

Labour market scenarios for the Asian Decent Work Decade in the Pacific Island Countries

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Executive Summary

This paper¹ presents the key trends in the economies and labour markets of Pacific island countries that are ILO Member Countries and the main issues facing policy makers in promoting decent and productive employment in these economies. It presents past trends and projections in population growth and in working-age cohorts, in formal employment, in the labour force and labour force participation rates, and in national income, and identifies the economic activities that are most likely to provide growth in formal employment in the countries. It also looks at the role being played by migration and overseas employment of Pacific islanders. The paper examines the factors that could most inhibit development of formal labour markets and decent and productive employment during the Asian Decent Work Decade and the role that the ILO could play in helping to overcome these obstacles together with other agencies working in the Pacific region. As the development of appropriate and effective policies will require a solid understanding of current labour market issues and trends, the paper also identifies the key gaps in statistical information on the labour market in the Pacific and how the ILO may assist in filling these gaps.

Some key findings in the paper include:

1. Population growth rates are high (above 2 per cent) in the Pacific ILO Member Countries except in those countries that have easy exit to high-income countries. A result of the rapid population growth is a large and growing 'youth bulge' in many of the Pacific countries. Because of the low levels of investment and job creation, the economic benefits of the youth bulge that were realized in the high economic growth countries of East Asia are significantly less likely to be realized in the Pacific countries. Moreover, this youth bulge will ensure that rapid population growth continues for a considerable time.
2. Using population and formal employment projections, estimates have been made of the potential excess supply of labour in some of the Pacific countries. The projected large increases in labour are unlikely to be absorbed in the formal labour market in the Melanesian countries (except Fiji, which has a more moderate increase) and in the Republic of Marshall Islands, which is a cause for concern.
3. Formal employment in most of the Pacific Island countries (PICs) is a tiny share of the labour force and is largely concentrated in the public sector. This public sector concentration, particularly in the many government business enterprises (GBEs), bears some responsibility for the countries' poor economic performance, in part because public sector wages may be set at levels that are not justified by worker productivity. The monopoly position granted to GBEs and their comparatively high wages have a 'crowding out' effect on the private sector by raising private sector wages. One way to overcome this would be to better link wage levels and increases in wages to productivity levels and productivity growth, respectively. But measuring these variables is only possible in the private sector and only if the necessary data are available. Presently, such data are not available for Pacific countries. If effective wage setting is to be undertaken,

¹ This paper was prepared by Ron Duncan and Carmen Voigt-Graf of the University of the South Pacific, Suva, Fiji Islands. Professor Duncan is the Executive Director of the Pacific Institute of Advanced Studies in Development and Governance. Dr. Voigt-Graf is a Lecturer in the School of Social Sciences. The authors wish to express their appreciation for research assistance by Uwe Kaufmann.

these data would have to be collected and wage-setting procedures, using this information, established. If private sector wages were set in this way, it would allow governments to base public sector wages on private sector wages, rather than the other way around.

4. Economic growth, particularly private sector growth, in PICs has been constrained by several factors typical of small island developing states. These include the role of the public sector in the economy, small local markets and distance from overseas markets, inadequate infrastructure development and high transport and communications costs, weak governance, vulnerability to natural disasters, and traditional land tenure regimes, among others. The costs of 'doing business' in the PICs are also increased by certain regulations in the economies. Recent economic growth patterns in some PICs, including Papua New Guinea (PNG), Samoa and Vanuatu, have been more favourable, raising hopes that growth may accelerate in the years ahead.
5. The majority of PICs have a shortage of appropriately skilled people and an oversupply of unskilled workers. In many of these countries, foreign workers from outside the region are employed not only in managerial and professional positions but also as technicians and skilled tradespersons. The small size of the work force in all PICs (except Papua New Guinea) means that local training in areas of skill shortages can quickly lead to an oversupply of these skills, which calls for more creative training solutions other than fixed training infrastructure. However, PICs will have to continue to rely on foreign workers to fill some skill gaps. Properly managed, such labour can be complementary to local labour, as it brings with it desirable new technologies, skills and enterprise growth.
6. The region would benefit from a more enabling business environment, as this is often a factor constraining investment and employment growth. Political instability and the resulting uncertainty and instability of policies make investors very wary. As a result, investors may only be willing to invest if government offsets the risks through direct assistance or through partnering with investors and thereby underwriting the risks; or if there is otherwise a very high return on the investment, as may be the case with exploitation of natural resources. Rigid and cumbersome administrative and regulatory business procedures often raise the costs of setting up businesses in the Pacific. The potential benefits of economic reform can be seen in Samoa, where they have begun to bear fruit through increased economic growth, particularly in the tourist sector.
7. The poor economic performance of the Pacific countries means that levels of formal employment are low by comparison with metropolitan countries and opportunities for employment of skilled labour are scarce. Hence, there is a significant 'brain drain' taking place. In some cases, the brain drain has been exacerbated by discrimination, which has encouraged emigration. If areas of skills loss were identified, appropriate training programmes could be designed and implemented. There are examples of successful regional training institutions, such as the Pacific's network of 12 maritime training institutions, which could be built on to boost training, increase the skill level of the workforce, and reduce some of the adverse effects of brain drain.
8. High population growth rates on the one hand and low levels of investment and job creation on the other hand have forced most PICs to try to take advantage of overseas employment opportunities. This effort is also fuelled by recognition of labour shortages in particular skill areas in the high-income countries due to the ageing of their

populations. All of these factors appear to be of a long-term nature. One outcome of the search for overseas employment is the demand for temporary employment of lesser-skilled and unskilled workers. If countries were able to identify overseas employment opportunities, both short-term and long-term, training would be required to ensure that workers would have appropriate skills to take up the available jobs. Given the backdrop of increased labour migration, it is essential to ensure that migrant workers' rights are safeguarded.

9. Most PICs are characterised by large informal and subsistence sectors. In light of the high population growth rates in most PICs and low employment growth in the formal sector, the informal sector will continue to provide income opportunities for a growing number of Pacific Islanders. However, productive employment growth in the informal sector is currently impeded by lack of commercialization of economic activities; in particular, lack of secure individual land tenure and the resulting difficulty of accessing commercial loans, lack of business skills and lack of innovative business ideas. These obstacles may be overcome by targeted political and regulatory changes as well as training for informal sector workers. In PNG, over the course of the past decade, a series of initiatives designed to raise the status of the informal sector and provide a framework for its future development has been introduced - a positive example that could perhaps be emulated elsewhere in the region.
10. All PICs have high under-employment rates, particularly for youth. The number of new entrants into the labour markets each year far outnumbers the number of new jobs. Most new labour market entrants are school leavers who have gained few skills relevant for employment during their school education and are not equipped to compete for scarce jobs in terms of knowledge and marketable skills. The situation would be improved if school leavers were equipped with skills that increased their employability and prepared them for working in the informal sector and subsistence economy (which most will do). Options to teach such skills as part of the school and post-school curriculum should be explored in each country.

1. Introduction

This paper presents the key trends in the economies and labour markets of Pacific island countries that are ILO Member Countries and the main issues facing policy makers in promoting formal employment in these economies. It presents past trends and projections in population growth and in working-age cohorts, in formal employment, in the labour force and labour force participation rates, and in national income, and identifies the economic activities that are most likely to provide growth in formal employment in the countries. It also looks at the role being played by migration and overseas employment of Pacific islanders. With this discussion in mind, the paper examines the factors that could most inhibit development of formal labour markets during the Asian Decent Work Decade and the role that the ILO could play in helping to overcome these obstacles together with other agencies working in the Pacific region. The paper also identifies the key gaps in statistical information on the labour market in the Pacific and how the ILO may assist in filling these gaps.

2. Recent trends in Pacific labour markets

A. Growth in Output

Table 1 presents growth in real GDP over the period 1996 to 2006, 2006 per capita GDP and the rate of growth of per capita GDP over the period 1996 to 2006, and the broad structure of output averaged over the 1996-2006 period for the seven Pacific ILO Member Countries, plus Tonga and Timor Leste. Average real GDP growth rates from the ADB *Key Indicators* and the UN Statistics Division's databases are included for comparison. Kiribati and Samoa were the best performers in terms of GDP growth, while Republic of the Marshall Islands (RMI), Solomon Islands and Timor Leste were the worst performers. The civil unrest in Solomon Islands over the 1999-2002 period had a devastating impact on that country's economic performance. The civil unrest in the lead up to and following Timor Leste's independence from Indonesia had a similar impact in that country. Samoa's economic performance since the mid-1990s as the result of its economic reforms has been notable. The Kiribati economy has very little private sector activity and growth is largely driven by government expenditure of trust fund earnings, fishing licence revenues, remittances, and aid. RMI labours under similar circumstances to those in Kiribati, with its heavy dependence upon US aid and inefficient government business activities.

Except for Papua New Guinea, Solomon Islands, and Timor Leste, all economies managed to increase average incomes during this time. Samoa and Tonga had more rapid increases in per capita incomes than in real GDP as the result of their high level of emigration—which keeps population growth at very low levels—and the high level of remittances from emigrants working overseas. The GDP and per capita GDP growth rates for RMI are difficult to reconcile. While RMI citizens have free entry into the US, the emigration rate is not very high. So it is hard to see how per capita GDP growth could be 1-2 per cent higher than GDP growth. Papua New Guinea has a high rate of population growth. It also experienced declines in GDP in 2000 and 2001. Together, these meant a significant decline in average incomes over the decade.

The structure of output varies significantly across these countries. The services sector is a very large part of the economy in all countries, with the exception of Papua New Guinea. The predominance of the public sector and government business enterprises is largely responsible for the large share of services, rather than the kinds of private sector service activities that lead to the very large share of services in national output in developed countries. In Papua New Guinea the importance of export crops (cocoa, coffee, copra, palm oil, and tea) and minerals exports leads to services playing a lesser role than in the other economies. In Kiribati, agriculture makes little contribution to measured output. But given the limited extent of formal employment outside the public sector, and therefore the large dependence upon subsistence agriculture and fishing, it would appear that subsistence output is greatly underestimated in the national accounts. Fiji and Papua New Guinea have more developed industrial sectors than the other countries, although these have largely been developed under the umbrella of protection against imports. Samoa's high proportion of industrial activity is due to the establishment of an automotive harness manufacturing plant set up by a Japanese firm to take advantage of the preferential import arrangements granted to Pacific countries under the SPARTECA (South Pacific Regional Technical and Economic Cooperation Agreement) trade arrangement with Australia and New Zealand. The exports from this plant have been declining as the value of the preferences provided by the trade arrangement has declined. As a result, employment in the plant is now around one-half what it was at its peak.

B. Measures of poverty

Table 2 presents several measures relating to poverty in these Pacific countries. Here, per capita GDP is measured in purchasing power parity (PPP) terms instead of in terms of exchange rates. PPP provides a better measure for comparing incomes across countries as it takes into account the differences in the prices of non-traded goods and services. This measure shows Tonga as having the highest per capita income, followed by Samoa, then Fiji. Solomon Islands and Timor Leste are at the bottom. The Human Development Index (HDI) is fairly consistent with the per capita GDP estimates. However, the fact that Vanuatu's HDI is higher than Papua New Guinea's, when it has a greater depth of poverty, suggests that the HDI measures take account of income distribution. The Gini coefficients for Samoa and Tonga show a greater degree of inequality than in Fiji, which is consistent with their poverty gap measures being higher than Fiji's.²

Timor Leste is widely seen as one of the least developed countries in the world. Measuring its GDP without taking account of oil revenues (as shown in the table) is appropriate at this stage, as there has been very little expenditure in the country from its oil revenues. Given that Timor Leste is one of the poorest countries, it is a measure of how poorly Kiribati, Papua New Guinea, Solomon Islands, and Vanuatu are doing economically that their PPP per capita GDP is not very far above that of Timor Leste.

There is limited evidence of extreme poverty in the Pacific, however. While it does not show up in the measures of the poverty gap in Table 2, extreme poverty is more likely in Timor Leste than in Papua New Guinea or Vanuatu. But the incidence of hardship may be increasing in the PICs, with their high growth in populations placing pressure on the subsistence system and resulting in rapid movement to urban areas. The growth of squatter settlements in urban areas such as Port Moresby, Honiara, South Tarawa, Suva and Port Vila is alarming. For example, there are in excess of 140 squatter settlements in Fiji, accounting for around 13 per cent of the total population. Finding employment and other income-earning opportunities for the people living in these settlements and for the others who have migrated from the rural areas is posing a major problem for all PICs.

While extreme poverty remains limited, poverty of opportunity is increasingly of concern in both urban and rural areas. In urban areas those who are cash poor are becoming cut-off from the support of the traditional economy, which provided an effective safety net. In rural areas, poverty of opportunity is a reality for many residents with limited access to services, amenities, and paid employment. In most PICs, the growing young population finds it difficult to access quality education and training and even more difficult to find paid employment.

C. Labour productivity, real wages

Unit labour costs, defined as the ratio of wages to productivity (value added per employee), is a more important factor in determining international competitiveness than wages alone, particularly in labour-intensive industries. Wages may be low, but if productivity is also low then the unit labour cost will be high. As Duncan (1996) found, unit labour costs in manufacturing in Fiji and Papua New Guinea were considerably higher than in the rapidly growing countries of East Asia such as Indonesia, Malaysia, and Thailand. Therefore, for labour-intensive industries in

² By comparison, of ADB's 22 developing member states in Asia, seven have Gini coefficients of around 0.4 or higher; the remainder have Gini coefficients of between 0.3 and 0.4. Several Asian countries show greater levels of equality than Fiji, the most equal of the PICs. PNG, on the other hand, shows a greater level of inequality than any Asian country (ADB, 2007b).

Fiji and Papua New Guinea to be internationally competitive, they either have to lower wages or raise productivity. Given the close link between productivity growth and improved economic welfare, it is obviously preferable to attempt to raise productivity levels.

One reason for the low private sector growth in the Pacific is the pressure on private sector wages and salaries from the levels of wages and salaries in the public sector (including government business enterprises), which are supported by the inflow of aid. One way to address this situation is to increase the linkage between wage levels and wage increases on the one hand, with productivity levels and productivity growth. While this can be done reasonably well for the private sector—if the necessary data are available—it is difficult if not impossible in the public sector where output and productivity are not able to be measured. Therefore, if public sector wages and salaries were based on private sector wages and salaries, one impediment to private sector growth would be removed.

D. Unemployment and underemployment

Some statistics are collected on the unemployed in all of the ILO Pacific Member Countries. However, since none of the PICs have unemployment benefit or insurance schemes, and little assistance is provided for job search, the information collected on unemployment numbers is generally of little value, especially when taken on its own. Those who are not in formal employment are part of the subsistence economy, are in informal employment of some kind (whether legal or illegal), or depend upon their families for support.³ Thus, the difference between the labour force estimates and the number of people formally employed give a more realistic idea of the excess supply of labour and the demand for jobs in these countries.

In Table 3 the most recent information on unemployment rates for the Pacific countries is presented. There are great differences in the unemployment rates (as a percentage of the total labour force) between Solomon Islands on the one hand and Papua New Guinea and Vanuatu on the other, which could reflect different survey methodologies and definitions. These three countries are similar in their economic structure and in particular in the large share of the labour force not in formal employment. A similar comparison can be drawn between RMI on the one hand and Kiribati on the other. Again, these two countries are very similar in terms of economic structure and labour force characteristics. The one feature of the labour market that these figures can lend credence to is the large share of unemployed youth in total unemployment.

The existence of underemployment is difficult to define and to document but is believed to be very important in the context of these communal societies and in their context of low public and private investment. Underemployment may be defined as an individual being unable to make full use of their human capital because they are constrained by institutions or policies. For example, reductions in investment due to political instability will reduce the amount of labour that can be employed and the productivity of labour. Moreover, the difficulties that these communal societies have in establishing viable commercial ventures also restrict the use and productivity of labour.

³ Official ILO definitions of the ‘informal economy’ and ‘employment in the informal sector’ recognise the need to distinguish between these concepts and are as follows. *Employment in the informal sector* is defined as comprising all jobs in informal sector enterprises, or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job. The *informal sector* is defined as the group of production units that form part of the household sector as household enterprises or as unincorporated enterprises owned by households. See http://www.ilo.org/public/libdoc/ilo/2005/105B09_37_engl.pdf

E. Migration and remittances (within and outside the region)

Emigration to metropolitan countries has long played a role in Samoa and Tonga, in large part because of the relatively easy entry that their citizens have to New Zealand. The same applies to Cook Islands, Niue and Tokelau, while 75 citizens from both Kiribati and Tuvalu are granted access to New Zealand each year under the Pacific Access Scheme. There are now relatively large concentrations of Samoans and Tongans in Australia, New Zealand, and the US. Information about levels and rates of emigration from the Pacific countries is very scant. However, best estimates are that on average around 3,000 people migrate from Samoa each year and around 1,500 from Tonga. This implies emigration rates of around 1.5 per cent, which keeps their population growth rates below one per cent. Remittances from these emigrants working overseas play a large part in their home economies. In Tonga's case it is estimated that in excess of 50 per cent of GDP comes from remittances, while in Samoa's case the share is around 20 per cent. These relatively large foreign exchange earnings allow the countries to run large trade deficits.

For Fiji, RMI, and FSM it is estimated that the rate of emigration is around 0.5 per cent of their population. As former territories of the US, nationals of RMI and FSM have easy access to the US under the terms of the Compact of Free Association with the US. In the case of Fiji, around 5-6,000 people, mostly Indo-Fijians, have been migrating since the coups of 1987 according to official statistics, although actual figures might be considerably higher (as appears to be confirmed by preliminary numbers from the 2007 Census). Many of these emigrants were professionally-trained people; and their leaving has had a very adverse impact on the level and availability of skills in Fiji. There is now a strong tendency for Indo-Fijian families to educate their children to maximize their chances of gaining permanent residency overseas in countries such as Australia, Canada, New Zealand, and the US.

A recent phenomenon in Fiji is the more temporary movement of indigenous Fijians to work overseas in occupations such as security services, care giving, nursing and teaching. This movement is a response on the one hand to the high demand for these services and the lack of employment opportunities and lower wages on offer in Fiji on the other. The availability of these kinds of work opportunities in the high-income countries is largely a function of the ageing of their populations. However, some of this migration is within the region, as Fijians are now working in countries short of vocational skills such as Cook Islands and RMI. This more temporary overseas employment of indigenous Fijians has led to a rapid increase in the level of remittances. It is estimated by the Reserve Bank of Fiji that foreign exchange earnings from remittances are at least F\$300 million a year and could be as much as F\$500 million—making it the second largest source of foreign exchange earnings next to tourism.

Emigration and remittances do not play an important role in Papua New Guinea, Solomon Islands, and Vanuatu because of the small proportion of people with professional training and the fact that they do not have the kind of overseas access for less-skilled workers as enjoyed by countries such as Samoa, Tonga, and the US Compact countries. Remittances do play a more important role in Kiribati, which has had a long-term programme of training seamen and fishermen to work on foreign ships. Recently, AusAID has begun a programme to train I-Kiribati nurses for overseas employment.

One outcome of the search for overseas employment is the demand for temporary employment of lesser-skilled and unskilled workers. As a result, a scheme for the seasonal employment of fruit pickers from some of the PICs is being trialed by New Zealand. The PICs are also attempting to have EU countries agree to the expansion of the definition of WTO Mode IV Temporary Movement of Natural Persons to non-professionals, as part of the Economic Partnership Agreement presently being negotiated between the EU and the Pacific African,

Caribbean and Pacific (PACP) countries. This issue will also be high on the agenda in the forthcoming negotiations of regional integration with Australia and New Zealand under the Pacific Agreement on Closer Economic Relations (PACER).

F. Child labour⁴

There are no official statistics on child labour in Pacific countries. However, given the large numbers who are not attending school it is likely that the problem is significant. Child labour appears to be most prevalent in PNG. While there need to be more surveys and studies to gain a more definitive picture, children have been reported to be working as domestic servants, in the markets, in hotels, in subsistence agriculture, in coffee and tea plantations, and in commercial sexual exploitation. There is also an emerging problem of child labour linked to tourism and the inability to enforce compulsory education in Samoa and Vanuatu. There are reports of children being exploited in commercial sex operations linked to the rise of HIV/AIDS in Kiribati and the Solomon Islands. There is a cruel irony in the co-existence of child labour and youth unemployment and underemployment: while there is a demand for certain types of labour that is met by children, who should not be working, there is a supply of labour from young people that is unutilized or under-utilized. Further, these disadvantaged youth above the minimum working age and below 18 years are vulnerable to the worst forms of child labour.⁵

The US Department of Labor publishes an annual report on worst forms of child labour, covering most countries of the world. The 2006 report found worst forms of child labour in most PICs. For instance, in Fiji, PNG, Samoa and Timor Leste children were found to work in agriculture, the informal sector, family businesses, and on the streets. In Fiji, PNG and Solomon Islands, children are also sexually exploited through prostitution. The main issue identified in Kiribati and Tonga was commercial sexual exploitation of young girls by crew members from foreign vessels. Timor Leste was the only country where trafficking of children for prostitution occurred (US Department of Labor, 2007).

One of the few industry studies on child labour in PICs was done on child labour in Fiji's tobacco industry. This study showed that child labour did occur, albeit on a limited scale. The tobacco growing industry consists of smallholders and there was no evidence of paid labour in the industry for adult or child farm labour. Children were expected to assist with family tasks in the farm work. While this does not meet ILO's criteria for child labour *per se*, it was found that the work sometimes contravened international conventions on child labour, in particular as it may lead to missing school. The study found that 2 percent of farm children in the tobacco growing areas miss school on a regular basis to work on the farm while 18 per cent miss school occasionally during busy times. Some children worked with hazardous chemicals and heavy equipment; 12 per cent of children working on tobacco farms used knapsack sprayers that may contain hazardous chemicals or are heavier to carry than is believed safe. These are indications of worst forms of child labour. Overall, there was no evidence of regular exploitation of children.

⁴ This section and the next two sections draw on information provided by Ms. Urmila Sarkar, ILO, Bangkok.

⁵ According to the ILO Minimum Age Convention, 1973 (No. 138), the minimum working age fixed by ratifying Member States varies according to the level of development of the country and the type of employment or work. In general, the minimum age is not less than the age of completion of compulsory schooling or the age of 15 (14 for developing countries). Child labour refers to work that is mentally, physically, socially or morally dangerous and harmful to children and interferes with their schooling. The ILO Worst Forms of Child Labour Convention (WFCL), 1999 (No. 182) covers children up to 18 years and requires ratifying Member States to take immediate and effective measures to prohibit and eliminate the worst forms of child labour as a matter of urgency. It is divided into two groups: Hazardous labour and the Unconditional Worst Forms of Child Labour, which are internationally defined as slavery, trafficking, debt bondage and other forms of forced labour, forced recruitment of children for use in armed conflict and pornography, and illicit activities.

However, it was found that there was a lack of awareness within the community of the issue of child labour as well as cultural acceptance that children can and must work to help their families after school hours (Fam Consultancy, 2004).

Without major funding, there has been some work carried out on child labour by various organizations in Fiji. This is changing with the forthcoming European Commission/ILO-IPEC (International Programme on the Elimination of Child Labour) four-year “*Tackling Child Labour through Education*” project in Fiji and PNG. The programme, beginning in mid-2007, aims to address child labour issues through strengthened legal frameworks and policies, capacity development leading to improved implementation of child labour and education interventions, and enhanced knowledge base and networks on child labour and education.

ILO has two conventions concerning child labour: C138, Minimum Age Convention of 1973 concerning the Minimum Age for Admission to Employment; and C182, Worst Forms of Child Labour Convention of 1999 concerning the Prohibition and Immediate Action of the Worst Forms of Child Labour. Only Fiji and PNG have ratified both Conventions. Vanuatu has ratified Convention 182.

Child labour exists in the Pacific and is likely on the increase. Child labour prevents children from acquiring the skills and education they need for a better future. It also perpetuates poverty and inhibits productivity and income growth. It is clear that there needs to be greater awareness and understanding of the issue in order that appropriate legislative and educational measures can be implemented.

G. HIV and AIDS

While globally HIV/AIDS has had a devastating impact, its prevalence in the majority of PICs remains low. However, the number of infections has been increasing rapidly in PNG. According to the Secretariat of the Pacific Community (SPC) and ADB, there are significant risk factors for HIV transmission within the region, including the high proportion of youth in the population, significant migration into, out of, and within the region, seafaring, high rates of other Sexually Transmitted Infections (STIs), high teenage pregnancy rates, and cultural and attitudinal issues including early sexual initiation, taboos related to sexuality, and gender inequality (SPC, 2004; ADB, 2005). Hence, while currently infection rates are not at levels affecting virtually all aspects of societies and economies, the challenge is to prevent an HIV/AIDS pandemic from occurring. SPC’s Pacific Regional Strategy, which was developed through an extensive consultation process, is aimed at addressing the issue before it gets out of control.

HIV/AIDS statistics are poor in PICs. A recent UNICEF report provides data only for Fiji and Papua New Guinea (see Table 4). SPC has HIV/AIDS statistics for all PICs (except Timor Leste), although these are slightly outdated given the rapid growth of new infections. There are concerns that the official numbers heavily under-report the incidence of HIV/AIDS infections. For instance, official statistics reported that there were 7,320 cases in Papua New Guinea in 2003, while the World Bank estimated that at least 50,000 people were living with the virus (SPC, 2004: 11). There is considerable under-reporting of cases due to a lack of testing facilities and fears surrounding testing. Surveillance systems are also extremely limited. It is estimated that cases in the region are under-reported by at least a factor of two (ADB, 2005: 3).

Papua New Guinea is among the countries identified by UNAIDS as having rapidly expanding epidemics and a need to take urgent and action. PNG has 67 per cent of the total Pacific Islands’ population but almost 90 per cent of reported cases. The disease is now

generalized in the population and there is an associated epidemic of tuberculosis. HIV prevalence among sex workers has reached 17 per cent, while only approximately 15 per cent of female sex workers report consistent condom use. There is a dangerous combination of widespread commercial sex and multiple non-commercial partners. PNG's National AIDS Council is concerned at the high levels of fear and ignorance surrounding the disease, leading to rejection and stigmatization of those affected.⁶ HIV/AIDS is directly destroying the productive potential of youth themselves and lessening the likelihood of youth to secure decent jobs. Young people living in households in which parents with the disease have become sick or have died may be forced to leave school and work in poor conditions in order to supplement the household's diminishing income. The productive potential of youth can be diminished in still other ways. Rising parental death rates due to HIV/AIDS reduces the transfer of skills from parents to youth and may result in the loss of traditional skills.

While little is known about the overall economic impact of HIV/AIDS in other PICs, adverse impacts are showing up. In Kiribati, for instance, one-half of the HIV/AIDS cases were reported among seafarers (and 13 per cent among their spouses); seafarers working overseas are an important part of the country's workforce. Infections disproportionately affect poorer communities and contribute to worsening poverty through people being unable to work, dropping out of school, and depleting savings (SPC, 2004: 11). The ADB is concerned about the potentially destructive effects of HIV/AIDS on efforts to secure sustainable development in the region (ADB, 2005). Most studies to date have focussed on determining the scale of HIV/AIDS infections and the risk factors in order to develop appropriate policy responses.

H. Gender inequality

The unfavourable socio-economic conditions of PICs affect young women and young men in different ways. Young women face greater barriers to education and training. In addition to contributing to family livelihoods, they are expected to care for the aged, children, and the sick. Public support enables free primary tuition for girls, but non-tuition costs and fees at the secondary schooling stage often tend to cause disproportionately high drop out rates among girls. In the Melanesian countries of PNG, Solomon Islands, and Vanuatu, in particular, gender inequality is evident in lower secondary education participation rates for young women. Often, when faced with limited resources and heavy financial demands, parents prefer to invest in the education of their sons and not lose their daughters' vital contribution to the household economy.

However, attitudes towards women's work are changing in the Pacific. Women are becoming economically empowered, particularly where their access to education and their participation in the formal labour market improve. Yet the gender gap remains large in terms of differences in income and in women's access to productive resources, credit, and business or livelihoods. A major contributing factor is that more women than men work in manufacturing and processing industries that are renowned for low wage rates, and poor and insecure working conditions. Meanwhile, men hold the vast majority of higher positions in the civil service—the region's largest employer—and in the political sphere.⁷ In general, considerable support is needed to ensure that policies provide equality of access to opportunity for girls and that, in reality, programmes are actively implementing these policies.

⁶ HIV/AIDS and The World Of Work in South-East Asia and the Pacific. Briefing paper for the 2nd South-East Asia and the Pacific ILO Tripartite Subregional Forum on Decent Work , ILO, Melbourne, Australia, 5-8 April 2005.

⁷ The State of Pacific Youth 2005, UNICEF and A Woman's Place is in the House – the House of Parliament: A Regional Study, Pacific Islands Forum Secretariat.

I. Factors affecting employment in the region

The majority of PICs have a shortage of adequately skilled people and an oversupply of unskilled workers. In many of these countries, foreign workers are employed not only in managerial and professional positions but also as technicians and skilled tradespersons. The small size of the work force in all PICs (except Papua New Guinea) means that local training in areas of skill shortages can quickly lead to an oversupply of these skills. This calls for more creative training solutions rather than fixed training infrastructure. But it also means that PICs are likely to continue to rely on foreign workers from outside the region to fill some skill gaps.

It is often argued that positions filled by foreign workers should be localized to increase local employment. However, care should be taken in proceeding along this path. While more evidence is needed on this issue, it appears that foreign workers from outside the region may often be complementary to rather than competitors with local labour. That is, their employment leads to greater employment of local labour rather than reducing it (see Duncan and Lawson 1997). It is likely that this complementarity exists because the foreign workers bring skills and facilitate the use of technology that increases the employment of local labour.

In all PICs, employment opportunities are limited by the narrow industrial base, weak private sector, and small domestic market. The development of the export sector, which is essential for the realization of economies of scale, is constrained by the countries' remoteness from external markets, high transportation and insurance costs, and relatively undiversified range of export products. Because of their small scale and high costs of engaging in international trade, successful activities are those that find an international market niche that delivers a premium price to more than cover the high costs of exporting. Other activities find it difficult to grow more quickly than the population. Tourism is possibly the ultimate niche market, as all countries can find some way to differentiate their tourist product.

Most PIC economies are dominated by a large public sector that comprises government and public enterprises. As noted previously, the public sector often effectively sets the standard for wage levels in other sectors of the economy. As these tend to be higher than justified by the level of productivity, the private sector can only be viable if it receives government support of some kind (e.g., tariff protection, income tax exemptions). The private sector also faces strong competition from public enterprises, which often receive subsidies from the government to cover their losses. Public sector restructuring is underway in several PICs (e.g. Fiji, Kiribati, Samoa, and Tonga), which includes downsizing of the public service and reforming public enterprises. However, these measures have often led to job cuts rather than employment creation if the conditions are not in place for private sector growth. These are general development issues that require a concerted effort by country governments and development partners.

The business environment is another factor constraining investment and employment growth in the Pacific. Political instability and the resulting uncertainty and instability of policies make investors very wary. As a result, investors may only be willing to invest if government offsets the risks through direct assistance or through partnering the investor and thereby underwriting the risks; or if there is otherwise a very high return on the investment, as may be the case with exploitation of natural resources.

Both the ADB and the World Bank assess the policy and institutional performance of countries annually. The World Bank's (2007b) Country Policy and Institutional Assessment (IDA Resource Allocation Index) includes Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu, and Timor Leste. The 2006 assessment only ranked Samoa highly, while Solomon Islands and Timor Leste were ranked very poorly, especially in terms of business

regulatory environment, security of property rights, and rule-based governance. Papua New Guinea is seen as performing reasonably well on economic management but does poorly on security of property rights and rule-based governance, reflecting its continuing problems with law and order and land tenure issues.

As regards the business regulatory environment, the World Bank's (2007a) *Doing Business 2007 Survey* ranks Fiji and Samoa in the top quartile of the 175 countries ranked, while RMI, FSM, and Timor Leste are in the bottom half of the rankings, with Timor-Leste ranked second last. A disappointing feature of the recent rankings is that the ranking for every country in the Pacific worsened between 2006 and 2005. With the exception of Timor-Leste, the countries generally score well in terms of the criteria of employing workers, starting a business, paying taxes, and trading across borders but do poorly on other criteria such as enforcing a contract, protecting investors, and access to finance. The difficulties in accessing finance are likely to be related to land tenure arrangements and gaps in the laws about using property as collateral.

Thus, regulations that increase the costs of doing business, policies and regulatory arrangements that restrict foreign investment, and land tenure regimes that make it difficult to use land for different economic purposes, together with poor infrastructure, small local markets, and isolation mean that the overall environment for business is difficult and costly, particularly for small businesses trying to develop agriculture and tourism-related activities.

3. Projections of population, output, labour force, and formal and informal employment

A. Current population and labour force, by age cohorts

Table 5 presents estimates of population for 2006 for the ILO Member Countries from various sources: Booth *et al* (2006), ADB *Key Indicators 2007*, and the United Nations World Population Prospects 2006 Revision database. Population estimates in the IMF database are the same as those in the UN Statistics Division's database, so these were not included in the table. Table 5 also shows population estimates for 2006 for the age cohorts 0-14 years, 15-24 years, 25-54 years and 55 plus years. Cohorts 15-54 years are taken as the working-age population, as this appears to be consistent with most retirement policies for formal employees in the Pacific.

The 2006 population estimates of the ADB are quite close to the estimates made by Booth *et al*, whereas the UN 2006 population estimates are significantly lower than the others, except in the case of Papua New Guinea. The estimates of Booth *et al* were derived from the 2004 base population figures from the Secretariat of the Pacific Community (SPC) and other sources such as national census estimates, the US Census Bureau's International Data Base, and the UN Population Division. Kiribati's 2005 Census report has now been published and the Census population estimate is closer to the UN estimate than to the Booth *et al* estimate.

Fertility rates in excess of 4.0 (in excess of 5.0 in the case of RMI), with the exception of Fiji and Tonga, show up in the fact that the share of the population under 25 years in these countries is around 40 per cent.⁸ The share of the population in the 15-24 year age group is close to 20 per cent in all countries except Fiji (18.5 per cent) and Samoa (17.5 per cent). For Fiji, this lower share is consistent with the slowing fertility rate (especially among Indo-Fijian women). For Samoa, the lower share suggests that the high emigration is concentrated in this age range. For Tonga, emigration appears to be more widely spread across the age cohorts.

Table 6 presents UN population estimates for 2006 and population growth rates over the 1996-2006 period, by age cohorts. The population growth rates for Fiji (0.7 per cent), Samoa (0.9 per cent), and Tonga (0.2 per cent) are below 1.0 per cent. For the other countries the rates are above 2 per cent. The lower rate in Fiji is due to the combination of lower fertility and the emigration rate of around 0.5 per cent. The much lower rate of population growth in Tonga than in Samoa—which has much the same high rate of emigration—is due to Tonga's lower fertility rate (3.7 as compared to Samoa's 4.5).

The slowing of the fertility rates can be seen in reductions in the rates of growth of the 15-24 years and 0-14 years cohorts. Of those countries with still rapidly growing populations, Vanuatu can be seen to be experiencing falling fertility rates. However, Papua New Guinea and Solomon Islands are not making any progress in this direction.

In Table 7 ILO estimates of the labour force for 2006 are presented by total and by age cohorts. The labour force is defined to include all employed persons (those who have worked for pay, profit, or family income for at least one hour in the past week) and all unemployed persons (those who were not employed and who were available for work and actively seeking work

⁸ Unlike in most other parts of the world, total fertility rates (i.e., the number of children a woman would have if she experienced current fertility rates over the course of her reproductive life) remain persistently high in the Pacific. In no Pacific country has the fertility rate fallen to the replacement rate of 2.1 per female, although the fertility rate of the Indian population in Fiji is likely to be below the replacement rate,

during the reference period). The labour force estimates are based on participation rates drawn from official surveys for countries with available data, with missing data imputed and projections made by an ILO econometric model (Kapsos, 2007).⁹

It is difficult to have people understand what it means to be in the labour force in these communal societies, where a large proportion of the population has a mixed subsistence/cash earning livelihood. The difficulty in gaining this understanding most likely explains differences in participation rates where one would not expect to see differences. For instance, one would not expect to see the female labour force participation rate so much lower in Fiji than in the other countries, as women in the village sector in Fiji mostly undertake some form of work that would come under the definition. But this feature of widespread unpaid family work or work to earn cash for school fees or cultural and social obligations also explains the high labour force participation rates in most countries—even in the 55+ age cohort—despite the minor role of formal employment in these economies.

B. Projections of population and labour force, by age cohorts

Tables 8 and 9 present population projections from two different sources. In Table 8 population projections made by Booth *et al* (2006) are shown. These projections are based on the assumptions that fertility and mortality rates will continue to decline in line with recent trends and migration will be maintained at recent levels. Table 9 presents population projections from the UN database.

According to Booth *et al* the population growth rates for Fiji, Samoa, and Tonga will continue at one per cent a year or less. The remaining Pacific countries are projected to have growth rates in excess of 2 per cent, with population growth in RMI and Vanuatu—the countries with the highest fertility rates—at 2.7 per cent. Fiji, Samoa, and Tonga will also have the slowest growth rates in the 0-14 years and 15-24 years cohorts. Indeed, Tonga's population in the 15-24 years cohort is projected to decline by 0.3 per cent per year. The fertility rate in Timor Leste has been around 7 per cent since the civil unrest. However, it is considered that this very high rate has been a function of a catching up process following the heavy loss of life and the delays in marriage and having children due to the civil unrest. The fertility rate is expected to decline sharply but the country will still record very rapid population growth for a substantial period due to population growth momentum.

In the UN projections, the projected population growth for Tonga is the same as that of Booth *et al* whereas Fiji's growth rate is somewhat slower and Samoa's is around 0.5 per cent faster. The projected growth rates for the other countries are similar, except for Vanuatu for which the UN projects 2.4 per cent as compared to the 2.7 per cent by Booth *et al*. The projected rates of growth for some countries for the 0-14 years and 15-24 years cohorts vary considerably between the two sets of projections. Of interest is Samoa, for which the projections for total population are the same, yet the projections for these cohorts are substantially different. The main driver of population growth is the fertility rate. Demographers, and others, have done poorly over the years in projecting fertility rates: almost always underestimating the decline in the rate. Differences in the fertility rate assumptions are the main cause of differences between population projections. However, in Samoa's case, because the emigration rate is so high, the difference between the projections may in part be due to different assumptions about this parameter.

⁹ Official ILO labour force estimates are given in the Economically Active Population Estimates and Projections (EAPEP) database available at <http://laborsta.ilo.org>.

ILO labour force projections for 2015 by age cohorts, together with their growth rates over the period 2006-2015, are presented in Table 10. Given the relatively small number of people employed in the formal sector in all of these countries, most of this labour force is labour available for work in the informal sector, presumably earning some cash income from produce in excess of that needed for subsistence. Except for Tonga, there are very high growth rates projected for the cohort of 55+ years. These people would not usually be considered as being part of the labour force. However, their inclusion in a sense reflects the reality of these countries in that all people capable of working have to make a contribution to the household income.

The projected increases in the labour force in the Melanesian countries, Papua New Guinea, Solomon Islands, and Vanuatu, are very high—at around 3 per cent a year. Timor Leste's increase is even higher at 3.5 per cent. These high growth rates illustrate starkly the challenges facing the countries in providing livelihoods leading to improved welfare. A surprising result is the high rate of increase in the labour force for Samoa. The high rate of growth in Samoa's 15-24 years cohort suggests that the emigration rate assumed for this age group is low; which may explain the difference between the population projections of Booth *et al* and the UN.

C. Projections of output

Real GDP projections for the countries are shown in Table 11. These projections are drawn from various sources and in some cases go forward to 2011. In all cases the projections appear to reflect recent and current circumstances; which is all that can be expected of those making such projections. The projected sharp decline in Fiji's GDP in 2007 is the expected result of the December 2006 coup and the adverse impact of the ensuing travel advisories from major source countries for tourists that led to a very substantial decline in tourist arrivals. It is expected that GDP will pick up to some extent in 2008 and thereafter. However, the rate of GDP growth over the longer term of only 2.8-2.9 per cent implies that little improvement is expected in the investment climate and investment activity.

Aside from subsistence output, Kiribati's economy is primarily based on the expenditure of earnings from its trust fund, fishing licence fees, remittances from overseas workers, and aid. Most business activities are run by the government and most employees are government employees. The small retail activity largely serves activities funded by the external earnings. Hence, in the absence of substantial change in the structure of the economy, future economic output will continue to be determined by these external sources of revenue, which are unlikely to grow significantly. Moreover, trust fund earnings and fishing license revenues can be very volatile, which makes management of the economy very difficult.

The economy of RMI is very similar to that of Kiribati in that government expenditure and GDP are very dependent upon aid funds from the US provided under the Compact Agreement. Moreover, there is little private sector activity and dominance of business activity by state-owned enterprises. It has been agreed that aid from the US will decline, to be replaced, if possible, by trust funds. Whether this is possible and how well the trust funds will be managed will be critical to RMI's future, unless private sector activity can be stimulated by some means

Papua New Guinea's GDP growth projections out to 2011 average above 4 per cent a year. This projection is consistent with recent GDP growth rates, which have been stimulated by the boom in world petroleum, metals and agricultural prices. Given that it is likely China's rapid growth will continue and that it will have a high demand for energy, metals, and land-intensive agricultural commodity prices for many years yet, it appears reasonable to assume that PNG's output will continue to be stimulated by high demand and prices for its petroleum and metals

commodities. Moreover, India's more recent rapid economic growth is likely to continue and its demand for resources to fuel its industrial expansion will further boost demand for these commodities. However, production and exports of these resources are not labour-intensive. If Papua New Guinea is to increase its very small formal employment, it will have to find other activities to create such employment—particularly commercialization of the rural sector—and will need to have much higher rates of real GDP growth.

Samoa is projected to have GDP growth averaging 3.5 per cent over the long term. This projection is based on its good economic performance over the past decade since undertaking comprehensive economic reforms. If emigration continues at historical rates and if its population growth continues at less than one per cent, GDP growth of 3.5 per cent will yield real per capita GDP growth of 2.5 per cent a year—a solid performance. Samoa's economic reforms are now bearing fruit in the recent good growth experienced in the tourist sector. Continuing good performance in this sector could see even higher per capita GDP growth. Moreover, the backward and forward linkages from the tourism sector would lead to higher growth in formal employment.

The GDP growth rate projections for Solomon Islands in Table 11 show the growth rate declining sharply to 1.5 per cent by 2011. This is a very pessimistic projection for a country that is still trying to recover the ground that it lost in terms of average per capita incomes over the 1999-2002 period of civil unrest. Chand (2005) noted that at the end of 2004 per capita GDP had recovered to 73 per cent of its 1998 level and that it would take another decade of around 6 per cent growth to reach the 1998 per capita GDP level. Presently, the economy is mainly driven by log exports. Significant improvements in employment and livelihoods for the 80 per cent of the population living in the rural areas have to primarily come from commercialization of rural activities.

GDP in Tonga in 2006/07 fell 3.5 per cent from the impact of the November 2006 riots on commerce and tourism. However, business has quickly recovered and small increases in GDP are projected over the period to 2010. Given Tonga's very low rate of population growth, its per capita income would continue to rise. In fact, income growth may increase even faster because, to the surprise of many commentators, remittances have risen following the riots rather than fallen. Reconstruction efforts should also stimulate the economy over the next few years. Agriculture, which has been a major force in the economy, has declined in importance in recent years. The government is attempting to privatize the many state-owned enterprises and to remove constraints holding back development of the private sector. The Kingdom of Tonga's current strategic development plan envisages increased engagement between the private and public sectors, as well as wide-ranging reforms of the regulatory framework governing the private sector in order to stimulate private sector development (Kingdom of Tonga, n.d.). Success is needed in these areas in order to stimulate employment growth. Formal employment has been falling recently as the government implemented a job redundancy program as one of the measures to cope with the 60-80 per cent salary increase granted to civil servants.

GDP growth has been doing well in Vanuatu in recent years because of the increased activity in the tourism and construction industries. Resort development and residential construction are apparently the main factors behind the construction boom. A slowdown in the GDP growth is projected over the period to 2010 to 3.0 per cent. Given Vanuatu's population growth of close to 3.0 per cent, much faster GDP growth is needed in order to generate increased per capita incomes.

D. Projections of formal and informal employment

It was hoped to be able to gather sufficient data to make time series-based projections of formal sector employment for the Pacific countries. The intent was to use sectoral breakdowns of employment and output to make projections of employment from sectoral labour-output ratios and projections of GDP. However, only Fiji has sectoral disaggregation of output and employment of a sufficiently long period to provide a reasonable basis for projections. In fact, only nine of the Pacific countries have published data of any kind on formal employment. Cook Islands, FSM, RMI, and Solomon Islands have some sectoral disaggregation of formal employment and output but it is limited, being for only a few years and mostly not recent data. Kiribati, Papua New Guinea, Samoa, Tonga, and Vanuatu have some data on aggregate employment but it provides no basis for making projections of formal employment growth.

Therefore, where sufficient employment data were available, it was decided to make simple time series extrapolations to 2015. Thus, time series-based projections of formal sector employment have been made to 2015 for only two of the countries: Fiji Islands and Solomon Islands. For Papua New Guinea and Vanuatu, “guesstimates” of formal sector employment growth were made. For other countries the data available are too scant and uncertain that it would be foolhardy to make any projections.

The most recent formal sector employment estimates for the four Pacific countries are shown in Table 12. Table 12 also gives the ILO labour force estimates for these countries for 2006 (from Table 7). Formal employment in Fiji is more than one-third of the estimated labour force. However, for the other three countries the share ranges from around 15 per cent for Vanuatu to around 7 per cent for PNG. These latter countries have very little migration, high fertility rates, and lower life expectancy by comparison. Fiji has medium-level net emigration, reducing the numbers of working age remaining in the country. In the case of Fiji, the coups have seen a concentration of employable Indo-Fijians leaving for the metropolitan countries.

In the future, how many formal sector jobs will be available annually (job openings) for those seeking entry into the formal labour market in the Pacific countries? The answer depends upon: (i) the increase in the total number of jobs; and (ii) exits from the formal-sector labour force due to migration, retirement, sickness, and death. To answer the question we would have to make assumptions about (i) the age structure of those employed; (ii) the age of retirement; and (iii) exits due to migration, retirement, sickness, etc. While it is unlikely to be correct, a reasonable guess about the age structure of the workforce is that it is the same as the population. As noted earlier, the *de facto* retirement age is taken as 55 years. As regards exits due to sickness, it is assumed that the numbers of those exiting due to sickness are the same as those working past retirement.

To provide an example, take the case of Fiji Islands. The latest available information states that there were about 120,000 in formal sector employment in 2003. Based on past trends, this extrapolates to about 126,000 employees in 2006—an annual increase of around 2,000. If the workforce has the same age structure as the population, the approximate number of retirements from the workforce in 2006 would be 1,200. Migration has been running at around 5-6,000 annually for many years. Possibly, the majority of these have left employment in Fiji. This means that total annual job openings could be 6-8,000. The fact that the number of school leavers has been around 14-17,000 in recent years illustrates the challenge for government and others in providing training and employment opportunities. It also illustrates the extent of the demand for overseas employment.

Because of the absence of data, estimates of the number of annual job opportunities in the Pacific countries have not been made. However, this exercise for Fiji can be used to show that the number of formal job openings in any year is greater than the increase in the number of formal jobs. This point is relevant as statements are often made in Pacific countries comparing the numbers of children expected to leave school with the annual increase in employment. As this simple exercise shows, the number of job openings can be considerably more than the increase in the number of jobs, as job openings arise not only as a result of new jobs but also as a result of migration and attrition from the workforce due to retirements, resignations, sickness, deaths, leave and others.

E. Employment projection results

We now turn to the projection of formal sector employment for the Pacific countries up to 2015. When these projections are placed alongside the projections of the labour force, projections can be made of the numbers who could be looking for work in the formal sector or looking for work overseas.

The results of the projections made for formal employment are shown in Table 13. The 15 per cent increase in formal employment in Fiji by 2015 does appear possible. While employment in the garment industry has shrunk considerably in recent years and employment in the sugar industry is likely to decline, tourism, which is a fairly labour-intensive industry, should expand over the long term and provide jobs growth.

Formal sector employment growth has been very limited in Papua New Guinea, Solomon Islands, and Vanuatu. Without substantial improvements in the investment environment in these countries, there are limited prospects for private sector growth. However, if the resources boom continues in Papua New Guinea and the government's large planned expenditure on infrastructure investment is realized, employment in construction activities should do well over a sustained period. With tourism performing much better in Vanuatu, there could be reasonably good employment growth linked to this activity in areas such as construction, retail trade, including restaurants, and transport. It is difficult to be optimistic about formal employment growth in Solomon Islands, however. Similar views are obviously held by those making the GDP growth projections for Solomon Islands noted above.

Putting the labour force and employment projections together, we can obtain estimates of the potential excess supply of labour in the Pacific countries. In Table 14, the projections of the labour force not employed in the formal sector in 2015 are shown in column four. The projected changes in excess labour supply figures between 2006 and 2015 can be seen from comparing columns 1 and 4. The large increases in these Melanesian countries (except for Fiji which a moderate increase due to its lower fertility rate and much higher migration rate), driven by the large increases in working age population and low jobs growth, are no doubt widely expected but not any less a cause for concern.

4. Discussion of future trends in Pacific labour markets

Most PICs are characterised by large informal and subsistence sectors. Compared with other developing regions, the informal sector is not very conspicuous in the PICs because much of it is home-based and consists of tailored products, handicrafts and the processing of agricultural produce. In urban areas it tends to be dominated by a range of street vendors. The informal service sector is largely confined to local transport providers, food stalls and shoe shine work. The tendency to operate out of the home is also prevalent in rural areas where basic mechanical, electrical and automotive services are offered, most often by graduates of local technical or vocational training institutes who are either unable to find permanent wage employment or establish a formal business.

In light of the high population growth rates in most PICs and low employment growth in the formal sector, the informal sector will have to provide income opportunities for a growing number of Pacific Islanders. However, employment and income growth in the informal sector is currently impeded by lack of commercialization of economic activities; in particular, lack of secure individual land tenure and the resulting difficulty of accessing commercial loans, lack of business skills, and lack of innovative business ideas. These obstacles may be overcome by targeted political and regulatory changes as well as short-term training for informal sector workers. Except for PNG, however, none of the PICs seem to have any regulatory framework for the informal sector.

All PICs have high youth under-employment, with the number of new entrants into the labour markets each year far outnumbering the number of job openings. Most new labour market entrants are school leavers who have gained few skills relevant for employment during their school education and are poorly equipped to compete for scarce jobs in terms of knowledge and marketable skills. The situation would be improved if school leavers were equipped with skills that increased their employability and prepared them for working in the informal sector and subsistence economy (which most will do). Options to teach such skills as part of the school curriculum could be explored in each country.

A. Identification of leading/growing sectors and their employment requirements in selected PICs

(i) Fiji

Fiji has a comparatively large formal sector with about one-third of the labour force, amounting to around 126,000, employed in the formal sector. Government is the largest employer with some 25,000 employees, accounting for a large proportion of total paid employment (Fiji MOFNP 2006). The formal sector is growing steadily but the realized growth is clearly insufficient to absorb the annual entrants to the labour market, estimated to be around 17,000 (including about 14,000 school leavers) each year (Fiji National Planning Office 2004). On the one hand there is an excess supply of labour market entrants with limited skills and experience. On the other hand there is significant demand for skilled personnel, which has been magnified by the continuing emigration of skilled labour due to the discrimination against the Indo-Fijian population, among others in the areas of land ownership, the allocation of Government scholarships, and public sector employment.

In 2003, 5,771 emigrated from Fiji of whom 795 were classified as professional, technical and related workers (Fiji National Planning Office 2004). Over 1,300 work permits were issued

to foreign workers from outside the region in 2003. Skill gaps in Fiji are primarily due to the emigration of individuals who have significant skills and the demand for skills that are not easily obtained in Fiji. Employers frequently recruit people with lower levels of skills and attempt to train them on the job, and to employ foreign workers, particularly in middle level management positions.

The two sectors facing most skill shortages are tourism and construction. Skill shortages are primarily occurring in the construction sector for three key reasons (ADB, 2006a). First, there has been a substantial increase in construction activity since 2002, which has resulted in increased demand for skilled workers. Second, skilled workers have migrated because of the global excess demand for skilled construction workers. Third, the construction industry is largely looking for experienced and highly-skilled labour, which cannot be achieved by training alone but requires the industry playing a major role in on-the-job training. There has also been a lack of apprenticeships or other forms of associated workplace learning in the construction industry.

The expanding tourism sector primarily lacks middle-level managers and chefs, both of whom require high quality, on-the-job training and experience. The growth in the tourism sector has also resulted in shortages in relatively low-skilled positions such as bar attendants, waiters and housekeepers. As a result of emigration there are increasing numbers of vacancies in other skilled areas. The March 2006 Reserve Bank of Fiji survey of advertisements showed an annual 18 per cent increase in the number of vacant positions, mostly in the finance, insurance, real estate and business sections. Other skilled worker shortages identified were in air conditioning and refrigeration tradespersons and automotive mechanics (Voigt-Graf 2006).

(ii) Kiribati

Compared to most other PICs, there is limited employment of non-indigenous labour in Kiribati (around 230 counted in the 2005 census). Migration remains low but has been identified as a key strategy of the government and will likely assume increasing importance in the future. The main overseas employment opportunities are for seafarers on German merchant vessels and fishermen on Asian fishing boats. Their numbers have slightly dropped in recent years due to disciplinary and health issues. New employment opportunities have been created for hospitality workers on foreign cruise lines, which will mean training in both hospitality and the specific requirements of international maritime convention SCTW-95 for onboard service.

The labour market is growing steadily but is insufficient to absorb the 2,000 new entrants to the labour force each year, resulting in most having to undertake village work. In 2005 about 27 per cent of Kiribati's total labour force was employed in the wage economy with most jobs being either with the government or in public enterprises.

Given the rapidly growing population in Kiribati and the limited prospects for wage employment in the public and private sectors, a growing number of young people in Kiribati will need to find work in the informal sector if they want to earn cash income. The subsistence economy plays an important role in providing a safety net for people unable to find formal sector employment. However, it is crucial that opportunities for informal sector employment expand appreciably so that people without formal sector jobs still have opportunities to earn cash income.

(iii) Papua New Guinea

Information about the formal labour market is sadly lacking in Papua New Guinea. Wage employment is largely dominated by the public sector, mining and agriculture. The public sector will continue to be a major employer despite some attempts at downsizing. Although it employs only a small percentage of wage earners, the mining sector strongly influences the labour market, especially through the high wages offered. The significant growth in mining in recent years has been associated with increased demand for a range of skilled trades. Because of the high wages offered, the skilled workers are drawn from other sectors in the economy such as manufacturing, thus creating skill shortages in those sectors (ADB, 2006c).

Manufacturing and other formal sector wage employment will increase steadily as a flow-on from mining activity. Growth in agriculture—especially in export products such as palm oil, coffee and cocoa—can generate demand for a range of other services including the processing of agricultural crops. Tourism appears likely to expand from its tiny base, helping to increase employment in the medium term (ADB, 2006c).

In Papua New Guinea the situation with regard to skills is paradoxical. On one side, substantial training takes place. In many cases the number of graduates exceeds the number of jobs available (e.g. automotive mechanics and technician-level accountants). On the other side, industry complains about a lack of skilled workers and recruits foreigners to perform these functions. The paradox is largely explained in terms of differences in experience and expertise. Employers need staff who can perform to their standards, including the operation of new technologies. Apart from apprentices, graduates from technical colleges and vocational centres generally have not reached the skill levels required by industry. Also, graduates lack the attitudes required in the workplace such as punctuality and general discipline (ADB, 2006c).

The informal sector is a source of employment and incomes for the majority of the working-age population and there is a strong need to actively support it in both rural and urban areas. In contrast to other PICs, the past decade has witnessed the introduction of a series of initiatives designed to raise the status of the informal sector and provide a framework for its future development. Thus, in 1998, the Consultative Implementation and Monitoring Council (CIMC), an independent organisation charged with bringing together civil society, the private sector, and government on policy issues, established the Informal Sector Committee (ISC) to provide a forum for discussing and promoting informal sector issues and objectives. In 2001 the ISC implemented a major survey of the urban informal sector in Papua New Guinea and assisted in a similar study of the rural informal sector in 2003. Both initiatives were funded by the ADB and provided the basis for the drafting and subsequent promulgation of the Informal Sector Development and Control Act by Parliament in 2004. This Act sought to eliminate the negative environment and conditions that have adversely affected informal sector operators, while at the same time regulating some of the more odious practices and conditions associated with certain types of informal sector activities (ADB, 2006c).

(iv) Republic of the Marshall Islands

Data from the last census in 1999 reveal that 51 per cent of people are in the labour force, which is a relatively low participation rate. This low rate partly reflects the people who choose not to work because of support from nuclear compensation or rent from the use of land at Kwajalein. It also reflects the large extent of urbanization and the lack of opportunities in the formal sector, which particularly affects youth. The lack of opportunities in economic activity is leading to increasing numbers of inactive and unemployed people, which can only be mitigated by emigration.

About 9,000 people are employed in the formal sector. Employment growth has largely occurred in the public service, public enterprises, government agencies and banks. Private sector employment grew by only 7 per cent between 2000 and 2006, although some key sectors exceeded this. For example, employment in the wholesale and retail trade sector, the largest employer, has increased by almost 10 percent since 2000. Employment in the construction sector, the second largest employer, has increased by 19 percent over the same period (ADB, 2006d). Employment in the transport, storage and communications sector has doubled since 2000. Hospitality and tourism industry employment growth has been slow. However, with new investments underway there is the potential for an increase in employment opportunities.

The limited nature of TVET training in RMI has resulted in few Marshallese possessing the skills required for employment. Consequently, general skills shortages occur in most occupations traditionally trained by the TVET sector. Even where training does occur, the number of graduates is insufficient to fill current requirements. Many Marshallese who have adequate skills are seeking better opportunities in the US, thus further eroding the supply of skilled Marshallese (ADB, 2006d). As well as having limited occupational-specific skills, Marshallese also lack English and mathematics skills.

The Immigration Division and the Labor Division maintain a database of foreign workers in RMI. As of June 2006 the database showed that there were nearly 400 foreigners registered to work in RMI (excluding US citizens and expatriates working for the government). The top four occupations held by registered aliens were managers/supervisors, accountants (and related occupations), carpenters, and engineers (all types) (ADB, 2006d).

(v) Samoa

Comparatively good labour market data exist for Samoa based on censuses and labour market surveys carried out in 2000, 2001 and 2004 by the Ministry of Commerce, Industry and Labour. The surveys were of the formal private sector employers (2000), semi-formal sector (2001) and formal private sector employers (2004). There was private sector growth in response to investment promotion and marketing activities, including the re-focusing of the Trade and Investment Promotion Unit on the gathering of all information relevant to investment application and approval procedures, continued domestic distribution of market information, and overseas distribution of promotional videos. An Export Guarantee Scheme has also been established. Employment creation has been encouraged through the Samoa Business Enterprises Center and Women in Business training in small business development in both urban and rural areas. In rural areas, small business development is supported through the Small Business Development Project (SBDP) financed by ADB under the Ministry of Finance (MOF).

Total private sector employment increased from 12,168 in 2000 to 16,146 in 2004. It has most likely had significant increases since 2004 because of the surge in tourism, with the opening up of international airline services and building of resort hotels, and with the liberalizing of mobile phone and internet services.

As the private sector develops, it is inevitable that work opportunities will be created not only in the formal private sector but also in the semi-formal sector. These work opportunities can only be filled if people with relevant skills are available (ADB, 2006e).

(vi) Vanuatu

There is limited recent information available on the labour market of Vanuatu. The last census was in 1999 and the last labour market report was published in 2000. Surveys of the

informal sector were conducted in 2001 and 2005. The data suggest that around 80 per cent of Ni-Vanuatu live in the rural areas and are engaged in agriculture—either subsistence or smallholder farming of coconuts or other cash crops. Most formal sector workers are engaged in the services sector. The formal work force is growing steadily and about 700 new jobs are created each year but this growth is insufficient to absorb the 3,500 entrants to the labour force each year. The government’s strategic plan recognises that a large proportion of school leavers will not be able to obtain formal jobs and that they need to be productive in the village economy (agriculture, fishing and forestry) and in other types of income earning activities.

Major skills gaps identified are business operations and entrepreneurial skills. A shortage of managerial skills in the formal sector has increased demand for employing foreign workers from outside the region in some managerial positions. Work permit data for 2005 and 2006 indicate 448 applications for work permits for expatriates, of which over 40 per cent were for management level positions (ADB 2006h). There were also 56 work permit applications (about 13 per cent) for skills normally achieved in the TVET sector, including for chefs, electricians, maintenance mechanics, automotive mechanics, construction technicians, and managers.

5. Priorities for ILO Country Programmes

A. Country-specific and regional priorities for Decent Work Programmes

(1) Employer/employee relationships

The modern employer/employee relationship is one that recognizes the needs of business for flexibility and the needs of workers for security and for assistance to adjust to changing conditions. Much of the workplace legislation in the Pacific was put in place many years ago and does not reflect the new attitudes towards employer/employee relations. Much of the existing legislation is based upon the protection of the interests of workers through the guarantee of permanent employment and is inflexible with respect to forms of leave and working hours. In the public sector, it has made the reform of loss-making government business enterprises very difficult. (Recent studies on workplace relations in PICs are listed in the Annex.)

The ILO could share experiences and good practices from other countries and provide policy advice and technical support for the development of workplace relations legislation based upon a more flexible model that is favourable towards investment and the creation of decent and productive jobs.

(2) Wage levels and labour productivity

To improve the international competitiveness of the Pacific countries and thereby increase investment and job creation, wage levels and increases in wages should reflect productivity levels and the rate of growth of productivity, respectively. It is only possible to measure productivity levels and productivity growth in the private sector and therefore private sector wages should determine public sector wages—not the other way around. However, the industry value-added data and employment information needed to set private sector wages in terms of productivity are presently not available in Pacific countries.

The ILO could assist in identifying and collecting the kinds of data and information needed for more informed decisions on wage setting. Aside from data on occupations, employment by industry, and value added by industry, other information useful for wage setting and for manpower planning includes vacancy data to indicate areas of unfilled demand.

(3) Education and training

In most PICs the workforce is small. Training in specific skills can quickly over supply the market. Therefore, there is a need to look for creative, flexible solutions to the training requirements instead of the provision of fixed training infrastructure in all PICs. ILO could explore with development agencies working in the region the development of regional technical and vocational training along the lines of the Pacific network of maritime training institutions (see Box 1 below), the network of technical colleges being established by Australia, and the hospitality training centre established in Port Vila with the assistance of the EU. Important elements of such training are collaboration with industry, curriculum design, and appropriate levels of training to ensure international accreditation of the graduates and their international mobility.

Box 1
The Pacific Network of Maritime Training Institutions

The Pacific's network of 12 maritime training institutions is an example of a successful, regionally-led vocational training system, which has been able to use its links with industry to develop a curriculum to meet the demand for skilled workers. The training institutions are located in Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Graduates from the regional training programme are a very important source of remittances for Kiribati and Tuvalu. In 2003, an estimated 4,000 Pacific seafarers were engaged in international shipping.

The success of the institutions is largely attributed to coherent management, close collaboration with the shipping industry, and reliance on international standards. They are jointly supported by the Secretariat of the Pacific Community through its Regional Maritime Program, and by the Pacific Islands Maritime Association, whose membership includes participants such as shipping operators and port authorities, as well as government safety and regulatory authorities. This membership ensures that the centres are able to satisfy the requirements of curriculum relevance to industry, accessibility to students, and accreditation of courses by the International Maritime Organisation.

Source: Secretariat of the Pacific Community.

Two major but related issues that arise in surveys of youth with respect to education and training are that, first, the education system is based on a model of 'white collar' jobs being available to all when, in fact, these jobs are relatively few in relation to the numbers of graduates from the education system. Second, the focus of NGOs in their work with youth is on addressing their so-called vulnerabilities, such as substance abuse, teenage pregnancy, STIs, HIV/AIDS, and mental health, rather than addressing the underlying causes of these symptoms of youth problems, which are the lack of life skills (see, for example, UNICEF 2005). The expressed education and training needs of youth are for literacy and numeracy, particularly skills in English and in financial skills. Other assistance that would be most useful is career guidance, education in entrepreneurship, and support for the establishment of youth enterprises.

Aside from training Pacific youth for employment in the 'global village', the main avenue for their employment appears to lie in the development of the rural sector—at least in those Pacific countries with abundant arable land area. To equip youth for productive employment in agricultural and rural activities, they need to have a different set of skills than those fitting them for white collar employment. This implies a large reorientation of the education system. For the youth who have already been through secondary school and who are looking for useful employment, there is the difficult problem of re-education. But there also appears to be a need for re-education and re-orientation of the activities of NGOs working with youth.

(4) Skill gaps

While the loss of skills ('brain drain') is in many ways a severe problem for PICs, it must be expected to continue because the opportunities and incomes overseas are much greater, especially in those PIC economies that are performing poorly. The ILO can assist with the identification of skill gaps and skills losses within PICs and help with training programmes to replace these skills. There are economic activities that are growing in the PICs such as tourism and ICT, which have many kinds of skill needs. The ILO can assist in identifying these growing activities and help in ensuring that work skills and work conditions do not act as a constraint on their growth.

Depending on capacities within the region and the extent of training required, feasibility studies will have to be undertaken to determine whether training is best offered at the national

level or the regional level, or whether Pacific Islanders might be assisted to access training in Australia or New Zealand.

(5) Export of skills

Under existing circumstances the PIC economies cannot realistically be expected to provide paid work opportunities for the many unemployed and underemployed young people. Their best chances for employment lie overseas. Globally, there are some obvious areas of skill shortages and labour demand, particularly in developed countries and in the Middle East. For instance, there is high demand for nurses and caregivers for children and the aged in developed countries. Middle Eastern countries import various low- and high-skilled workers including construction workers, maids, nurses and engineers. There is also strong global demand for private security officers: an opportunity that many Fijians have taken up. Box 2 below provides examples of skills training for specific overseas markets (training of seafarers and fishermen in Kiribati) and discusses the difficulties that have developed in this training activity.

Box 2

Exporting skills—I-Kiribati seafarers and fishermen

The most important overseas employment opportunity for I-Kiribati is as seafarers and fishermen on foreign vessels. The Marine Training Centre (MTC) in Kiribati, which operates under the Ministry of Labour and Human Resource Development, trains students to achieve the level of rating needed under international maritime convention STCW-95 for employment on board merchant vessels. MTC has an agreement to supply seafarers to the South Pacific Marine Services Corporation (SPMS), a consortium of German shipping companies. However, MTC struggles to recruit sufficient candidates to fill the 75 training places available for the two intakes per year. In addition, attrition rates for rating training are high due to the inability of students to adhere to the strict disciplinary regime imposed by the Centre and to the fact that students develop poor health during their studies. The average number of yearly graduates is therefore closer to 110 than the theoretically possible 150. MTC is currently undergoing a refurbishment funded by NZAID and will soon be able to train 200 seafarers a year. The challenge will be to identify a sufficient number of suitable candidates to fill these places.

The supply of seafarers from the pool of available and eligible seafarers in Kiribati is currently not sufficient to fill the labour demands of SPMS. There are shortages of motormen, cooks, bosuns, and fitters. However, by not filling the vacancies it has been asked to fill, Kiribati risks losing these positions. The likelihood of this happening has been increased because of the growing competition from Eastern European and Asian seafarers. As a result, employment levels of I-Kiribati on international vessels have slightly decreased. Yet, there continues to be more demand for than supply of I-Kiribati seafarers.

As well as the disciplinary and health problems, there has been a shift in the industry towards demand for higher skill levels. In particular, SPMS has increasing demand for engineers and officers, as well as for the other more specialised seafarers such as bosuns, fitters and cooks. On the other hand, there is a global oversupply of deck ratings. In order to take advantage of these new employment opportunities, MTC needs to be upgraded with facilities that meet the STCW95 requirements for specialised training in these areas.

The high attrition rates during the training course point to the fact that the selection of candidates is either not adequate or that potential trainees require preparation prior to beginning training at MTC, in order to better cope with the training's requirements. In particular, assistance is needed by those students coming from the outer islands—which is the source of most of the disciplinary and health problems.

Another area in which I-Kiribati have been employed internationally is as fishermen on foreign fishing vessels. The Fisheries Training Centre (FTC) also trains fishermen to achieve the level of rating under the international maritime convention STCW-95.

Until 2006, employment of graduates on board Japanese fishing vessels was guaranteed, as FTC was run as a joint venture between Japan Tuna Fisheries Cooperation and the Government of Kiribati. Since pulling out of the agreement, Japan Tuna employs an agent in Tarawa who recruits fishermen for the same Japanese fishing companies but no longer guarantees employment for FTC graduates. An increasing number of students have therefore been employed by Taiwanese and Korean fishing companies and have been given contracts that have been criticised as poor, with low wages and bad conditions. Since FTC has increased its trainee intake, planning to train two intakes per year of 75 students each, it is likely that increasing numbers of graduates will be employed on Taiwanese and Korean boats.

While there is no shortage of opportunities in the global labour market, PICs require assistance in identifying the most suitable destinations and occupations for their workers, preparing them to take up the work opportunities, and negotiating with the receiving countries.

The International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families was adopted by the UN General Assembly in 1990. The main thrust of the Convention is that persons who qualify as migrant workers under its provisions are entitled to enjoy their human rights regardless of their legal status. Similar to all other international human rights agreements, the Convention sets standards for the laws and the judicial and administrative procedures of individual states. Governments that ratify or accede to the Convention undertake to apply its provisions by adopting the necessary measures. The Convention became international law only in 2003 after 22 countries had ratified it. The UN Convention has not been ratified by any of the PICs.

For a long time, ILO has been at the forefront of efforts to secure and maintain a fair deal for migrant workers and their families. ILO's contribution to achieving greater justice for migrant workers takes two main forms. First, ILO conventions and recommendations set the pattern for national laws and judicial and administrative procedures relating to migration for employment. Second, through its technical cooperation projects, ILO helps to secure the human rights of migrant workers. The two major ILO conventions concerning migrant workers are the Migration for Employment Convention (Revised) (No. 97) of 1949 and the Migrant Workers (Supplementary Provisions) Convention (No. 143) of 1975. None of the ILO Pacific Member Countries has ratified these conventions. If PICs develop their policies and strategies with respect to the exporting of workers, this should be done in conjunction with ensuring the migrant workers' rights. Hence, increased efforts are needed to persuade PICs to ratify the two ILO conventions as well as the UN Convention on migrant workers' rights.

B. Improving labour market statistics in the Pacific

None of the ILO Pacific Member Countries has a regular Labour Market Survey. The best information on the labour market is derived from population censuses or from household income and expenditure surveys (which often do not provide reliable data on employment status). Occasional surveys of parts of the formal labour market or surveys of the informal sector are available, for example for Samoa and Vanuatu. [See the Annex below on the reports available that have some information about labour markets in these countries.]

However, in order to have the kind of data needed to underpin policy analysis, annual surveys of employers will have to be undertaken to collect information such as the numbers, gender, skills, occupations, and age of employees, and the output and value added of the activity. To provide scope for useful cross-country analysis, uniform definitions of the data collected should be adopted.

The region, in the form of the SPC and PIFS, together with donors, is examining the feasibility of ways to greatly improve the collection and compilation of statistics for the PICs. The ILO should participate in this activity to ensure that the information collected is consistent with the kinds of analysis needed to improve labour market policies and provide scope for better monitoring of labour market trends.

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Table 1: GDP growth, GDP per capita, and structure of output for ILO Pacific Member Countries, 1996-2006

Country	Real GDP Growth Rate (average 1996-2006) †		Structure of output (% of GDP) (average 1996-2006)			GDP per capita			
			Agriculture	Industry	Service	2006 US\$	growth rate in % (average 1996-2006) †		
Fiji	2.4*	(2.4)	16.4	23.2	64.4	3446.4**	2.4	(3.1)	
Kiribati	3.3	(3.9)	7.1	7.4	72.6	724.0	2.7	(2.3)	
Marshall Islands	0.3*	(-1.3)	n.a.	n.a.	n.a.	2441.0**	1.0	(1.5)	
Papua New Guinea	2.6	(2.8)	35.3	37.4	27.3	926.2	-3.2	(-0.7)	
Samoa	3.5	(3.6)	15.8	26.6	58.7	2507.5	7.2	(5.9)	
Solomon Islands	0.3	(0.1)	n.a.	n.a.	n.a.	707.0	-3.7	(-2.3)	
Timor Leste	-0.7	(-0.7)	31.7	16.9	51.4	350.4	-2.1	(-3.1)	
Tonga	2.0	(2.0)	29.5	15.8	58.0	2335.9	2.8	(2.5)	
Vanuatu	2.2*	(2.0)	15.7	8.8	75.2	1687.0**	2.2	(1.6)	

Sources: ADB Key Indicators 2007; UNSD: United Nations Statistics Division.* ADB KI 2007: 1996-2005, UNSD: 2006
Notes: ** 2005; † Growth rates in parentheses are from UN Statistics Division.

Table 2: Poverty indicators for Pacific ILO Member Countries

Countries	Per capita GDP (PPP) in 2006 (US\$)	Population in poverty (%)	Poverty Gap	Gini coefficient	Human Development Index 2004
Fiji Islands	6,137	34.4 (2002)	0.3	0.34	0.76
Kiribati	2,504	50.0 (1996)	n.a.	n.a.	n.a.
Marshall Islands	n.a.	n.a.	n.a.	n.a.	n.a.
Papua New Guinea	2,673	37.5 (1996)	12.4	0.48	0.52
Samoa	6,545	20.3 (2002)	6.6	0.43	0.78
Solomon Islands	2,082	n.a.	n.a.	n.a.	0.59
Timor Leste	1,727	39.7 (2001)	11.9	0.35	0.51
Tonga	8,255	22.3 (2002)	7.7	0.42	0.82
Vanuatu	3,315	40.0 (1998)	30.5	n.a.	0.67

Sources: IMF World Economic Outlook database for GDP per capita in Purchasing Power Parity (PPP) terms; UNDP Human Development database for the Human Development Indexes; ADB (2007) for the percentage of the population in poverty and the Gini coefficients.

Notes: GDP measured in PPP terms allows for the differences in prices of non-traded goods and services across countries. The percentage of the Population in Poverty is measured with reference to the country's national poverty line. These poverty lines vary across countries and the percentages therefore cannot be compared. The years in parentheses are the years in which the poverty estimates and Gini coefficients were made. The Poverty Gap is a measure of the depth of poverty in a country. It increases with the distance that the poor are below the poverty line. The Gini coefficient is a measure of the inequality of incomes. The coefficient is defined to range between 0 and 1, with 0 representing full equality in income distribution and 1 representing complete inequality. The Human Development Index is a composite index measuring average achievement in three dimensions of human development: life expectancy, knowledge, and income (GDP per capita on a PPP basis). GDP for Timor Leste is non-oil GDP.

Table 3: Unemployment statistics for Pacific Island Countries

Countries	Unemployment rate (% age of total labour force)	Male unemployment rate (% age of male labour force)	Female unemployment rate (% age of female labour force)	Share of youth unemployment in total unemployment (%)	Year
Fiji	5.9	4.7	8.6	n.a.	2005
Kiribati	1.6	1.5	1.7	32.8	2000
Marshall Islands	30.9	27.6	37.3	n.a.	2000
Papua New Guinea	2.8	4.3	1.3	n.a.	2000
Samoa	4.9	4.4	6.2	57.9	2001
Solomon Islands	32.1	30.8	34.9	42.4	2000
Tonga	5.2	3.6	7.4	43.0	2003
Vanuatu	1.6	2.0	1.2	n.a.	2000

Sources: Fiji Employment and Unemployment Survey 2004-2005; Kiribati NSO; Marshall Islands NSO; Papua New Guinea NSO; Samoa Census of Population and Housing 2001; Solomon Islands Census of Population and Housing 1999; Tonga Labour Force Survey 2003; Vanuatu NSO.

Note: Ages 15+, except Fiji: ages 0+; Papua New Guinea: ages 10+. Marshall Islands: 2000 columns represent 1999; Solomon Islands and Vanuatu: columns represent 1999.

Table 4: HIV/AIDS statistics

Country	Estimated adult HIV prevalence rate (15+ years) end-2005*	Estimated number of people (all ages) living with HIV, 2005*	Number of HIV plus AIDS cases Dec 2004 [#]	Cumulative incidence rate per 100,000 Dec 2004 [#]	AIDS + (AIDS deaths) Dec 2004 [#]
Fiji	0.1	<1,000	182	21.8	25 (17)
Kiribati	...	...	46	49.4	28 (23)
Marshall Islands	...	...	10	18.1	2 (2)
Papua New Guinea	1.8	60,000	10,184	178.8	1,843 (353)
Samoa	...	...	12	6.6	8 (8)
Solomon Islands	...	...	5	1.1	2 (2)
Timor Leste	...	...	...	...	...
Tonga	...	...	13	13.2	9 (8)
Vanuatu	...	...	2	0.9	2 (0)

Sources: *UNICEF (2007): 114-7; [#]ADB (2005): 4-5.

Table 5: Population in 2006, by age cohorts ('000s)

		Booth et al					UN					ADB KI 2007
		Total (2006)	0-14	15-24	25-54	55+	Total (2006)	0-14	15-24	25-54	55+	Total (2006)
Fiji	Total	853.5	265.3 (31.1)	157.6 (18.5)	336.7 (39.4)	93.9 (11.0)	823.5	261.5 (31.8)	163.3 (19.8)	308.4 (37.4)	90.3 (11.0)	850
Kiribati	Total	97.2	36.8 (37.9)	19.6 (20.2)	32.7 (33.6)	8.1 (8.3)	n.a.	n.a.	n.a.	n.a.	...	94.2
Marshall Islands	Total	58.6	24.2 (41.3)	11.7 (20.0)	19.0 (32.4)	3.7 (6.3)	n.a.	n.a.	n.a.	n.a.	...	57.4
Papua New Guinea	Total	5958.2	2303.6 (38.7)	1192.5 (20.0)	2072.2 (34.8)	389.9 (6.5)	5990.1	2289.7 (38.2)	1205.6 (20.1)	2108.8 (35.2)	386.0 (6.4)	6100
Samoa	Total	185.2	74.5 (40.2)	32.5 (17.5)	60.2 (32.5)	18.0 (9.7)	166.5	68.1 (40.9)	34.3 (20.6)	47.5 (28.5)	16.5 (9.9)	179.2
Solomon Islands	Total	483.5	196.2 (40.6)	96.3 (19.9)	156.0 (32.3)	35.0 (7.2)	404.3	181.0 (44.8)	98.6 (24.4)	91.2 (22.6)	33.5 (8.3)	496.3
Timor Leste	Total	1100.8	430.4 (39.1)	229.9 (20.9)	356.4 (32.4)	84.2 (7.6)	n.a.	n.a.	221.5	317.9	76.5	1015
Tonga	Total	99.1	33.8 (34.1)	20.0 (20.2)	32.4 (32.7)	12.9 (13.0)	86.3	36.0 (41.7)	21.9 (25.4)	16.5 (19.1)	11.8 (13.7)	101.1
Vanuatu	Total	227.3	92.6 (40.7)	45.3 (19.9)	72.6 (31.9)	16.7 (7.3)	216.4	82.4 (38.1)	45.7 (21.1)	71.4 (33.0)	16.9 (7.8)	221.5

Sources: Booth *et al* (2006); UN, World Population Prospects 2006 Revision Database; ADB Key Indicators 2007.

Table 6: Population in 2006 and population growth 1996-2006, by age cohorts ('000s)

Country	Total (2006)	%	0-14	%	15-24	%	25-54	%	55+	%
Fiji	823.5	0.7	261.5	-0.3	163.3	0.6	308.4	0.8	90.3	3.7
Kiribati	n.a.		n.a.		n.a.		n.a.		n.a.	
Marshall Islands	n.a.		n.a.		n.a.		n.a.		n.a.	
Papua New Guinea	5990.1	2.5	2289.7	2.2	1205.6	2.1	2108.8	3.0	386.0	3.1
Samoa	178.5	0.9	68.1	0.9	34.3	-0.3	59.6	1.2	16.5	0.9
Solomon Islands	470.9	2.7	181.0	1.8	98.6	2.1	157.9	4.1	33.5	3.0
Timor Leste	n.a.		n.a.		221.5	3.8	317.9	1.4	76.5	3.7
Tonga	98.7	0.2	36.0	-0.2	21.9	1.2	29.0	0.0	11.8	1.1
Vanuatu	216.4	2.3	82.4	2.0	45.7	3.5	71.4	2.7	16.9	2.8

Source: Derived from UN, World Population Prospects 2006 Revision Database.

Note: Population growth rates over the 1996-2006 period are shown in the percentages

Table 7: Estimated labour force and labour force participation rates in 2006, by age cohorts ('000s)

		Total (2006)	%	15-24	%	25-54	%	55+	%
Fiji	Total	332.8	59.2	73.4	45.0	216.3	70.1	43.1	47.7
	Male	223.0	78.8	48.9	57.9	146.1	93.2	28.0	66.8
	Female	109.8	39.4	24.5	31.1	70.2	46.3	15.0	31.1
Kiribati	Total	37.0	63.5	9.0	46.4	22.3	78.5	5.7	53.8
	Male	20.0	71.4	4.9	50.0	12.0	88.2	3.1	66.0
	Female	17.0	56.1	4.1	42.7	10.3	70.1	2.6	44.1
Papua New Guinea	Total	2671.4	72.2	697.8	57.9	1716.0	81.4	256.6	66.5
	Male	1362.1	73.2	349.5	56.6	876.9	83.5	135.6	70.2
	Female	1309.3	71.2	348.3	59.2	840.0	79.3	121.0	62.8
Samoa	Total	65.4	59.2	12.8	37.2	47.0	79.0	5.6	33.8
	Male	43.8	76.2	8.8	47.9	30.6	98.0	4.3	55.4
	Female	21.6	40.8	4.0	24.9	16.4	57.9	1.2	14.2
Solomon Islands	Total	197.6	68.2	57.0	57.8	124.6	78.9	16.1	48.1
	Male	121.3	81.3	32.6	63.3	77.6	96.0	11.1	65.5
	Female	76.4	54.3	24.4	51.8	46.9	61.0	5.0	30.2
Timor Leste	Total	426.6	69.3	136.7	61.7	253.1	79.6	36.7	48.0
	Male	255.1	82.1	76.5	67.2	153.7	95.9	24.9	67.9
	Female	171.5	56.2	60.2	55.9	99.5	63.1	11.9	29.7
Tonga	Total	38.9	62.1	8.9	40.5	23.5	81.0	6.6	55.8
	Male	22.9	72.4	5.4	46.7	13.6	93.2	3.8	71.4
	Female	16.0	51.6	3.4	33.4	9.8	68.6	2.8	43.0
Vanuatu	Total	111.9	83.5	34.8	76.1	63.5	89.0	13.6	80.0
	Male	59.6	87.7	18.7	79.3	33.4	94.2	7.5	84.1
	Female	52.3	79.1	16.1	72.7	30.1	83.9	6.1	75.5

Sources: ILO, Trends Labour Force Model 2007; Kapsos (2007).

Note: The data for Kiribati are based on the 2005 Census. The labour force was defined as the sum of cash workers, village workers and the unemployed, excluding those involved in home duties and the inactive.

Table 8: Booth et al population projections to 2015, by age cohorts ('000s)

Country		Total (2015)	%	0-14	%	15-24	%	25-54	%	55+	%
Fiji	Total	937.9	1.1	285.7	0.8	157.7	0.0	381.1	0.8	133.4	4.0
	Male	477.0	1.0	146.1	0.8	81.2	0.0	185.5	0.8	64.1	4.3
	Female	460.9	1.1	139.6	0.9	76.5	0.0	175.6	0.7	69.3	3.7
Kiribati	Total	119.0	2.3	44.2	2.0	22.3	1.4	41.3	2.6	11.3	3.8
	Male	59.2	2.3	22.4	2.0	11.4	1.4	20.3	2.9	5.1	3.9
	Female	59.8	2.2	21.8	2.1	10.9	1.4	21.0	2.4	6.2	3.6
Marshall Islands	Total	74.6	2.7	32.1	3.2	13.1	1.3	23.5	2.4	6.0	5.5
	Male	37.9	2.7	16.3	3.1	6.7	1.4	11.8	2.3	3.0	5.3
	Female	36.7	2.8	15.7	3.3	6.4	1.1	11.7	2.4	3.0	5.8
Papua New Guinea	Total	7293.0	2.3	2748.6	2.0	1380.2	1.6	2597.0	2.5	567.2	4.3
	Male	3749.1	2.2	1409.4	1.9	720.6	1.5	1333.5	2.7	285.7	3.8
	Female	3543.8	2.3	1339.2	2.1	659.6	1.8	1263.4	2.3	281.5	4.7
Samoa	Total	200.1	0.9	77.9	0.5	34.5	0.7	64.6	0.8	23.0	2.8
	Male	103.1	0.8	39.9	0.3	18.0	0.6	33.7	0.8	11.5	3.1
	Female	96.9	0.9	38.0	0.7	16.5	0.8	30.9	0.8	11.5	2.4
Solomon Islands	Total	601.7	2.5	237.8	2.2	113.5	1.8	207.3	3.2	43.2	2.3
	Male	309.1	2.4	122.2	2.1	59.1	1.9	106.0	3.3	21.8	2.0
	Female	292.6	2.5	115.6	2.3	54.4	1.8	101.3	3.1	21.3	2.7
Timor Leste	Total	1581.2	4.1	736.8	6.2	251.3	1.0	470.2	3.1	122.9	4.3
	Male	802.9	4.1	375.0	6.2	127.5	1.0	240.6	3.0	59.9	4.3
	Female	778.2	4.1	361.8	6.1	123.8	1.0	229.6	3.2	63.0	4.3
Tonga	Total	103.3	0.5	35.5	0.6	19.4	-0.3	34.3	0.6	14.1	1.0
	Male	52.6	0.5	18.2	0.4	10.2	-0.3	17.7	0.9	6.5	1.0
	Female	50.7	0.5	17.3	0.8	9.2	-0.3	16.6	0.4	7.6	1.0
Vanuatu	Total	288.4	2.7	114.9	2.4	55.4	2.3	95.7	3.1	22.4	3.3
	Male	146.9	2.7	58.8	2.3	28.7	2.3	48.2	3.2	11.3	2.9
	Female	141.5	2.7	56.0	2.5	26.8	2.3	47.5	3.0	11.2	3.7

Source: Booth et al (2006).

Table 9: UN population projections to 2015, by age cohorts ('000s)

Country		Total (2015)	%	0-14	%	15-24	%	25-54	%	55+	%
Fiji	Total	879.0	0.7	623.5	1.0	255.5	-0.3	168.9	0.3	124.0	3.2
	Male	446.0	0.7	314.3	1.0	131.7	-0.3	87.3	0.3	57.4	3.2
	Female	432.9	0.7	309.2	1.0	123.7	-0.3	81.6	0.3	66.6	3.3
Papua New Guinea	Total	7284.1	2.2	4702.6	2.4	1538.8	2.7	2615.2	2.4	548.6	4.0
	Male	3678.7	2.2	2350.4	2.4	788.5	2.8	1305.8	2.5	256.1	3.2
	Female	3605.4	2.2	2352.2	2.5	750.3	2.7	1309.5	2.4	292.5	4.7
Samoa	Total	201.1	1.3	131.3	1.7	43.9	2.8	66.2	1.2	21.2	2.8
	Male	104.6	1.3	68.2	1.7	23.0	2.5	34.7	1.2	10.5	3.2
	Female	96.5	1.4	63.1	1.8	20.8	3.0	31.6	1.2	10.7	2.4
Solomon Islands	Total	581.4	2.4	377.2	2.7	120.1	2.2	211.7	3.3	45.5	3.5
	Male	300.9	2.4	194.4	2.7	62.7	2.2	109.4	3.4	22.3	3.1
	Female	280.5	2.4	182.8	2.7	57.4	2.2	102.2	3.2	23.2	3.8
Tonga	Total	103.6	0.5	68.5	0.9	23.0	0.5	33.1	1.5	12.5	0.6
	Male	53.1	0.6	35.0	1.0	12.0	0.4	17.6	2.0	5.4	0.1
	Female	50.5	0.5	33.5	0.8	10.9	0.7	15.5	0.9	7.1	1.0
Vanuatu	Total	267.3	2.4	175.6	2.7	55.1	2.1	96.3	3.4	24.3	4.1
	Male	136.0	2.3	88.9	2.7	28.4	2.1	48.3	3.5	12.2	3.6
	Female	131.3	2.4	86.7	2.8	26.7	2.1	48.0	3.3	12.1	4.6

Source: UN, World Population Prospects 2006 Revision Database.

Table 10: ILO labour force projections to 2015, by age cohorts, and growth rates over the period 2006-2015 ('000s)

		Total (2015)	%	15-24	%	25-54	%	55+	%
Fiji	Total	365.6	1.0	73.6	0.0	233.1	0.8	58.8	3.5
	Male	245.2	1.1	49.2	0.1	158.0	0.9	35.9	3.4
	Female	120.4	1.0	24.4	-0.1	75.2	0.8	20.8	3.7
Papua New Guinea	Total	3356.7	2.6	860.0	2.3	2130.3	2.4	366.4	4.0
	Male	1697.2	2.5	430.4	2.3	1086.4	2.4	180.4	3.2
	Female	1659.4	2.7	429.6	2.4	1043.9	2.4	186.0	4.9
Samoa	Total	76.5	1.8	15.9	2.5	52.5	1.2	8.1	4.2
	Male	50.9	1.7	10.6	2.1	33.9	1.1	6.3	4.2
	Female	25.6	1.9	5.3	3.2	18.6	1.4	1.8	4.2
Solomon Islands	Total	251.6	2.7	66.2	1.3	165.7	3.2	21.7	3.4
	Male	156.3	2.9	37.0	1.4	105.0	3.4	14.3	2.9
	Female	95.3	2.5	27.2	1.2	60.7	2.9	7.4	4.5
Timor Leste	Total	581.5	3.5	179.7	3.1	349.2	3.6	52.6	4.1
	Male	348.2	3.5	99.9	3.0	212.3	3.7	35.9	4.2
	Female	233.4	3.5	79.8	3.2	136.9	3.6	16.7	3.9
Tonga	Total	43.0	1.1	9.0	0.2	27.1	1.6	6.9	0.5
	Male	25.7	1.3	5.5	0.1	16.3	2.0	3.8	0.1
	Female	17.3	0.9	3.5	0.3	10.7	1.0	3.1	1.0
Vanuatu	Total	146.4	3.0	40.9	1.8	86.0	3.4	19.5	4.1
	Male	77.8	3.0	22.1	1.9	45.4	3.5	10.2	3.5
	Female	68.6	3.1	18.8	1.7	40.6	3.4	9.2	4.7

Sources: ILO, Trends Labour Force Model 2007; Kapsos (2007).

Note: The percentages are the growth rates in total and male and female labour force numbers over the period 2006 to 2015.

Table 11: Real GDP growth projections to 2011 (%)

Countries	2006	2007	2008	2009	2010	2011
Fiji	3.6	-3.1(a)	1.9(a)	2.8(a)	2.9(a)	
Kiribati	5.8(b)	2.5(c)				
Marshall Islands	4.0	3.5	3.0	2.5	2.3	1.8
Papua New Guinea	3.7	4.3	3.7	4.4	4.7	4.0
Samoa	3.0	3.5	3.0	3.5	3.5	3.5
Solomon Islands	6.1	5.4	4.2	2.8	1.6	1.5
Timor-Leste	-1.6	32.1	3.5			
Tonga	-3.5	0.8	1.3	1.3	1.2	
Vanuatu	5.5	5.0	4.1	3.0	3.0	

Sources: Papua New Guinea, Marshall Islands, Samoa, Solomon Islands: IMF 2006 Article IV Consultation Staff Report
Fiji: Republic of Fiji, Ministry of Finance and National Planning, Economic and Fiscal Update, Supplement to the 2007 Budget Address, Nov. 2006 (a) Reserve Bank of Fiji Quarterly Bulletin, June 2007; Timor-Leste: Country Update: Timor-Leste - IMF, Economics@ANZ; Kiribati: Compiled by the Market Information and Analysis Section, Australian Government Department of Foreign Affairs and Trade, using the latest data from the ABS, the IMF and various international sources. (b) All recent data subject to revision; (c) IMF estimate; Vanuatu: Oxford Economics - Vanuatu - Highlights and Key Issues, 02. August 2007

Table 12: Formal employment and labour force in selected Pacific island countries ('000s)

Country	Total formal employment ^a (nos.)	Labour force in 2006 ^d (‘000s)
Fiji Islands	120,000 (2003)	332.8
Papua New Guinea	187,234 (2002) ^b	2,671.4
Solomon Islands	22,177 (2002) ^c	197.6
Vanuatu	16,300 (2004) ^e	111.9

Notes:
^a Sourced mainly from Asian Development Bank (2007). Adjustments have been made based on SPC and other data. The years to which the data apply are shown in the parentheses.
^b Formal sector employment in Papua New Guinea is said to include only jobs in urban centres.
^c In 1996, formal sector employment in Solomon Islands was shown as 34,200. Comparison with the figure for 2002 illustrates the impact of the civil unrest of 1997 to 2002 on formal employment.
^d From ILO (see Table 7).
^e Formal sector employment in Vanuatu over the period 2000 to 2004 is said to include jobs in agriculture only where they are involved in "large scale plantation type businesses". In 1989 when this definition of formal sector employment was not used, and presumably employment in other parts of agriculture was included, formal sector employment was 66,600.

Table 13: Projections of formal sector employment in selected Pacific island countries by 2015

	Estimated formal employment in 2006 ^a	Projected Employment 2015 ^b	Percentage change
Fiji Islands	126,300	145,880	15.5
PNG	215,900	267,230	23.8
Solomon Islands	30,500	32,360	6.1
Vanuatu	17,000	21,250	25.0

Notes:

^a Projected from formal employment numbers in column one of Table 12.

^b Projections were made for Fiji and Solomon Islands by extrapolation of past trends in the various sectoral employment categories. Projections for PNG and Vanuatu are "guesstimates".

Table 14: Potential excess supply of labour by 2015 for selected Pacific island countries ('000s)

	Labour force not employed in the formal sector in 2006 ^a	Projected labour force in 2015 ^b	Projected formal sector employment in 2015 ^c	Projected labour force not employed in the formal sector in 2015 ^d
Fiji Islands	206.5	365.6	145.9	219.7
Papua New Guinea	2,455.5	3,356.7	267.2	3,089.5
Solomon Islands	167.1	251.6	32.4	219.2
Vanuatu	94.9	146.4	21.3	125.1

Notes:

^a Derived from column 2 in Table 12 and column 1 in Table 13.

^b From Table 10 (ILO estimates).

^c From Table 13.

^d Column 2 minus column 3.