

## Centralizing Decent Work in the Response to Tropical Cyclone Winston

**Table 1: Key economic and labour market indicators, 2013–15**

	2013	2014	2015
Real GDP (% change y-o-y) <sup>a</sup>	4.7	5.3	4.0
Investment (% of GDP) <sup>a</sup>	29.0	25.0	25.0
Visitor arrivals (% change y-o-y) <sup>b</sup>	-7.6	4.5	12.2
Consumer prices (% change y-o-y)	2.9	0.5	1.4
	Female	Male	Total
Labour force (thousand)	127.3	239.5	366.8
Employment (thousand)	116.0	227.9	344.0
Labour force participation rate (%)	41.6	75.8	59.0
Unemployment rate (%)	8.9	4.8	6.2
Adult, ages 25+	5.3	3.1	3.9
Youth, ages 15-24	26.0	13.8	18.2
Informal employment rate (%)	64.7	57.4	60.0

Note: All labour market indicators are based on 2014 estimates for the population ages 15 and above, except for informal employment (2010/11). Informal employment is defined as employed persons not making contributions to the Fiji National Provident Fund. (a) 2014 figures are provisional and 2015 figures are estimates; (b) as of end of month in September.

Source: Asian Development Bank (ADB) and ILO: *Fiji: Creating quality jobs: Employment diagnostics study* (2015); Fiji Bureau of Statistics: *Population and labour force estimates of 2014*, Release No. 99 (Suva, 2015); Reserve Bank of Fiji; authors' estimates.

### Overview

Fiji's economic and labour market context is complicated by various geographic and environmental dynamics.<sup>1</sup> The immense destruction from the category five Tropical Cyclone Winston, which struck on 20 February 2016, serves as a tragic reminder of the country's extreme vulnerability to natural disasters and environmental shocks. Classified as the strongest storm to ever form in the South Pacific and second only to Super Typhoon Haiyan as the strongest cyclone to make landfall in recorded history, the catastrophe has caused at least 43 fatalities and affected around 350,000 people.<sup>2</sup> Destruction has been widespread but particularly in the Western and Northern Divisions, which account for 88

<sup>1</sup> This update was prepared by Richard Horne and Phu Huynh of the Regional Office for Asia and the Pacific, with contributions from Kee Beom Kim, Edward Bernard and Satoshi Sasaki. It provides a snapshot of economic and labour market trends in Fiji based on official data available as of 30 March 2016.

<sup>2</sup> UN Office for the Coordination of Humanitarian Affairs (OCHA): *Fiji Flash Appeal: Tropical Cyclone Winston: February – May 2016* (Suva, 2016).

per cent of total damages and around 55 per cent of the national workforce. Centralizing decent work in the crisis recovery effort will be critical in assisting devastated communities to build back better.

The country's fragility to environmental crises will also weigh down its long-term development efforts towards achieving the Sustainable Development Goals. To this end, improving the quality of jobs is key for inclusive and sustainable development in Fiji. This will necessitate community-based emergency employment and labour-intensive infrastructure investments in the ongoing reconstruction efforts, supporting micro, small and medium enterprises to quickly recover lost income and work days through restarting business and facilitating transition to the formal economy, and addressing child labour during the crisis response. Also critical are promoting gender equality and safety in the workplace and assisting young women and men in their pursuit of decent work.

### Cyclone Winston weighs down the economy

The Fiji economy in recent years has witnessed robust growth, driven by strong tourism and remittances and increasing investment. GDP increased by 4 per cent in 2015, following an expansion of 4.7 per cent and 5.3 per cent in 2013 and 2014, respectively (see table 1). Inflationary pressure has been minimal due to low international commodity prices. However, exports especially of sugar were weak last year, partly as a result of dry weather conditions from an El Niño event.<sup>3</sup> In addition, Cyclone Winston underscores the country's economic exposure to natural disasters.

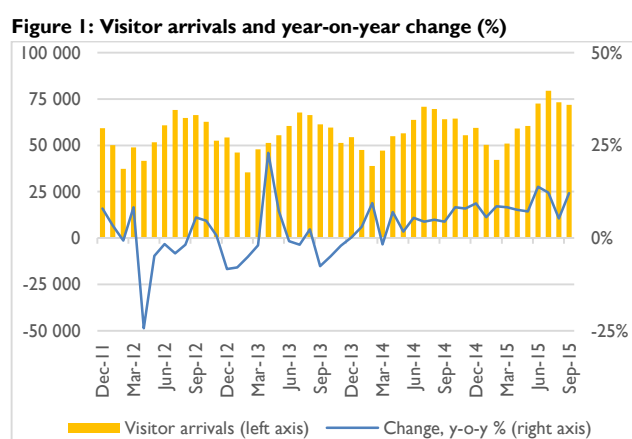
A full assessment of the economic impact of Cyclone Winston is still unfolding. However, initial estimates by the Government of Fiji indicate total damages of more than FJ\$1 billion.<sup>4</sup> At least 24,000 homes were damaged or destroyed. Agricultural losses are estimated at around

<sup>3</sup> ADB: *Pacific Economic Monitor: Budget analysis* (Mandaluyong City, Philippines, 2015).

<sup>4</sup> UNOCHA, op. cit.

FJ\$208 million with 44,500 farmers affected.<sup>5</sup> This is devastating the livelihoods of subsistence farmers in particular.

The adverse effect of Cyclone Winston on tourism, which generated estimated earnings of around FJ\$1.6 billion in 2015, will likely affect the economy in the short term.<sup>6</sup> Tourism grew considerably in 2014 and 2015, as illustrated by year-on-year increases in visitor arrivals (see figure 1). However, given extensive damage to infrastructure and the prolonged reconstruction ahead, tourists will likely divert their travel to other neighbouring Pacific Island countries such as Vanuatu in the coming months. Following the severe floods in Fiji in January 2012, arrivals particularly from Australia and New Zealand slowed considerably.



Source: Fiji Bureau of Statistics.

### Sizeable gender inequalities in the labour market

Fiji faces a number of labour market challenges. The labour force participation rate was 59.0 per cent in 2014 (see table 1), which is relatively low for Pacific Island countries where the regional average was 65.6 per cent.<sup>7</sup> Fiji's rate was driven down by low female participation, which at 41.6 per cent, was more than 34 percentage points lower than the male equivalent at 75.8 per cent. Further, women earned around one-third less than men, pointing to labour market constraints and untapped potential of women.

There is evidence that the gender gap has been worsening with women being more likely to enter informal work and subsistence activities. For instance, according to data for

<sup>5</sup> Fiji Broadcasting Corporation: "Waibuta: \$200million+ loss to agriculture sector", 19 Mar. 2016, <http://www.fbc.com.fj/fiji/38576/waibuta-200million+-loss-to-agriculture-sector-> [accessed 30 Mar. 2016].

<sup>6</sup> Estimates of tourism earnings are based on Fiji Bureau of Statistics.

<sup>7</sup> All labour market figures for 2014 are based on Fiji Bureau of Statistics, op. cit. and 2004/05 and 2010/11 estimates are based on ADB and ILO, op. cit. Regional labour market estimates are based on ILO: Trends Econometric Models (Nov. 2015).

2010/11, women were more likely to be in informal employment, at around 64.7 per cent compared to 57.4 per cent for men. Moreover, the informal employment share for women increased from 57.2 per cent in 2004/05, while the male share declined.

### Agricultural subsistence underscores urban-rural disparities

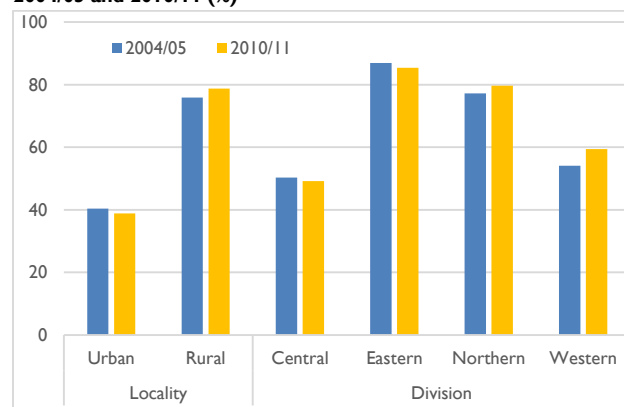
In 2010/11, around 44.2 per cent of employment was based in the agriculture sector, 14.3 per cent in industry and 41.6 per cent in services. Of these, just under half were in paid employment positions with a further 26.1 per cent in a mix of paid and subsistence work. The remaining 24.0 per cent were only in subsistence activities.

For the agricultural sector, 51.2 per cent of all employment was solely on a subsistence level, with only 14.2 per cent on a purely paid basis. This compares to 79.1 per cent of those employed in services on a solely paid basis. It also represents a significant decline from 29.4 per cent of agricultural employment on a solely paid basis in 2004/05. As a result, earnings of rural workers were less than half the earnings of their urban counterparts, which contributed to higher poverty rates in rural regions (43.3 per cent) compared to urban areas (18.6 per cent).

### Pervasive informality worsens social security gap

Around 60 per cent of Fiji's workers were in informal employment and not contributing to the Fiji National Provident Fund (FNPF) in 2010/11. The rate in rural areas at 78.7 per cent was nearly double that in urban parts (see figure 2). Indeed, the prevalence of informality is a major concern particularly for the agriculture sector, where informal employment was recorded at 95.4 per cent. Moreover, about four in five workers in the Eastern and Northern Divisions were working in informal arrangements.

**Figure 2: Informal employment rate by locality and division, 2004/05 and 2010/11 (%)**



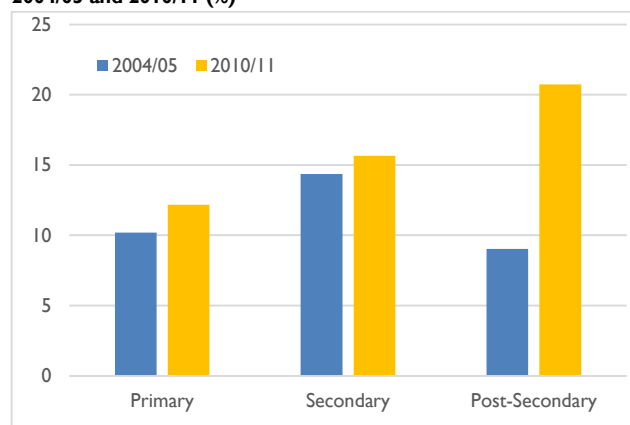
Source: ADB and ILO, op. cit.

The persistence of informality suggests that the challenge of low quality jobs is not abating. This bodes poorly for combatting poverty through expansion of productive opportunities, particularly for women and rural workers. Further, it is particularly problematic in terms of resilience to external shocks, as displayed in the wake of Cyclone Winston (see box 1). In this regard, the irregularity of employment and earnings limits the ability to save and invest in productive potential.

### Unemployment of more educated youth a pressing concern

The general unemployment rate of 6.2 per cent in 2014 was relatively in line with the regional average of 6.0 per cent. However, unemployment among young people ages 15-24 was more prominent, at 18.2 per cent compared to around 13.1 per cent for the region, and represented nearly 11,000 unemployed young women and men. This equates to an unemployment rate for youth that was 4.7 times that of adults (ages 25 and above).

Figure 3: Youth unemployment rate by educational attainment, 2004/05 and 2010/11 (%)



Source: ADB and ILO, op. cit.

The youth unemployment situation is more concerning for those with higher levels of educational attainment. In 2010/11, the unemployment rate for young people with levels of post-secondary education was 20.7 per cent (see figure 3). This compared to 15.6 per cent for youth with a secondary diploma and 12.1 per cent for those with only primary schooling. It also points to evident skill and qualification mismatches in the economy. For working youth, around 40 per cent were employed in a job that did not match their educational qualifications.<sup>8</sup> In other cases, young people are migrating in pursuit of employment opportunities abroad.

Despite these challenges in finding work, there continues to be considerable economic incentives for pursuing

<sup>8</sup> For further discussion on youth and qualification mismatches, see: ILO: *Asia-Pacific Labour Market Update: October 2015* (Bangkok, 2015).

higher education. Based on 2010/11 data, significant wage premiums associated with higher levels of educational attainment are evident in the labour market. While controlling for differences in demographic characteristics and industry and occupation of employment, wages were 14 per cent higher for a secondary school graduate compared to an employee with only a primary education, and 50 per cent higher for post-secondary schooling. This suggests that highly educated young jobseekers may be holding out in hopes that they land a higher paid job that meets their aspirations.

### Outlook and policy implications

The short-term outlook remains uncertain in light of the devastation of Cyclone Winston. GDP projections by the Reserve Bank of Fiji suggest a downgrade of around 0.5 percentage point to 3.5 per cent for 2016.<sup>9</sup> The implications on the labour market are less clear, with the impact on the agricultural sector likely to be the most costly in terms of employment and earnings. The tourism industry is expected to remain buoyant as a result of some immediate policy responses, suggesting some degree of resilience for workers in this industry. Given uncertainties in the labour market, the ILO is supporting the Government of Fiji to assess the impact of Cyclone Winston on Employment, Livelihoods and Social Protection (ELSP) as part of the Post Disaster Needs Assessment (PDNA).

Prior to the onset of Cyclone Winston, projections by the Fiji Ministry of Finance and the ILO pointed to employment expansion during the next decade across all industries with the exception of mining, underpinned by strong population growth.<sup>10</sup> The impact of Cyclone Winston may alter the composition of this projected growth in the short term. However, the medium-term projections will likely stand with employment growth of around 2,000 new jobs per annum over the next five years, of which around 80 per cent are expected to be in the services industry.

A number of policy priorities would help Fiji address its short-term challenges in light of Cyclone Winston while also tackling long-standing labour market issues. First, immediate recovery efforts that include employment-intensive infrastructure investments and quickly re-establish livelihoods are critical. This requires integrating the principles of decent work into the disaster response through emergency employment programmes that target informal workers and the most vulnerable households.

<sup>9</sup> Reserve Bank of Fiji: *Fiji's economic performance expected to remain positive this year*, Press Release No. 7/2016 (11 Mar. 2016).

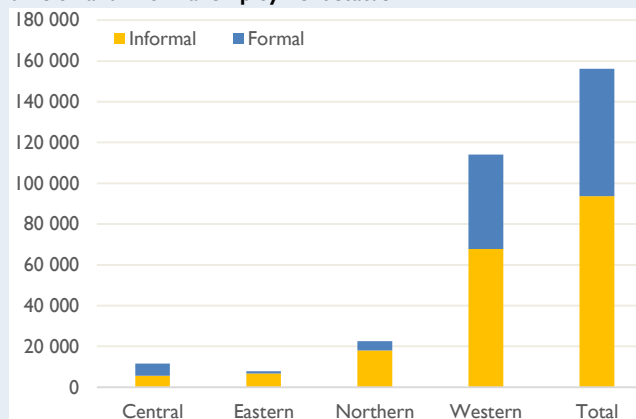
<sup>10</sup> Fiji Ministry of Finance and ILO: *Employment and macroeconomic projections for Fiji, 2015–2024* (Suva, ILO, forthcoming).

### Box I: Informal workers left stranded by Cyclone Winston

Preliminary estimates indicate that Cyclone Winston affected approximately 156,000 workers (see figure B.1). Of these, nearly three in four were in the most affected Western Division. Worryingly, an estimated 60 per cent of all workers affected, equivalent to around 94,000 women and men, were informally employed before the crisis hit. These workers typically lack the job security, regular incomes, and employment and social protection enjoyed by their counterparts in formal employment. This exacerbates the vulnerability of informal workers to poverty and hampers the scope to accumulate precautionary savings.

This issue is highlighted most starkly with the Fiji National Provident Fund (FNPF). As of March 29, the FNPF has paid out FJ\$135.6 million from a total of 146,000 applications as an emergency provision in the wake of Cyclone Winston.<sup>1</sup> Beneficiaries were able to use the money, which is extracted from pension provisions, to help recover from the impact of the crisis and tide them over during this period. The FNPF is funded by a combination of worker and employer contributions, in which informal workers, the self-employed and domestic workers are able to make voluntary contributions. However, according to the FNPF, less than 1 per cent of total contributions came from voluntary sources in 2014.<sup>2</sup> This suggests that informal workers who represent the majority of workers affected by the Cyclone, are less likely to benefit from formal social protection afforded by the FNPF.

Figure B.1: Estimated workers impacted by Cyclone Winston by division and informal employment status



Source: Authors' estimates based on data of population by region affected by Cyclone Winston and 2010/11 and 2014 baseline employment and population data from ADB and ILO, op. cit.; Fiji Bureau of Statistics, op. cit.; and UNOCHA, op. cit.

<sup>1</sup> FNPF: "FNPF pays out an additional \$35 million to members", 29 Mar. 2016, <http://www.myfnpf.com.fj/media-centre/media-releases/712-fnfpf-pays-out-an-additional-35-million-to-members> [accessed 30 Mar. 2016].

<sup>2</sup> FNPF: "FNPF records \$373.2 million surplus", 23 Oct. 2015, <http://www.myfnpf.com.fj/media-centre/media-releases/658-fnfpf-records-373-2-million-surplus> [accessed 30 Mar. 2016].

Also, other efforts are needed to address informality as highlighted by the fallout of Cyclone Winston. This includes measures to formalize informal employment, especially in small and medium-sized enterprises. Besides reduced administrative and tax burdens and improved access to finance, expanding social protection coverage and developing non-contributory schemes are critical.

In addition, establishing an inter-ministerial taskforce to formulate and monitor a national employment policy under the Board of the Fiji National Employment Centre (NEC) would help address some of the structural labour market challenges through greater policy coordination and coherence. The NEC itself could be further strengthened to provide more efficient employment services, including quick response services in times of external shocks such as that of Cyclone Winston.

Formation of a technical, vocational education and training council to help address skills mismatches and youth unemployment would help improve job matching and investment in relevant skills. Strengthening the role of

employers in education and training programmes can help tailor curricula to market needs. To this end, a comprehensive labour market information system can help make information more accessible to policymakers, young graduates and jobseekers.

Finally, continued efforts are required to enhance social dialogue to ensure business sustainability and equitable and inclusive growth.

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