

Samoa Labour Market Update

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International
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Table 1: Key economic and labour market indicators, 2011–13

	2011	2012	2013
Real GDP (% change y-o-y) ^a	1.4	2.9	-0.3
Merchandise exports (% change y-o-y) ^a	26.9	22.3	-6.8
Visitor arrivals (% change y-o-y) ^b	-16.0	5.4	-10.0
Private remittances (% change y-o-y)	7.5	8.3	4.1
Consumer prices (% change y-o-y) ^a	2.9	5.5	-1.7
	Total	Male	Female
Labour force	37 830	23 630	14 200
Employment	34 530	21 787	12 743
Labour force participation rate (%)	32.2	39.9	24.4
Unemployment rate (%)	8.7	7.8	10.3
Adult, ages 30+	5.6	5.3	6.1
Youth, ages 15-29	16.4	14.0	20.2
Informal employment rate (%)	68.3	69.4	66.3
Vulnerable employment rate (%) ^c	30.9	30.4	31.7
Average monthly earnings (Tala)	1 296	1 336	1 173

Note: All labour market indicators are based on 2012 data for the population ages 15 and above. (a) As of end of fiscal year in June; (b) as of end of month in December; (c) vulnerable employment defined as own-account and contributing family workers.

Source: Samoa Bureau of Statistics et al.: *Samoa 2012 Labour Force Survey*; Samoa Central Bank; authors' estimates.

Overview

A range of economic and environmental factors have weighed on Samoa's economy and labour market in recent years.¹ The growth of decent and productive employment opportunities is at the centre of sustaining an economic recovery and putting Samoa on a path of strong, job-rich and inclusive development. In particular, concerted policy efforts are required in re-orientating the predominantly subsistence-based agricultural activities into more market-oriented production, transitioning from the informal to the formal economy, ensuring gender equality in the workplace, and easing the school-to-work transition of young women and men.

The economy is recovering

Samoa's economy was devastated by Cyclone Evan in December 2012, which caused damage and losses estimated at 30 per cent of GDP.² Subsequently, the economy contracted by 0.3 per cent in fiscal year 2013 (see Table 1), with heavy impacts on agriculture. With a boom from post-disaster reconstruction and recovery

¹ This update was prepared by Kee Beom Kim of the Decent Work Technical Support Team for East and South-East Asia and the Pacific and Phu Huynh of the Regional Office for Asia and the Pacific, with contributions from David Lamotte, Satoshi Sasaki, Tomasi Penni and Sophia Kagan. It provides a snapshot of economic and labour market trends in Samoa based on official data available as of 31 July 2014.

² World Bank: *East Asia and the Pacific Economic Update April 2014: Preserving stability and promoting growth* (Washington, DC, 2014).

efforts and a rebound in agriculture, the economy is expected to have grown by 2.0 per cent in fiscal year 2014 and is projected to grow a further 2.5 per cent in fiscal year 2015.³

Sustaining a broad-based economic rebound in Samoa will require continued efforts to support the growth of exports. Merchandise exports grew steadily in the past years, but decreased in fiscal year 2013, reflecting the impact of Cyclone Evan. Nonetheless, merchandise exports accounted for only 4.3 per cent of GDP in fiscal year 2013, compared to 44.7 per cent of GDP for imports. The resulting large trade deficit is financed largely by remittances and tourism earnings.

Figure 1a: Visitor arrivals to Samoa, January 2013 to April 2014

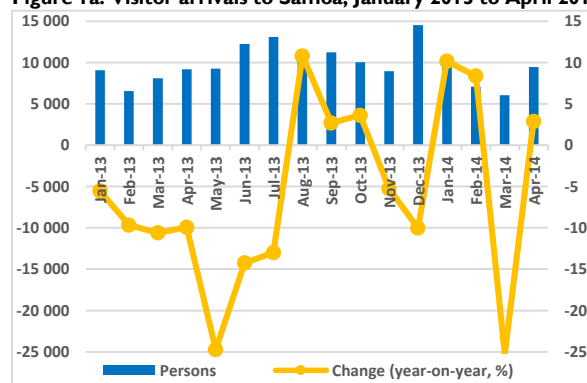
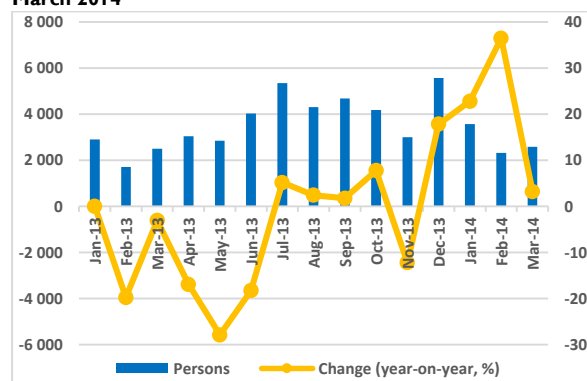


Figure 1b: New Zealand arrivals to Samoa, January 2013 to March 2014



Source: Authors' estimates based on ADB: Pacific Economic Monitor Database (July 2014).

Remittances in particular have grown in recent years and totalled 422.9 million talas in 2013, representing around 26 per cent of GDP. By contrast, Samoa's tourism sector has been more volatile in the past year, with notable

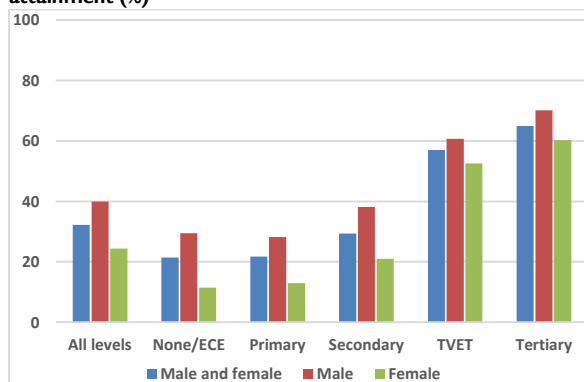
³ ADB: Pacific Economic Monitor Database (July 2014).

deceleration in the first half of 2013 as well as in November and December (see Figure 1a). The industry is heavily dependent on visitors from Australia and New Zealand. In the first quarter of 2014, the flow of visitors from New Zealand picked up considerably compared to sluggish trends in 2013 and could signal a positive upturn in tourism overall (see Figure 1b).

Labour force participation is low, as subsistence production predominates...

Labour force participation in Samoa is extremely low overall (32.2 per cent), although there is also a notable gender gap (Figure 2). Only one in four women participates in the labour force, while the share for men is two in five. Higher labour force participation is associated with increased education attainment. Participation among tertiary graduates was 64.9 per cent, but only 21.4 per cent among women and men with no education or only early childhood education. Economic activity is highest in urban Apia (46 per cent) and lowest in Upolu outside of the North-West (20.2 per cent).

Figure 2: Labour force participation rate by sex and educational attainment (%)



Note: ECE = early childhood education; TVET = technical vocational education and training.
Source: Samoa 2012 Labour Force Survey.

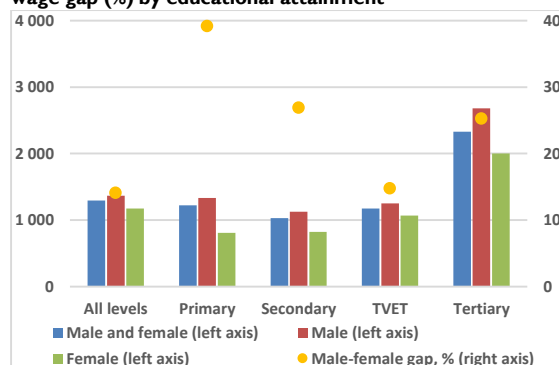
More than half of those not active in the labour force are engaged in subsistence production, with the proportion even higher for men (more than two-thirds). A major challenge in Samoa is therefore related to the dominance of subsistence agriculture and creating decent employment that can attract women and men to productive economic sectors (see Box 1).

The more educated do not necessarily earn more...

Three in five workers in Samoa are in wage employment. One notable characteristic of the labour market in Samoa is a substantial wage premium commanded by workers who have completed tertiary education. On the other hand, workers with secondary school education earn on average 15 per cent less than workers with primary education. This could be a reflection of the narrow range of occupations available in the economy but also of the quality of education at the secondary and TVET levels. The wage premium for workers with tertiary education

suggests on the other hand that there is scope for more workers to benefit from higher wages through expanding formal education at the tertiary level.

Figure 3: Average monthly wages by sex (Tala) and male-female wage gap (%) by educational attainment



Note: Includes only wage and salaried employees; TVET = technical vocational education and training.

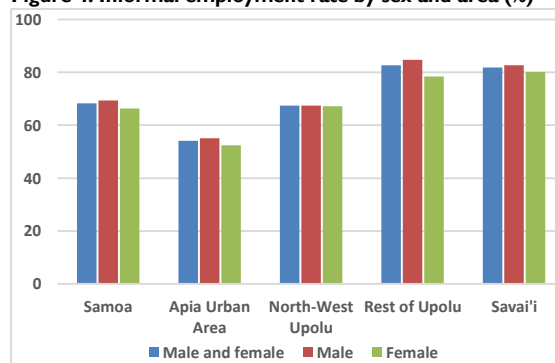
Source: Authors' estimates based on the Samoa 2012 Labour Force Survey.

Male workers who have completed tertiary education enjoy the highest wage premium, with their earnings 25 per cent higher on average than women who have the equivalent educational attainment. Nonetheless, the male-female wage gap is highest among those who have completed primary education at almost 40 per cent. While part of the gender wage gap is likely a result of the fewer number of hours worked by women, the large overall disparities point to the continued need to promote gender equality at the workplace.

...and poor employment quality persists...

Another key challenge is that most workers in Samoa are in informal employment (68.3 per cent), with the likelihood of men being in informal employment slightly higher than for women (Figure 4). While some informal employment activities offer reasonable livelihoods and incomes, most people are physically and financially more vulnerable because the informal economy is effectively beyond the reach of social security schemes and safety and health, maternity and other labour protection legislation. Furthermore, informal workers typically have limited training opportunities and an absence of collective bargaining and representation.

Figure 4: Informal employment rate by sex and area (%)



Source: Samoa 2012 Labour Force Survey.

...and job opportunities for young people are limited...

Young people in Samoa face significant challenges in their search for employment (see Figure 5). Youth unemployment was 16.4 per cent overall, and higher for young women (20.2 per cent) than young men (14.0 per cent). In particular, unemployment was notably high for young women with a secondary education (25.8 per cent), young women from Savai'i (24.9 per cent) and younger female cohorts in the 15-19 age group (30.5 per cent). Furthermore, around two in five Samoan youth are neither employed nor in education or training (NEET).⁴

Figure 5a: Youth unemployment rate by sex and area (%)

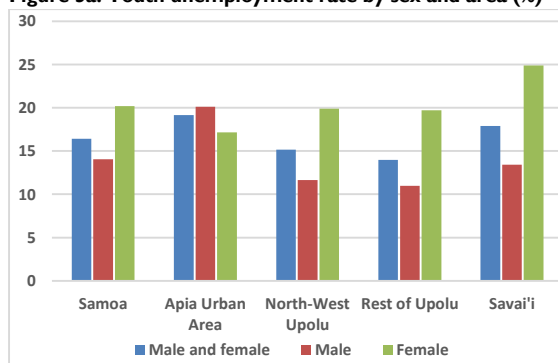


Figure 5b: Youth unemployment rate by sex and educational attainment (%)

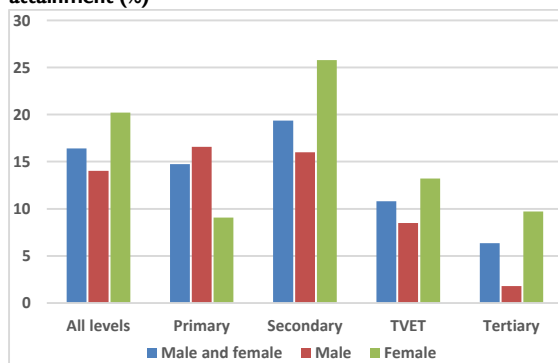
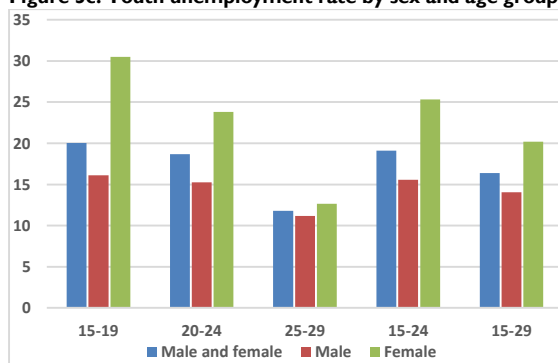


Figure 5c: Youth unemployment rate by sex and age group (%)



Note: Youth aged 15-29.

Source: Authors' estimates based on the Samoa 2012 Labour Force Survey.

⁴ Samoa Bureau of Statistics et al.: *Samoa 2012 School to Work Transition Survey*.

...which is driving many to seek work abroad

With limited job prospects at home, many jobseekers, including young Samoans, are migrating abroad. To date, some 130,000 migrants are estimated to have migrated abroad (compared to Samoa's population of 180,000), with around 51 per cent of those residing in New Zealand, 24 per cent in American Samoa, and 15 per cent in Australia.⁵ Such large-scale migration can inevitably result in a loss of valuable human resources, in particular given that the propensity to migrate is highest among the young and better educated. In 2007 for example, 30.4 per cent of private sector employers experienced skills shortages but by 2010, the ratio had increased to 44.7 per cent. Up to 1,100 citizens of Samoa who were born in Samoa or whose parents were born in Samoa, can be selected through an annual ballot process for permanent residence in New Zealand under the Samoan Quota Scheme.⁶

New Zealand's Recognised Seasonal Employer (RSE) policy that was established in April 2007 has in recent years become an important avenue for labour migration. The scheme focuses on filling labour shortages in agriculture and attracted 1,137 workers in the 2012/13 financial year. Likewise, Australia established a Seasonal Worker Program (SWP) in July 2012 (after operating as a pilot from August 2008 to June 2012) which provides opportunities in horticulture for seasonal migrant workers from Timor-Leste and eight selected Pacific Island countries, including Samoa. In 2013/14 there were 130 workers who participated.⁷ There is also an ongoing three-year pilot within the SWP that allows employment in other industries such as aquaculture and the accommodation sector, although no Samoan worker has yet taken part.

⁵ United Nations, Department of Economic and Social Affairs: *Trends in International Migrant Stock: Migrants by Destination and Origin* (New York, 2013).

⁶ Selection is subject to certain requirements including age, job offer, and character requirements. For more information on the Samoan Quota Scheme, see:

<http://www.immigration.govt.nz/migrant/stream/live/samoanquota/>.

⁷ Data from Seasonal Worker Office, Australian Government Department of Employment, as of 19 May 2014.

Box 1: Creating decent jobs for women and men in subsistence agriculture

Only a quarter of total agricultural production in Samoa is for the market while the remaining three-fourth is primarily for own consumption and local exchange. In the absence of expanding production for the market, agricultural production has inevitably stagnated. While agricultural production totalled 95 million talas at constant prices in fiscal year 1995, representing 14.5 per cent of GDP, agricultural production has decreased steadily since then, and in fiscal year 2013 totalled 49 million talas, representing around 4.5 per cent of GDP. A key challenge in Samoa remains transforming from low-productivity subsistence agriculture to a more modern market-oriented agriculture with higher returns to labour and land. Addressing this challenge will require increasing labour productivity in agriculture, including through facilitating access to land, strengthening the skills of agricultural workers, and enhancing farm efficiency. Concurrently, policy efforts are also required to strengthen the value chains associated with agriculture, including for example in food and beverage manufacturing, whose value added has stagnated in past decades. Such job opportunities in light manufacturing activities can strengthen the linkages between the subsistence and monetized economies while at the same time providing relatively more accessible employment opportunities for those leaving subsistence agriculture or by supplementing incomes from on-farm activities.

Policy implications

Improving growth prospects following a number of economic and environmental crises in recent years provides a critical opportunity to foster more decent jobs in Samoa. A key consideration in this regard is re-orientating the largely subsistence agricultural sector to production for both domestic and foreign markets, and in strengthening the manufacturing value chains associated with agriculture, with a view to broadening an economic base that remains heavily reliant on remittances and imports for its consumption needs. This is all the more important as the labour force is projected to grow by more than one-quarter by 2030, indicating the need for accelerating job creation for not only new labour market entrants but also current jobseekers who are unemployed.⁸ In this context, there is a need to revitalize the ongoing discussions concerning a national employment and human resources policy. In such a policy, careful gender considerations will be key in addition to raising the quality of secondary education and TVET as well as expanding the labour force with tertiary degrees.

With the majority of the working-age population either in subsistence activities or in informal employment, it is also important to support the transition from the informal to the formal economy.⁹ The challenge for policymakers is often in finding the right balance of incentives for formality and disincentives for remaining informal. Global experiences suggest that balanced approaches anchored in social dialogue can yield significant dividends. The establishment of the National Tripartite Forum, an advisory body comprised of representatives of Government, employers and workers with the mandate to advise the Minister of Commerce, Industry and Labour on the governance of the labour market, provides an important opportunity for social dialogue on these issues.

Labour migration is likely to continue to grow in Samoa. This has become an important avenue for young Samoans to find work and build their careers, thereby addressing in part some of the youth employment challenges in addition to generating remittances. Nonetheless, there is also a need for policies to offset the costs associated with large-scale labour migration, including skills shortages and an appreciation of the exchange rate, both of which hinder the development and competitiveness of domestic enterprises and sustain the subsistence economy by offering farmers and fishermen an alternative income source to that of producing for the market.¹⁰ Providing information and opportunities for investment and entrepreneurship to returned workers can be a key policy consideration in this regard.

Samoa has made substantial development progress in the past years, and is one of the few countries to have graduated from the Least Developed Countries category. Building on the progress to date, policies aimed at supporting market-oriented agricultural production, the transition to the formal economy, gender equality in the workplace, and the school-to-work transition of young women and men can play an important role in furthering Samoa's sustainable development.

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⁸ Authors' estimates based on ILO: *Estimates and Projections of the Economically Active Population: 1990–2030* (Geneva, 2013).

⁹ For a comprehensive discussion, see ILO: *Transitioning from the informal to the formal economy*, Report V, International Labour Conference, 103rd session (Geneva, 2014).

¹⁰ P. Ronnas and K.B. Kim: *Samoa employment situation analysis* (Bangkok, ILO, forthcoming).