influx of labour, the total number of urban jobs

has remained virtually static (Chand and Levantis, 1998: 36). The number of regulated jobs in the urban private sector was only 95,000 in 1971, and actually fewer, 90,000, in 1992 (Levantis and Fane, 1998: 48).

While there is surplus rural labour in some provinces, such as the highlands provinces, there is surplus land relative to population size in others (McGavin, 1998: 82). Although there is considerable movement from rural to urban areas, there is not much rural to rural movement. Social factors such as tribalism hamper rural to rural movement to some extent, but there is considerable scope to increase rural productivity and address supply-side labour constraints by movements of rural labour. One approach could be to employ young people in teams of contract agricultural workers, since young people have more flexibility to leave their own tribal lands and might be more acceptable to other tribes than would be their elder relatives.

4.2 Demand side: Creating job opportunities

As discussed above, the development of the small business and informal sectors has been inhibited by a number of factors, including focussing investment on the mining sector, fostering a high cost and inappropriate education system that is not accessible to all, and, in recent years extremely high levels of crime. In addition, wage regulations derived from Australia has made labour very expensive, while government regulations inherited from Australia discourage informal activity such as street vending. This section looks at the track record and the prospects for creating job opportunities in various sectors.

4.2.1 Job creation and public works

The most pressing need for Papua New Guinea is to minimise the capital intensive development policies of the past and promote labour intensive development with substitution of labour for capital. This is particularly relevant to rural areas, where there are opportunities to promote labour intensive activities, both agricultural and non-agricultural. This type of work could present ideal opportunities for the employment of young people at relatively low cost, and could help to stem the flow of rural to urban migration.

Appropriate examples of labour intensive public works, road construction and rural house construction using local materials and unskilled labour (Tautea, 1997: 185). In 1998 the present author visited an Eastern Highlands village where villagers were responsible for maintaining the road. Although the work was hard, both young and old workers were involved intermittently, and felt that this activity was worthwhile and a welcome source of cash for the village.

Several preconditions are necessary for this type of job creation to succeed, however. First, there needs to be more flexibility in labour regulation (Hamidian-Rad, 1997: 63). Current award conditions prevent such activity on a large scale and are unsuited to the needs of villages, where people may wish to work only a few hours per day. Second, there is a need to ensure that workers are paid and paid regularly. As noted above, the inability of both central and provincial governments to pay public service salaries regularly, especially in remote areas, has led to absenteeism and resignations of public servants, including teachers, and closure of essential services such as schools and health aid posts. For example, during the drought of 1998 it was estimated that one third of health aid posts were closed because staff had not been paid.

The other essential precondition is a revised perception of public works. Obviously roads constructed using manual labour are unlikely to compare with those constructed entirely with heavy machinery. However, it is possible to make greater use of manual labour and less use of machinery to build roads and other public works, as is done in China. For example, bulldozers could be used to cut a road, then it could be levelled and drained by village road gangs.

4.2.2 Job prospects for youth in the information economy

A major component of the UN/World Bank/ILO strategy is the creation of youth employment opportunities in the information economy. In Papua New Guinea, as elsewhere in the Pacific, local conditions currently limit opportunities to implement this strategy. The financial implications of developing the information economy to the point where it becomes a major employer of young people are very considerable. At present the IT market is confined to urban areas, with little prospect of expanding in the foreseeable future because of poor telecommunications infrastructure and very high communication costs. Most rural villages are without electricity, while buildings tend to be rudimentary structures made from traditional materials. Since most have earth floors and little or no furniture, they are generally unsuitable for housing computers. There is no prospect of introducing IT to the majority of villages for many years to come.

Although electricity is generally available in urban areas, Internet communication in Papua New Guinea, as in most of the Pacific, tends to be slow and unreliable because of constraints on communication bandwidths. An essential pre-requisite for the development of significant employment opportunities in the IT industry is a dramatic expansion of electrification, coupled with an upgrade and expansion of communications infrastructure. Papua New Guinea has abundant potential capacity to generate both hydro and solar electricity but there has been little development. Electrification would not only assist the IT industry but also contribute to richer and healthier lifestyles in rural areas. For example, it would facilitate the development of cottage industry, and also enable the use of electricity for household cooking, refrigeration and water pumping. This would bring substantial positive benefits for health as well as for employment generation.

4.2.3 Subsidising wage employment

McGavin (1998: 75-76) argues that the best strategy for improving skills quickly is on-the-job training. This could include a variety of schemes in which employees accept low wages during a training period. The National Training Council (NTC) and the Minimum Wage Board Determination enables 'training-wage' job offers in the urban formal sector which would effectively split training costs between employees and employers. In 1999, however, there were only 1,227 registered apprentices, around half in the mechanical trades and the balance in building, electrical and other trades, which are all overwhelmingly male domains. The total for the period 1958 to 1999 was only 14,128 (unpublished statistics on Apprentices in Training, Apprenticeship Board of Papua New Guinea). Moreover, as Hess and Imbun (forthcoming: 28) point out, there are no data on performance after trainees have completed their apprenticeships, and anecdotal evidence from employers suggest that many leave their trades.

As this approach to human resource development obviously has considerable potential in Papua New Guinea, there is a need for further research to examine the scope for on-the-job training and the problems and limitations of the present schemes. It is likely that the failure to retain tradesmen can be attributed to the problems discussed above, *viz.* social and cultural factors that discourage wage earners and make it difficult to establish enterprises. Again, this points to the need for an enabling environment.

4.2.4 *Promoting self-employment*

The promotion of self-employment depends on two types of strategy. First, strategies to create an enabling environment. In the present economic and social climate in Papua New Guinea there is little that can be done to promote self-employment. As discussed in Sections 3.1.4 and Section 4.1.2, crime and social structure act to discourage enterprise, and little expansion of legitimate self-employment can be expected until their effects have been curtailed. In Papua New Guinea, as elsewhere, people, especially women, are ready to capitalise on earning opportunities when there is an enabling environment. For example, there is a long tradition of market and street selling of produce and handicrafts in urban areas, but this type of enterprise has actually contracted in response to a worsening security situation and regulations to prevent street selling in certain areas.

The second type of strategy involves the implementation of measures to directly assist the private sector to overcome the constraints it faces. These include provision of development finance, small business advisory services, strengthening entrepreneurial programs and enterprise support services, training and development and contracting out some public services to the private sector (McMaster, 1993: 277).

Contracting out public works could provide more jobs and self-employment, as well as possibly greater efficiency. Government services that lend themselves to privatisation include government printing, cleaning and building maintenance, maintenance of government vehicles and alterations and extensions to government buildings. Municipal activities that are particularly suitable for providing employment opportunities for young people include waste collection, street cleaning and grass cutting (McMaster, 1993: 283).

Donors can play a major role in promoting self-employment by providing national level advice on sector development and appropriate policy, providing development finance, providing small business advisory services and entrepreneurial development programmes, assisting with the development of small industry estates, providing training in business management, and assisting with technology acquisition.

Although donors may be eager to support private sector development and increase their assistance for this activity, a continuing area of difficulty in most Pacific countries, not only Papua New Guinea, is the requirement that assistance must be channelled through government. Donors often prefer to deal directly with NGOs and other groups, as they perceive that channelling funds through government may mean that they will be used to meet government rather than donor priorities (McMaster, 1993: 289).

On the other hand, the countries argue that donors often do not fully understand the issues, while centralised control of funds is essential to enable governments to monitor the effectiveness of assistance and allocate scarce resources within the country (SPC, 2001: 7). Projects to promote self-employment, which involve the provision of face-to-face training

and advisory services and funding for small enterprises are particularly vulnerable to loss of direction and effectiveness because the mechanism for delivery of funds is not the one envisaged in the original project. Careful negotiation is therefore needed to ensure that the mechanisms for delivering assistance are optimised.

4.2.5 *Supporting small enterprises*

A recent newspaper item about Fiji claimed that ‘simply giving money to Fijians and expecting them to become instant businessmen is a guarantee of failure’. Instead, the Fiji Chamber of Commerce has established a business advisory centre to support the development of enterprise by providing ‘a one-stop shop for the preparation of business plans, registration of companies, arranging insurance, facilitating loans and finding markets’ (Rarabici, 2001). This initiative also includes a mentoring scheme in which successful members of the Fiji Chamber of Commerce and Industry are paired with young entrepreneurs who are attempting to set up their own business. This is a good model of the type of services needed in Papua New Guinea.

There is considerable scope for the development of cottage industries in rural Papua New Guinea. Papua New Guinea has craftsmen to rival any in the world, especially in woodcarving, furniture making and pottery. Proper organisation of marketing outlets could stimulate cottage industries and encourage young people to learn traditional craft skills. Extending electricity into rural areas would also help to encourage cottage industries. There is also an enormous need for business advisory and support services that include assistance with business planning and management, record keeping and financial management and general advice.

Papua New Guinea’s leading donors are currently funding a number of diverse education and employment related projects which directly or indirectly include support for small enterprise among their objectives. These include:

ADB’s Employment-Oriented Skills Development Project

(\$US 20 million, \$US 19 million from PNG and other donors)

Objective: provide short-term technical, job skills and entrepreneurial training to promote employment and enterprise

AusAID’s National Trade Testing and Certification Project

(\$AU 18 million, equivalent to around \$USD 9 million)

Objective: to improve trade qualifications to promote self-employment and small enterprise.

AusAID’s Community Equity in Education Programme

(\$AU 10 million, equivalent to around \$USD 5 million)

Objective: increase community awareness of need for equity in formal and non-formal education and gender equity in education

NZODA’s Fresh Produce Development Company

(\$NZ 200,000, equivalent to around \$US 90,000)

Objective: promote agricultural enterprise by providing a commercial market

NZODA’s Gender and Development Projects

(\$NZ 150,000, equivalent to around \$US 60,000)

Objective: Capacity building and business skills training for women

NZODA's Small Capital Assistance Fund

(\$NZ 230,000, equivalent to around \$US 105,000)

Objective: Cash grants for low-cost village income-generation projects

World Bank's Education Development Project

(\$US 47 million, including non-Bank funding)

Objective: strengthen secondary education and increase access to business studies courses. (ADB, 2001; AusAID, 2001; NZODA, 2001; World Bank, 2001).

It is important for donors to remember that programs need to reach those most in need. There is an well-established tendency for most donor-funded development projects to focus on the more accessible provinces, including the National Capital District, Eastern, Southern and Western Highlands, Enga, Madang, Morobe, Simbu and East New Britain. Although these provinces have large populations and a need for assistance to develop enterprise, they are also those that are most modernised and therefore easiest to work in, and hence most attractive to donors. Other provinces with lower levels of development should not be neglected.

4.2.6 Community development through local initiatives

In the 1980s it was observed that when youth return to the villages because of economic recession in towns, the need is not for a youth programme, but a rural development programme to reduce the effects of poverty which endanger the whole community, young and old (O'Collins, 1986: 41). This remains very true today. Programmes that benefit only youth are unlikely to succeed in Papua New Guinea because of the social structure and community expectations.

More sustainable employment opportunities will be generated by focusing on the whole community rather than on youth alone, especially true in more traditional rural areas. An added incentive is that it policies that promote rural development generate more jobs per kina than do policies that promote urban jobs (McGavin, 1998: 83). Reasonable, non-exploitative employment opportunities for young workers, including young women, are more likely to develop and encounter fewer obstacles when the objective is community development to increase rural productivity and rural earnings for everyone, not just young people.

In the current economic and social climate, however, it is unrealistic for government to rely on spontaneous local initiatives to develop communities. Many rural communities are extremely poor and lack surplus resources for investment, while enterprise habitually takes the form of selling natural resources or migrating to urban areas to find work, rather than local development.

In 1998 the author was alarmed to hear villagers in Marawaka, a remote, very poor and very traditional area in the Eastern Highlands, say that the solution to their problems was to persuade an overseas company to open a mine in their valley. They had heard that the villagers near Ok Tedi had received a great deal of money from the mine. Since they knew that minerals are found underground, it did not occur to them that a mine such as that in Ok

Tedi would also bring large-scale environmental destruction and loss of village livelihoods, while not being a sustainable development

Considerable assistance is therefore needed to fund developments and change attitudes. Baxter (2001: 78-83) recommends that strategies to develop communities should focus on reducing poverty, developing and improving access to domestic and international markets, attracting international buyers to Papua New Guinea, removing biases against rural areas in the allocation of resources, and developing roads and ports. There is also a need to facilitate expansion of rural industries by introducing favourable tariffs and regulations, as well as by providing technical assistance. Donors can assist by ensuring their activities support these strategies, and ensuring that they extend their efforts into the areas most in need, as discussed in Section 4.2.5 above.

4.2.7 Supporting private sector development

It is evident from the preceding discussion that specific strategies are needed to support the development of the private sector. Most important are strategies to reduce business costs. A comparison of business costs in 1992 showed that PNG was more than three times as high in labour costs as Indonesia, Philippines or Thailand, and more than twice as high as Dominican Republic, Jamaica and Colombia, with electricity costs at least twice as high as any of these countries, despite its rich natural potential for electricity generation. Rents were also around three times as high as the Asian countries mentioned, and shipping freight costs higher, although the margin was smaller. Papua New Guinea's only advantage was slightly lower telephone costs than Indonesia or Philippines (Economic Insights, 1994: 44).

The development of better transport and communications, as well as increased security, would encourage businesses to locate outside the main urban areas, where living and operating costs are lower. This would also help to stem migration of labour. Strategies are also needed to address the costs of labour, although this is an extremely complex area.

As discussed above, the wage structure was originally set at an artificially high level by the use of Australian awards and conditions, while high living costs in urban areas and on-going inflation have led to pressure to increase rather than reduce the wage level, and rural urban disparities encourage migration. On the other hand, private sector development would be greatly assisted if low or variable wages could be paid outside the main urban areas. Although it will not be easy to find solutions which promotes private sector development while maintaining incentives, expansion of employment opportunities for young people depend on solutions of this sort.

It also may be possible to assist private sector development with taxation and other incentives. Since such a small proportion of the labour force are wage earners, Papua New Guinea has a narrow tax base, and the burden of taxation falls largely on workers and enterprises in the formal sector. Again, this is a difficult area, as widening of the national tax base is essential to assist development, while the desire to avoid taxation encourages illegal and informal activity. Delayed or progressive imposition of taxation to allow enterprises time to become profitable, however, and perhaps specific taxation incentives to encourage hiring of young workers, could help to promote private sector development.

4.3 Job brokerage: matching job seekers with employment opportunities

At present there is little need for brokerage services for young people in Papua New Guinea because employment opportunities are simply unavailable. As indicated in Section 4.1.3, informal networks of contacts and newspaper advertisements are used to fill most positions as soon as they become available. While these public and private employment services should be developed as part of future strategies to develop youth employment opportunities, they are currently low priority.

Table 6a: Economic activity by level of education, 1990 (number)

Highest Grade Completed	Monetary activity					Non-monetary activity					TOTAL
	Wage job	Business	Self Employed	Food related	Subsistence	Student	Unemployed	Housework	Other		
None	54,162	5,419	33,965	430,777	439,328	9,989	46,314	160,507	144,739	1,325,200	
Grade 1	2,190	192	781	8,437	7,187	34,858	1,689	3,555	2,469	61,358	
Grade 2	4,303	391	1,634	16,984	13,546	47,091	3,290	7,210	4,015	98,464	
Grade 3	5,426	477	2,079	18,775	13,304	50,844	4,050	8,017	3,740	106,712	
Grade 4	5,501	468	1,993	18,757	13,200	52,812	4,067	7,945	3,325	108,068	
Grade 5	4,250	410	1,677	14,321	10,059	48,655	3,930	6,689	2,350	92,341	
Grade 6	48,218	3,892	14,982	123,655	79,577	34,782	42,754	56,556	14,198	418,614	
Grade 7	2,969	176	740	4,325	2,737	18,675	1,899	2,266	672	34,459	
Grade 8	11,806	708	2,184	12,201	7,243	17,242	6,504	7,190	1,585	66,663	
Grade 9	5,128	257	776	3,287	1,944	13,810	2,112	2,154	588	30,056	
Grade 10	44,834	1,231	3,403	12,555	6,786	11,255	13,070	8,028	2,302	103,464	
Grade 11	740	27	59	168	72	1,541	139	135	58	2,939	
Grade 12	7,940	183	473	600	330	4,022	830	792	373	15,543	
Degree	6,568	113	304	124	106	125	191	373	441	8,345	
Dip/Cert.	35,288	562	1,648	4,238	2,346	1,393	2,040	2,426	1,282	51,223	
Not Stated	1,440	74	384	2,750	2,577	375	733	1,724	1,527	11,584	
TOTAL	240,763	14,580	67,082	671,954	600,342	347,469	133,612	275,567	183,664	2,535,033	

Table 6b: Economic activity by level of education, 1990 (per cent)

Highest Grade Completed	Monetary activity					Non-monetary activity					TOTAL
	Wage job	Business	Self Employed	Food related	Subsistence	Student	Unemployed	Housework	Other		
None	4.1	0.4	2.6	32.5	33.2	0.8	3.5	12.1	10.9	100.0	
Grade 1	3.6	0.3	1.3	13.8	11.7	56.8	2.8	5.8	4.0	100.0	
Grade 2	4.4	0.4	1.7	17.2	13.8	47.8	3.3	7.3	4.1	100.0	
Grade 3	5.1	0.4	1.9	17.6	12.5	47.6	3.8	7.5	3.5	100.0	
Grade 4	5.1	0.4	1.8	17.4	12.2	48.9	3.8	7.4	3.1	100.0	
Grade 5	4.6	0.4	1.8	15.5	10.9	52.7	4.3	7.2	2.5	100.0	
Grade 6	11.5	0.9	3.6	29.5	19.0	8.3	10.2	13.5	3.4	100.0	
Grade 7	8.6	0.5	2.1	12.6	7.9	54.2	5.5	6.6	2.0	100.0	
Grade 8	17.7	1.1	3.3	18.3	10.9	25.9	9.8	10.8	2.4	100.0	
Grade 9	17.1	0.9	2.6	10.9	6.5	45.9	7.0	7.2	2.0	100.0	
Grade 10	43.3	1.2	3.3	12.1	6.6	10.9	12.6	7.8	2.2	100.0	
Grade 11	25.2	0.9	2.0	5.7	2.4	52.4	4.7	4.6	2.0	100.0	
Grade 12	51.1	1.2	3.0	3.9	2.1	25.9	5.3	5.1	2.4	100.0	
Degree	78.7	1.4	3.6	1.5	1.3	1.5	2.3	4.5	5.3	100.0	
Dip/Cert	68.9	1.1	3.2	8.3	4.6	2.7	4.0	4.7	2.5	100.0	
No ans	12.4	0.6	3.3	23.7	22.2	3.2	6.3	14.9	13.2	100.0	

Note: 'Degree' means a university degree from one of Papua New Guinea's six universities or from overseas; Dip/Cert. means a post-secondary non-degree qualification, such as a diploma of nursing or a trade certificate.

Source: National Statistical Office, 1994, Table 18

Tables 6a and 6b show economic activity according to level of education in 1990. Generally the pattern is as expected, with the least educated engaging in activities requiring least skills. The majority of those with only primary education (up to Grade 6) or lower secondary education (Grades 7 to 10) are engaged in food related activities. The majority of those with post secondary education are employed in wage jobs.

It is interesting, however, that although it is generally believed that most of the unemployed have no education, 2.3 per cent of those with a degree and 4 per cent of those with a diploma or certificate were classified as unemployed. If those engaged in subsistence and 'other' activities are added to this, unemployment amongst the most educated group in the labour force approaches 10 per cent. It is also notable that 12.6 per cent of those who had completed secondary education were unemployed. Given the shortage of skilled labour in Papua New Guinea, there is clearly a need for job brokerage services.

4.3.1 *Labour market mechanisms*

As mentioned in Section 3, above, labour market regulations that sustain wages at inappropriate levels are a major factor inhibiting employment generation in Papua New Guinea. The Minimum Wages Board, introduced in 1972, operates with an agenda appropriate to Australia rather than Papua New Guinea. For example, between 1972 and 1975 real minimum wages in the regulated urban sector increased by 118 per cent compared with only 2 per cent in the regulated rural sector (Levantis and Fane, 1998: 47). By 1992 urban wages were still 170 per cent higher than regulated rural wages, while employment conditions based on the Australian model that included annual leave loadings, penalty rates and fringe benefits meant that wages comprised only 60 per cent of total labour costs.

In 1992 an attempt was made to reduce the cost of labour to stimulate job creation. The minimum wage was cut from K61.60 (around \$US 30) per week to K22.96 (around \$US10) per week for newly hired unskilled adult workers, and the rate for workers aged 16-21 years was set at 75 per cent of the adult minimum, but the minimum wage for workers hired prior to 1992 remained the same. Wages above the minimum were deregulated, with wage increases to be linked to performance and productivity and determined by negotiation (McGavin, 1998: 70).

As a consequence the *de facto* minimum wage has remained closer to the old than the new minimum, despite the overall labour surplus in urban areas of around 30 per cent. This is largely because employers have been reluctant to provoke wage unrest by paying different rates for the same work, while the reserve price for labour has been sustained by the average informal sector incomes of K41 per week (around \$US18) (Levantis and Fane, 1998: 50). Another factor sustaining wage levels, despite a labour surplus, is that crime continues to offer an alternative and more profitable livelihood for those who choose it, as discussed above in Section 3.1.4.

5 Best practices and lessons learned for decent work: labour standards, employment promotion, social protection and social dialogue

Examples of best practice in labour standards and employment promotion for workers of any age in Papua New Guinea are scarce. Hess and Imbun (2001: 41) cite the maritime

industry as one of very few in which there has been successful industrial relations and human resource development. In the 1970s a programme of work reform resulted in a system of registered and rostered employment, national awards and worker training as part of the job classification system. They note the irony that this has been achieved in an industry that has a world-wide reputation for tempestuous industrial relations, but observe that there is little prospect of this success being replicated elsewhere. This is because a similar understanding between employers and employees does not appear to exist in any other industry. Although it is possible for the industrial relations system to create an environment within Papua New Guinea industries that enables decent work and labour standards, social protection and social dialogue, this can occur only where there is willingness to cooperate and provide adequate resources.

As regards best practice in promoting self-employment of young people, it is instructive to examine the experiences of several trainee social workers. Although their reports are now around 20 years old, they pay special attention to the impact of social and cultural factors on projects. Raulla (1981) described his experience of helping a Port Moresby gang of youths involved in illicit activities to form a legitimate business group.

A previous attempt to establish a youth centre had been short lived, and it was necessary for Raulla to spend time establishing good personal relations before he could work with the group. The leaders of the gang stated in a letter 'we are thieves and rascals because we are unemployed and school dropouts. Being thieves is a way of survival' (letter to *Post Courier*, 26 October 1979, cited in Raulla, 1981: 68). Eventually they obtained a substantial grant (K21,000 – at that time the kina was about the same value as US\$) to purchase sporting equipment and build a theatre, and another grant to help them establish self-help projects (K30,000, equivalent to US\$30,000). These grants brought considerable relief to the community in that the involvement of the group in criminal activity was substantially diminished, and an enabling environment was created to foster self-help activities.

Another example of a youth leader creating an enabling environment for rural enterprise and helping to establish a piggery, chicken house and duck and fish pond is described in Maladina (1981). This project succeeded because it involved the whole community, including the 37 young people who were the target group. Ilip (1981: 38) also mentioned the importance of including adults from the community in a fishing project for young people 'to bridge the generation gap and create a situation where adults could actively pass on useful skills. This would lead to a better understanding of young people's needs.

Youth projects such as these appear to be those most likely to succeed in Papua New Guinea. The key to their success, however, is the on-going involvement and commitment of a highly motivated youth worker, and sufficient funding. It is almost inevitable that such projects encounter difficulties at some stage, and this is usually the point at which they fail unless there is a competent mentor available to advise on how to overcome them.

6 Measuring the effectiveness of policies for youth

The most obvious and readily measurable aspect of the effectiveness of youth policies is the percentage of school leavers and workers in each age group who find wage employment. However, truly effective youth policies will also generate a substantial amount of less measurable economic activity, including informal activity and income generation.

As discussed in the introduction to this paper, reliable data even on formal employment in Papua New Guinea are scarce and often difficult to obtain. Even public sector employment figures are not collected systematically, and there is a tendency for reports to correspond with policy objectives rather than reality (Hess and Imbun, forthcoming: 16). At present much of the data on employment are derived from censuses, which occur only on a 10 year cycle and provide detailed information only about the 'main' economic activity of respondents. Since it is likely that the majority of Papua New Guinea nationals derive their income from several sources, such data are of limited value.

If youth employment generation strategies are to be monitored, it is essential that data collection is improved. There is also a need for employment data to be disaggregated by gender, since females tend to be disadvantaged in the labour market and so need special monitoring.

A first step could be the introduction of regular Household Income and Expenditure Surveys (HIES). These surveys are most appropriate to the Pacific context because they capture information on income from all sources, not merely formal employment or 'main' economic activity. They also provide data to enable the measurement of poverty and improvements in living standards over time. In designing such surveys it would be important to remember that Papua New Guinea is very diverse, and substantial sample sizes are necessary to ensure data are representative even at the provincial level.

Labour market surveys would also be of value to measure growth in wage employment. There is also a need for surveys of informal employment, especially in urban areas. Also useful would be tracer studies of school leavers, although these tend to be costly and difficult to implement. One simple relatively cost-effective strategy might be to offer samples of school leavers (ideally those who have participated in employment preparation programmes) a small financial incentive, e.g. K5 (about \$US 1.50), to report back to their old school at six monthly intervals and describe their experiences on the labour market.

7 Youth employment and the social partners: working together to promote employment

The single most important consideration for growth in wage employment is productivity growth (McGavin, 1997: 66). In a climate of generally poor or erratic economic performance and poor productivity performance strategies focussing only on human resources development and job creation for young people can achieve very little.

Papua New Guinea's most pressing need at present is the creation of an enabling environment within which specific strategies to promote youth employment can operate. The creation of an enabling environment means working with the whole community to restore law and order, extend electrification throughout both urban and rural areas, promote more supportive community attitudes to young people, and promote community development in rural areas. These developments would foster job opportunities not just for youth, but for the entire community. In the long run they would be of much greater benefit to the country than is the present strategy of focussing on developing export-oriented industries.

Although the export-oriented industries generate revenue, it is evident that the benefits have not been spread throughout the community. Much of the profit returns to overseas investors, while the balance tends to polarise among a few Papua New Guinea nationals. Profits accrued within Papua New Guinea tend not to stimulate the local market proportionally because they are often channelled into more secure investments overseas, such as the Australian property market. In addition, many of those landholders in the vicinity of mining and logging operations who have profited from land rents have actually been disadvantaged, because environmental damage has removed their subsistence livelihoods.

Despite the poor performance of the formal education sector as demonstrated by low enrolment ratios, especially in secondary schools, it would be a mistake to concentrate too much effort on expanding formal education. Education is relatively expensive in PNG, and not very cost effective. Moreover, formal education produces expectations of formal employment that are likely to remain unsatisfied. This creates a perception that unemployed school leavers are under-achievers, which, in turn, promotes crime. Better returns would be achieved by expanding non-formal education in work skills. This could take the form of classes offered at primary schools outside normal school hours, and ideally would be made available to everyone in the community, not just young people. The main social partners for youth employment must be the community as a whole. Because of the nature of Papua New Guinea society, strategies that target only young people are unlikely to succeed.

Conclusion

As stated at the beginning of this paper, Papua New Guinea is a paradox in that its economic performance and social conditions do not reflect its apparent advantages. Strategies to promote sustained economic growth by focussing on the modern sector have brought little benefit to the wider community and have contributed to the breakdown of law and order. Despite numerous costly development assistance projects to address law and order, and prop up the flagging economy, little has been achieved. Young people entering the workforce today have less chance of finding employment than did their counterparts two or three decades ago. The reason for this is that the copious assistance provided has focussed on curing the symptoms rather than addressing the cause of the problems.

The best way to address the problem of youth unemployment is to focus on creating an enabling environment. The one point of entry that could provide the catalyst to eventually improve law and order and productivity is community development. Community development projects should focus on rural areas, and be self-help as much as possible. Schools could be used as resource centres to support community development. Projects should include appropriate training and management assistance for community enterprises that include employment and income generation opportunities for workers of all ages.

In the long run, successful projects will encourage people to stay in rural areas, thus helping to stem migration to urban areas. This in turn will help to improve law and order in urban areas, as well as reducing the strain on urban infrastructure. At the same time community development will increase national productivity and contribute to sounder economic growth that benefits the population as a whole rather than only the small part of the workforce involved with the modern sector. Only through this type of development, which takes a holistic rather than a narrow focus, is there hope for creating substantial and sustainable youth employment in Papua New Guinea.

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