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Pacific Islands Countries Labour Market: Issues and Challenges

Mahendra Reddy

1. INTRODUCTION

The labour market in the Pacific Island Countries (PICs) can be defined as the aggregate of formal and informal sector employment. The formal sector consists of productive work regularly remunerated by a wage or salary and other benefits. Those working in the informal sector engage in activities for exchange or consumption. Workers in this category also move on to the enviously regarded formal sector, if they meet prerequisites that would allow them to move ahead. The largest segment of the informal sector is the subsistence sector, where the bulk of the PIC population resides and sustains its livelihood. The informal sector, including the subsistence segment, consists of several categories of worker: entrepreneurs, establishment workers, independent workers, casual workers, and rural subsistence workers (Forum Economic Ministers Meeting, 2006).

Being thus dichotomised and inherently rigid, the PICs labour market presents major problems and challenges. In particular, the problem of rising unemployment has become a high-profile policy issue amid alarming population growth forecasts. Rising unemployment could occur when markets fail to clear and match. This happens when the economies are not performing up to expectation. A sustainable solution to this problem is to ensure economic growth, at a rate of 5 to 7 per cent in real terms. However, in most PICs, average per capita incomes have shown little change since independence, even after 30 years. In many of them, population growth rates are still high as they have not yet entered the post-demographic transition stage, and total fertility rates are around 4 per cent in some cases (e.g. Papua New Guinea (PNG), Marshall Islands, Solomon Islands and Vanuatu). With population growth rates of 2.5 per cent or higher, the economies have had to average a GDP growth rate of around 2.5 per cent just to maintain average per capita incomes. Secondary data from various PICs indicate that some people have become quite wealthy which, together with the stagnant average per capita incomes, suggests that income distribution is becoming more uneven and

poverty increasing rapidly. This observation is supported by the limited studies of poverty in the Pacific, which also suggest that poverty is worsening in most countries (ADB, 2004). In the case of Fiji Islands, the labour market is growing steadily, but this growth is insufficient to absorb the estimated 17,000 entrants to the labour market each year, thus implying that there is an excess supply of unskilled labour.

These statistics make it quite clear that slow and sluggish economic growth is a major cause of unemployment problems. The mismatch between the supply and demand for employment opportunities could be due to several market or non-market factors that affect demand and supply of workers. Furthermore, a number of specific factors are peculiar to PIC economies. Therefore, appropriate policy formulation will require an in-depth understanding of PIC labour markets. In this light, this chapter will examine in detail the various factors and characteristics that define the Pacific Island Countries' labour market.

2. PERFORMANCE OF PICs ECONOMIES

In most of the PICs, average per capita incomes have shown little change since independence – in some cases over 30 years ago. In most of these countries, population growth rates are still high as they have not yet entered the post-demographic transition stage, and total fertility rates are around 4 live births per woman in some cases (e.g., PNG, Marshall Islands, Solomon Islands and Vanuatu). Hence, with population growth rates of 2.5 per cent or higher, the economies have had to average GDP growth of around 2.5 per cent just to maintain average per capita incomes. Visual observation indicates that some people have become quite wealthy which, together with stagnant average per capita incomes, suggests that income distribution is becoming more uneven and poverty increasing, creating a wider gap between rich and poor. This observation is supported by the limited studies of poverty in the Pacific, which also suggest that poverty is worsening in most countries (ADB, 2004).

The economic performance of the PICs in the second half of the 1990s and the first half of the 2000s varied considerably from country to country. Cook Islands, Fiji Islands, Kiribati, Samoa, Tonga and Tuvalu all had positive per capita GDP growth during this period, while Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), Solomon Islands and Vanuatu experienced, on average, negative per capita GDP growth.

How have the PICs done in comparison with other developing countries? The average 1995–2003 per capita GDP growth rates of the Low Income (3.2 per cent) and Lower Middle Income (3.6 per cent) countries are higher than that of the PICs (0.7 per cent average for 1995–2004), which suggests that the PICs are not doing as well as many other developing countries. The small economies of the Caribbean are widely used as comparators for the PICs. Of 12 Caribbean countries for which World Bank per capita GDP data are

available, the average per capita GDP growth rate for the period 1970–2003 (not all countries have data covering the full period) was 2.8 per cent. For the ten PICs for which these data are available, the average per capita GDP growth rate was 1 per cent. For the period 1995–2003, the average for the Caribbean countries was 1.6 per cent, compared to the 0.7 per cent average for the PICs for the 1995–2004 period.

Of the three countries with increases in per capita incomes above 2 per cent per annum – Cook Islands (6.5 per cent), Kiribati (2.3 per cent) and Samoa (3.1 per cent) – two, Cook Islands and Samoa, have undertaken substantial economic reforms. The economic performance of Cook Islands improved considerably following the comprehensive economic reform programme that began in 1996, moving from a negative GDP growth rate in 1995 to a positive 5.8 per cent in 1998 and 13.9 per cent in 2000. However, its performance since then has been less impressive, with GDP growth rates in the 3 to 5 per cent range. Cook Islands' population has declined at an annual rate of 3.4 per cent over the past ten-year period because of emigration to New Zealand, resulting in the very high rate of per capita GDP growth.

Samoa had two years of 6 to 7 per cent GDP growth in 1995 and 1996 and another two years of growth at similar levels in 2000 and 2001. The economic reforms undertaken in the 1990s, such as tariff reductions, adoption of the VAT, liberalisation of the foreign investment environment and public sector reform appear to have played a significant role in the reasonably good performance over the past decade. Ownership of the reform programme at the highest political level was no doubt important in its effective implementation.

While per capita GDP growth in Kiribati has been reasonably good, its economy is based primarily on services (75 per cent). Moreover, public administration is a major part of the services sector and the only component of the economy that has grown (doubling over the past decade in current dollar terms). Thus, the Kiribati economy is largely driven by aid, fishing licence fees, trust fund revenues, and remittances, with most of these funds being used to support growth in public services.

Vanuatu is another PIC that has undertaken substantial economic reform in recent years. However, it has also experienced considerable political instability and averaged only 1 per cent GDP growth during 1995 to 2004, which translates into an annual per capita GDP decline of 1.6 per cent over the past decade. Seventy-five per cent of the Vanuatu economy is recorded in the services sector – a large part of which is public administration. As elsewhere, macro-economic stability has been achieved relatively easily in Vanuatu. In 1998, when the Comprehensive Reform Program was introduced, the fiscal deficit was 10 per cent. In 2004, the government budget recorded a surplus of 1.1 per cent. Nevertheless, achieving micro-economic reform has proven difficult.

Fiji Islands, FSM, PNG, RMI and Solomon Islands have undertaken micro-economic reforms over the past decade or so. However, there has been limited

success with all of these reforms. A major problem appears to be in the implementation of reform programmes, perhaps because of bureaucratic ineffectiveness but more probably because of political unwillingness.

Raising economic growth to levels that will substantially reduce poverty will require levels of investment similar to those experienced by the rapidly growing countries of East Asia – in the 25–30 per cent range. There is extremely limited information about investment levels in the PICs. Information on the total investment and the breakdown into private and public investment is available only for Fiji Islands out of all PICs. On the latest figures, Fiji Islands's total investment is around 16 per cent of GDP (it has increased from a low point of 10 per cent following the 2000 coup). Of the total investment, only about a quarter is private; government investment is also about a quarter, while a half is by state-owned enterprises. Recent investment/GDP ratios are well below the peak reached in the period 1979–81 of close to 30 per cent. It seems likely that the decline can be attributed in large part to the high level of emigration among the better off and more highly skilled Indo-Fijian population since the coups of 1987. The recent increase in the investment/GDP ratio is most likely to be attributable to the increase in foreign investment in resort construction for the expanding tourism sector.

While there are almost no data on investment behaviour in the other PICs, it appears that most domestic investment is undertaken by the small expatriate communities from Australia, New Zealand, China (mainland and Taiwan), Korea, India and Vietnam. Foreign investment appears to be mostly in the form of the establishment of local branches of multinationals behind import barriers (producing for the domestic market, except where preferential trade arrangements allow very limited entry to other PICs).

3. THE PICs LABOUR MARKET: A SNAPSHOT

The PICs labour market consists of four sets of economies:

- the urban formal sector
- the urban informal sector
- the rural agricultural sector
- the rural subsistence sector.

Apart from Cook Islands, Samoa and Tonga, only a small proportion of the working-age population works in the urban formal sector (see Table 1). The largest formal sector labour market is in Cook Island (81.1 per cent) while the smallest market (5.6 per cent) is in PNG. This is ironic, as Cook Islands is one of the smallest countries and the only major resource it has is marine. However, its strong link with New Zealand enables it to get Aid and Grant support. On the other hand, PNG, despite having almost all the natural resources, has a very small proportion of its working-age population engaged in the formal sector.

Table 1: Employment and Working Age Population in Selected Pacific Island Countries

<i>Country</i>	<i>Total formal sector employment (year)</i>	<i>Population in 2004</i>	<i>Working age population (15–54) in 2004 (% of total)</i>	<i>Formal sector employment/working age population (%)</i>
Cook Islands	5,900 (2001)	14,000 (52.0)	7276	81.1
Fiji Islands	120,000 (2003)	836,000 (58.3)	487,450	24.6
FSM	15,137 (2003)	112,712 (54.8)	61,786	24.5
Marshall Islands	13,300 (2000)	55,370 (53.5)	29,614	34.8
Papua New Guinea	187,234 (2002)	5,695,300 (58.3)	3,320,217	5.6
Samoa	57,100 (2001)	182,750 (49.9)	91,131	62.7
Solomon Islands	22,177 (2002)	460,100 (52.0)	239,362	9.3
Tonga	34,600 (2003)	98,323 (52.7)	51,824	66.9
Vanuatu	16,300 (2004)	215,836 (51.4)	110,976	14.7

Source: The World Bank (2006:39)

Of those who work in the formal sector, most are working in the public sector. The large proportion of the formal sector working population in the public sector reflects the continuing importance of the public sector role in the growth and development of PICs economies. It still runs most of the institutions, and provides public utilities such as water, electricity and telephone in most countries. Public investment is a major proportion of the total investment.

The PICs labour market continues to face major challenges, in particular, that of unemployment. The formal sector is unable to absorb young school leavers from high schools or graduates from the major tertiary institutions in their countries. Countries that face a severe crisis in this regard are PNG, Solomon Islands, Vanuatu and Fiji Islands. In these countries population growth is quite high, emigration is low and economic growth is sluggish. Given that these countries have high youth dependency and fertility rates, a failure of rapid economic growth could lead to major social crisis in the near future. These countries are already experiencing serious social problems such as crime and violence.

The next section examines the salient features of PICs economies that define the contemporary PIC labour market.

Tables 2 and 3 provide a more detailed exposition of employment by sectors in PICs. The service sector generally employs more workers than the manufacturing sector in the region. Fiji Islands stands out as the biggest achiever as a result of the tourism sector, followed by PNG. Niue alone shows the lowest employment in the services sector. For labour force participation rates by country, Vanuatu followed by Cook Islands and FSM have the lowest participation and Tuvalu and PNG the highest. Nauru has the highest unemployment rate of the region and Tuvalu, Vanuatu, Samoa and Kiribati have the lowest.

Labour markets in PICS are highly segmented due to the sharp split between the formal and informal sectors. This combination prevents the easy movement of labour to take advantage of appropriate job opportunities.

4. LABOUR FORCE DYNAMICS: THE DEMAND AND SUPPLY CONDITIONS DEFINING PIC LABOUR MARKETS

Certain peculiar characteristics of the PIC labour market, explained in the following sections, need to be considered when designing policy measures to address the broader economic and social goals. Not only is it dualistic in

Table 2: The Sectoral Distribution of Employment in PICs Labour Markets

Country	Agriculture	Manufacturing and Construction	Services	Public Sector
Cook Islands	519	306	2,506	3,868
Federated States of Micronesia	700	—	—	4,200
Fiji Islands	1,563	38,274	102,428	53,495
Kiribati	—	—	2916	6284
Nauru	18	587	418	930
Niue	—	—	210	432
Palau	—	1,894	883	6,025
PNG	43,050	43,830	53,638	60,523
Solomon Islands	7,426	5,535	2,702	18,011
Tonga	410	1,590	3,593	6,831
Tuvalu	105	60	277	1,046
Vanuatu	975	3,120	5,850	6,240
Samoa	3,000	5,155	3,000	17,000

Sources: Chand (2006); Mellor (2004); Toatu (2004); Jowitt (2004); Imbun (2005a, b); Voigt-Graf (2006)

* Fiji Islands figures are taken from employment forecasts by industry, Booth, Zhang, Rao, Taomia, Duncan, (2005), cited in Voigt-Graf 2006)

Table 3: Selected Social and Economic Indicators of PICs Labour Markets

Pacific Island Country	Last Census	Population at Census	Urban Population (%)	Labour Force Participation Rate, male (%)	Labour Force Participation Rate, female (%)	Adult Literacy rate (%)		Primary School Enrolment 2000	Secondary School Enrolment 2000
						Male	Female		
Cook Islands	2001	14990	6346	76.0	61.0	93	94	92.3	...
Fiji Islands	1996	775077	37	79.2	39.0	95	91	94.7	...
Kiribati	1995	77658	65	86.0	76.0	94	91	93.5	38.5
Marshall Islands	1999	50840	27	66.0	35.0	79	69	84.1	...
FSM	2000	107008	35	67.0	50.0	77	66	92.3	24.9
Niue	1997	2088	71	75.0	49.0	98	97	90.2	64.9
Palau	1995	17225	15	75.0	64.0	94	88	76.2	23.1
Papua New Guinea	2000	5190786	35	68.0	67.0	35	21	77.4	...
Samoa	2001	176848	12	68.0	73.0	96	96	87.0	16.6
Solomon Islands	1999	409042	32	31.0	15.0	39	20	56.0	...
Tonga	1996	97784	47	75.0	53.0	99	99	89.4	62.7
Tuvalu	2002	9526	21	n.a	n.a	95	95	99.6	...
Vanuatu	1999	193219	21	55.0	45.0	37	30	78.2	18.3

Source: UNDP, Pacific Human Development Report, (various years)

nature; the market has high youth unemployment, rising poverty and inequality, increased emigration and internal migration.

4.1 *Small Domestic Market*

They are not called small island economies for no reason: the PICs represent a small total land mass. Spread over 30 million square kilometers of the Pacific Ocean lie 22 island countries and territories, comprising some 7,500 islands. Of these, only about 500 are inhabited. The smallest country has a land area of 1,000ha (Tokelau) while the largest one, Papua New Guinea, has a land mass of 46,284,000 ha. A small country naturally implies a small domestic market. Thus, the labour absorption capacity of a small country has a natural limit. Furthermore, small country implies diseconomies of scale and thus a natural limitation to types of industries that could be established.

4.2 *Geographical Characteristics and Constraints to Growth and Labour Absorption*

The Pacific Island countries vary greatly with respect to their geographical features. The Melanesian countries of Papua New Guinea, Solomon Islands, Vanuatu, Fiji Islands and New Caledonia comprise large, mountainous and mainly volcanic islands. They are endowed with considerable natural resources: fertile soils, large forests, mineral deposits and rich ocean resources. The Micronesian and Polynesian countries, by contrast, comprise much smaller islands. Most are made up of small atolls with poor soil, with elevations usually between 1 and 2 metres (Kiribati and Tuvalu); there are some islands of volcanic origin with more fertile lands (Samoa and Tonga). Natural resources are mostly limited to the ocean; the seas of Micronesia and Polynesia are generally rich in living resources, as well as being reported to have significant prospects for exploitable non-living resources (petroleum, natural gas, minerals). These features of the Micronesian and Polynesian countries are a major constraint to expansion of their labour markets.

4.3 *High Vulnerability to Risks*

The Pacific Island countries are ranked among the most vulnerable in the world to natural disasters. Many of them are prone to the damaging effects of cyclones (hurricanes or typhoons), earthquakes, landslides and volcanic eruptions (see Table 4). Although natural disasters also occur in non-island countries such as the USA, the impact of a natural disaster on an island economy is much larger, given that the value of the damage is much larger in relation to the size, both geographically and with respect to GDP.

Natural disasters destroy the stock of capital, thus having a longer-term impact on the total output and secondly, they threaten the very survival of some small islands. Effects include devastation of the agricultural sector, the

wiping out of entire village settlements, the disruption of a high proportion of communication and other services and injury or death of a relatively high percentage of inhabitants.

A recent World Bank report stated that:

Pacific Island countries rank among the most vulnerable in the world to natural disasters. Since 1950, natural disasters have directly affected more than 3.4 million people and led to more than 1,700 reported deaths in the region (outside of PNG). In the 1990s alone, reported natural disasters cost the Pacific Islands region US\$2.8 billion in real 2004 value. Between 1950 and 2004, extreme natural disasters, such as cyclones, droughts and tsunamis, accounted for 65 percent of the total economic impact from disasters on the region's economies. Ten of the 15 most extreme events reported over the past half a century occurred in the last 15 years. (World Bank, 2006a: 10).

The loss of output arising out of the natural disasters affects the labour market in a number of ways. First, loss of lives implies loss of human capital. The PICs often face problems of human capital shortage and the problem is only aggravated by loss of lives arising out of a natural disaster. The labour market is also affected by the loss of output consequent on natural disaster. Furthermore, the necessity to divert public sector resources from productive areas towards disaster relief and repair work has a long-term impact on the labour market. Given the frequency of natural disasters in the Pacific, the labour market is quite fragile and vulnerable.

4.4 The EEZ, the Environment and the Labour Market

The Exclusive Economic Zones (EEZ) of the Pacific Island nations reach 200 nautical miles from their coasts, representing a significant portion of the off-shore fisheries and seabed mineral wealth of the ocean hemisphere. This provides an additional dimension to the PIC labour market, a source of employment on the sea. A large proportion of PIC populations source their

Table 4: Reported Disasters in the Pacific Islands (1950–2004)

<i>Natural Disasters</i>	<i>No.</i>	<i>Reported fatalities</i>	<i>Population affected</i>	<i>Reported losses (in 2004 US\$m)</i>
Windstorms	157	1,380	2,496,808	5,903.90
Droughts	10	0	629,580	137.00
Floods	8	40	246,644	94.80
Earthquakes	17	53	22,254	330.60
Others	15	274	21,520	60.00
Melanesia	110	1,130	2,115,332	1,654.90
Polynesia	71	494	1,041,012	1,797.40
Micronesia	26	123	260,662	3,074.04
Total Pacific	207	1,747	3,417,006	6,526.30

Source: The World Bank (2006a:2)

livelihood from marine resources. In some countries, like the atoll countries, where there is no potential for crop and livestock agriculture or from the industrial sector, the majority of the population derives their livelihood from this EEZ. However, such an exclusive labour market can have a disastrous impact on the livelihood of the population, as it can also pose a number of threats to this. Any damage or pollution of the environmental zones, (i) the coastal zone, (ii) near shore deep and pelagic fisheries grounds, (iii) offshore fisheries, (iv) sea bed minerals and offshore oil deposits and (v) the sea surface, could have irreversible consequences on current and future generations of the island populations.

Each of these zones faces a depressing list of issues, including coastal erosion, depletion, destruction and pollution of mangrove forests, sea grasses, coral reefs, and coastal food species. Stocks of slow growing deep-water coastal and bottom-dwelling fish are being depleted. In the past, the region has faced the issue of the destructive longline and driftnet fishing. Cargo ships have been responsible for oil pollution. There are cases of suspended solid wastes and destruction of fish and invertebrate eggs at the air/sea interface through chemical pollution and UV-B radiation. The PICs are also facing the problem of sea-level rise caused by global warming. All these factors will require major changes in these countries to ensure that, as far as possible, impacts of these environmental problems are minimised.

The relatively larger PIC countries are also facing a number of problems arising from modern agricultural practices. Some of the key impacts are:

- disruption of existing ecosystems
- biodiversity loss
- destruction of soils
- pollution of surface and ground waters with agricultural chemicals
- pollution of wetlands and the marine environment with silt and agricultural chemicals.

As Reddy and Duncan (2006) note, these factors could all be contributing to declining agricultural productivity.

Given that agriculture remains the backbone of most of the PIC economies, any decline in productivity and output will have a negative impact on the rural agricultural market. Furthermore, because of the existence of the dualism, a stagnant or declining agricultural sector growth will negatively impact the non-agricultural sector and thus affect the labour market. A sustainable labour market must ensure that any negative environmental effects are mitigated.

4.5 High Rural to Urban Migration and the Urban Informal Sector

The PICs urban population is gradually increasing and a primary cause of this is high rural to urban migration (Table 5). This population movement has an

implication for the ability of the urban labour market to absorb this increasing influx of rural unskilled workers (Reddy, 2007). The large supply of unskilled workers in the urban areas has suppressed wage rates of unskilled workers well below a social wage rate.

The urban informal sector has been swelled by the influx of unskilled workers into the urban areas. Fiji Islands and PNG are two countries in which the informal sector plays an important role in absorbing unskilled rural workers. The ability of the urban informal sector to absorb unskilled workers must be nurtured and supported. Supporting institutions such as micro-finance schemes must be encouraged, to ensure that these activities can survive (Reddy et al., 2003).

Papua New Guinea has taken a lead on this by enacting the Informal Sector Development and Control Act 2004, which encourages the development of the informal sector by organising it in a manner that promotes public health and cleanliness. The Act is aimed at creating employment opportunities and income generation to eradicate poverty and improve the standard of living. Since the Act was passed in 2004, informal sector businesses in urban centres have quadrupled, though previously an activity seen as an ‘eyesore’ and ‘black market’ business. Achieving such success, though, remains a challenge for the rest of the PICs, in particular for Fiji Islands, Samoa, Solomon Islands, Vanuatu and Tonga. Apart from the legislative challenge, the countries also need to balance economic policies between the formal and informal sectors, a stagnant semi-subsistence sector, lack of appropriate vocational education

Table 5: Pacific Urban and National Population Figures

<i>Country</i>	<i>Last Census</i>	<i>Population</i>	<i>% Urban Population</i>	<i>Annual Urban Population Growth (%)</i>	<i>Annual National Population Growth (%)</i>
Fiji Islands	1996	775,077	46	2.6	0.8
New Caledonia	1996	196,836	60	2.8	2.6
PNG	2000	5,190,786	13	2.8	2.7
Solomon Islands	1999	409,042	16	4.3	2.7
Vanuatu	1999	186,678	21	4.2	2.8
FSM	2000	107,008	21	-2.4	0.2
Guam	2000	154,805	93	n.a	1.5
Kiribati	2000	84,494	43	5.2	1.7
Marshall Islands	1999	50,840	65	1.6	1.4
Northern Mariana Islands	2000	69,221	90	3.4	3.3
Palau	2000	19,129	81	2.2	2.1
French Polynesia	2002	244,830	52	1.6	1.8
Samoa	2001	176,710	22	1.3	0.9
Tonga	1996	97,784	32	0.8	0.3

Source: Storey (2006)

programmes, lack of recognition of women's contribution and little emphasis on the role of technology in the informal sector.

4.6 The Tourism Labour Market of PICs

Tourism is the fastest growing industry in the Pacific sub-region and, for most small countries, is the largest earner of foreign exchange. Given that tourism in the Pacific is strongly based on environmental and cultural attractions, PICs can have comparative advantage in this industry: tourism could be one of the main sources of economic growth of PICs in future. Moreover, cheap labour is another comparative advantage in PICs to encourage Foreign Direct Investment.

Recent studies on global tourism trends predict that visitor volumes to the Pacific region as a whole will double over this decade, with corresponding benefits for PICs. Among the PICs, Fiji Islands, Guam, Saipan, Cook Islands, New Caledonia and French Polynesia are the major tourist destinations.

An interesting dimension to tourism is that it is quite labour intensive. Furthermore, it penetrates into the rural coastal labour market, thus providing a source of livelihood for rural households. However, the tourism industry is quite sensitive to the need to preserve local ecosystems, deal with local pollution and availability of water supplies, unsightly litter, and the peri-urban shantytowns that are mushrooming in PICs. Their ability to promote tourism and expand its tourist-related labour market would depend on PICs' ability to manage these problems.

Furthermore, the tourism labour market is quite sensitive to political instability. The 2000 political upheaval in Fiji Islands saw a major fall in tourism numbers (Table 6). The Melanesian countries are known to have a high degree of political instability and are regarded by some as the 'arc of instability' (Duncan and Chand, 2002). Recent civil unrest in Solomon Islands, Vanuatu and Fiji Islands has disrupted the flow of tourists into the country. The long-run

Table 6: Trend in Visitor Arrivals to Fiji Islands, 1995–2004

<i>Year</i>	<i>Total Visitor Arrivals</i>
1995	379,824
1996	402,088
1997	428,097
1998	442,209
1999	490,280
2000	364,192
2001	422,316
2002	491,189
2003	523,443
2004	596,084

Source: Fiji Islands Bureau of Statistics, March 2007

sustainability of the PIC tourism labour market, though, depends on a politically stable domestic market.

4.7 Migration, Brain Drain, Remittances and the Labour Market

Migration from PICs to neighbouring developing countries such as New Zealand and Australia is quite common (see Table 7). The variety of reasons for migration from PICs includes social and economic problems such as lack of employment opportunities, low income, poverty, lack of land, and lack of health and medical facilities. Political instability, law and order, and insecurity and violence are also deciding factors that push people out of the PICs. The poor working conditions, low wages and unemployment force families in PICs to pool their economic resources to enable one member to migrate to a developed country. The migrant is expected to help the family back at home by sending back part of the income earned there. As a result, remittance income is a major source of foreign income for PIC countries. Data from a recent study by the World Bank suggest that remittance for Fiji Islands is equivalent to 8.3 per cent of the total exports while for Tonga it is 154.2 per cent (Table 8).

Table 7: Net Migration Gain to New Zealand for Selected PICs, 1981–1999

Year	Cook Islands	Fiji Islands	Niue	Tokelau	Tonga	Samoa	Total
1981	63	-1	42	16	-123	104	-577
1982	242	278	85	3	-79	194	195
1983	107	271	45	-41	-95	396	713
1984	-33	287	63	-2	70	486	1122
1985	118	409	16	-31	94	872	1423
1986	92	293	34	6	0	744	1071
1987	200	582	92	-8	131	1126	2137
1988	160	1925	82	-18	71	985	3298
1989	-39	1958	49	29	42	948	2896
1990	-61	1519	39	31	-33	105	1494
1991	-60	848	3	53	-101	229	1170
1992	-365	430	22	9	-395	-754	-1157
1993	-282	528	30	0	-87	-492	-197
1994	-136	581	15	13	33	13	678
1995	13	864	3	40	159	566	1986
1996	231	1001	33	39	140	1165	3063
1997	568	1180	62	17	276	1016	3388
1998	410	993	44	25	186	611	2468
1999	244	974	56	-29	224	615	2108
Total	1472	14920	815	152	513	8929	25087

Source: Cook et al. (1999)

Table 8: Remittances and the Economy in Fiji Islands and Tonga

Country	Per Capita Remittances (US\$)	Population	Total Remittances (US\$)	As a % of GDP	As a % of Exports
Fiji Islands	\$370.88	836,002	\$130.3m	6.2	8.3
Tonga	\$753.02	98,322	\$67.3m	41.8	154.2

Source: The World Bank (2006b).

Traditionally, it was the smaller Polynesian states such as Tonga, Samoa, Tuvalu, Wallis and Futuna, Niue and the Cook Islands that were heavily reliant on remittances from migrants or seasonal workers to supplement local capital.

For countries like Tuvalu and Kiribati, remittances from seafarers who crew vessels for international shipping companies from North America and Europe comprise a major source of income. A study commissioned by the Secretariat of the Pacific Community on Tuvaluan and I-Kiribati seafarers' remittance spending and the economic and social implications of seafaring for community development, revealed that the seafarers' wages were the basis of economic support for many people within the home community, ranging from one to 30 people. The report estimates that 4,200 people in Tuvalu (population 10,000) and 10,200 people in Kiribati (population 85,000) were directly dependent on seafarers' incomes (Dennis, 2003).

Another more recent study on the use of remittances in Kiribati reveals that 57 per cent of funds remitted to wives are spent on basic needs, 30 per cent saved for investment and 13 per cent spent on school fees (Borovnik, 2004). For the seafarers themselves, 36 per cent do not save, 20 per cent have bought a house and land while 44 per cent are saving for a house and land. Because of the Kiribati tradition of *bubuti* (a request by a family member that cannot be refused), cash and goods coming into the community spread through the extended family, rather than remaining with one individual.

For its overseas exchange transactions, Tonga has seen a steady increase in private receipts through remittances in the past four years, from 105 million pa'anga (2001) to P184 million (2004). By comparison, in 2003–04, trade in merchandise raised just P28.3 million and services P52.7 million (National Reserve Bank of Tonga, 2004: 6).

Fiji Islands, one of the better developed economies, is now recognising remittance as a major source of foreign exchange. In 1994, F\$56m in remittances were received, which increased to F\$306m in 2004, surpassing all other industries except tourism.

An interesting dimension of the F\$306 million of remittances earned in 2004 was that F\$200 million came from the salaries and allowances of Fiji citizens working overseas. Furthermore, there are large sums of remittances that are sent to Fiji Islands unofficially. If these are accounted, it may surpass the tourism earnings as well.

In recent years, Fijians serving in the British army have increased in numbers: currently there are approximately 3,000. Large numbers of Fijian men are also being recruited by private companies to work as soldiers, security guards, truck drivers and labourers to work in or near the conflict zone of Iraq.

Samoa was placed in the top ten remittance-earning countries (Connell and Conway, 2000). The Melanesian countries have lagged behind the other PICs, due to internal problems, cultural barriers to mobility and poor skill endowment.

On the negative side, migration has resulted in a drain of skilled workers from the Pacific Region. PICs are already facing shortages of skilled labour in a number of areas and the self-interested migration policies of metropolitan countries, in particular, Australia and New Zealand, serve to extract skilled and qualified people, thus threatening the credibility of PICs labour markets.

In response to both push and pull factors, the PICs are losing a significant proportion of their qualified skilled workforce on an annual basis. The push factors are political instability, the poor state of law and order and security, discrimination and lack of employment and educational opportunities. The pull factors are opportunities for education and employment, better wages and salaries, good law and order, security and political stability.

4.8 Common Property and Land

The PIC economies have all developed on the basis of agricultural sector growth. The agricultural sector has, for a long time, provided primary products for processing, surplus labour for industrial sector expansion, and the capital and demand for goods produced by the non-agricultural sector.

However, the property rights that exist in PICs have for some time impeded growth and development of the agricultural sector. The PICs are known for the prevalence of communal land tenure system. For most of the PICs, the majority of the land is held under a communal land tenure system of some kind and thus cannot be sold in the market (Table 9). There have been several problems, and the resultant loss of confidence in the tenant community has dissuaded them from pegging their future to land and has provided a push to migration to urban areas. Apart from the urban problems arising from an influx of rural dwellers to urban areas, the rural labour market is also shrinking. PICs are known as MIRAB (migration, remittances, aid and bureaucracy) countries.

4.9 Unions and Labour Market

The PICs have one of the strongest union movements in the world and the links between unions and politics in PICs are very firm. The operation of unions has made the PICs labour market highly rigid and thus has proved to be an impediment to appropriate response to changes in the product market. Strikes and protests have been widely and frequently used in the PICs, in particular Fiji

Table 9: Land Area and Ownership of PICs

<i>Pacific Island Country</i>	<i>Land Area (ha)</i>	<i>Land under Communal Ownership (%)</i>
Cook Islands	24,000	15
Fiji Islands	1,827,000	92
Kiribati	73,000	89
Marshall Islands	18,000	n.a
FSM	70,000	n.a
Niue	26,000	n.a
Papua New Guinea	46,284,000	97
Samoa	284,000	80
Solomon Islands	2,890,000	83
Tonga	75,000	74
Tuvalu	3,000	n.a
Nauru	2,000	n.a
Tokelau	1,000	n.a
Vanuatu	1,219,000	92

Source: FAO Database, 2007

Islands, Samoa, Tonga and PNG, to settle industrial disputes. For instance, the total number of disputes reported in Fiji Islands in 1993 was 85 but by 1995 it increased to 88 (unpublished data from Ministry of Labour). Many PIC governments formally recognise unions and in some countries, like Fiji Islands, there are tripartite groups including representatives of employers, employees and government to solve disputes, relating to wages in particular.

In order for changes to be introduced to unionised workplaces, unions and management should resolve issues through collective bargaining, which should take place in good faith, bearing the national interest in mind. Collective bargaining is well entrenched in Scandinavian countries, where principles and virtues of openness, equality and self-regulation are held high. It has also worked in the Pacific, for example, in the case of the Ok Tedi Mining Workers Union in Papua New Guinea. For a long time the Ok Tedi mine was notorious for maintaining an adversarial relationship with the mine management, until the establishment of enterprise bargaining in the late 1990s. This ensured that all major changes having the potential to affect workers' interests must first be discussed with the union. Since then the union and management have been able to agree cordially on some major decisions.

As part of the legacy of colonisation, most features and processes of PIC industrial relations are modelled on British ones. As in Britain, trade unions in PICs have been really strong but their power and membership have started to decline. Nevertheless, the trade union movement in PICs is stronger than in most of the developed countries in the world, probably because the high proportion of public sector employment gave it a more fair recognition.

4.10 The Informal Sector and the Pacific Labour Market

As noted, a significant proportion of the PIC population works in the informal sector and therefore does not enjoy the same protection and security that employees in salaried sectors do: being shielded from government regulations and interventions offers benefits and disadvantages. Such countries as PNG and Fiji Islands have a significantly large informal sector, thus providing possible catchments for rural to urban migrants. However, the survival of the informal sector depends upon the success of the formal sector. If the formal sector performs well, then people will have the means to spend in the informal sector, thus keeping informal sector activity vibrant. There are other problems that informal sector operators face. Most of the informal sector workers, self-employed or unpaid family workers, are neither registered nor covered by labour laws and basic labour standards. Labour regulations governing hours of work, weekly rest, paid leave, minimum wages and social security are not commonly applied due to the small scale of operations, lack of knowledge and low income levels.

Working conditions are also less than ideal: workplaces can be poorly lit, poorly ventilated, excessively hot, poorly cleaned and maintained, lacking in clean water and other basic welfare facilities. The workspace may be inadequate and poorly designed and the work tools poor, imposing awkward posture, and workers may be exposed to dangerous chemicals and required to work long hours. Workers accept this situation because they are simply preoccupied with survival and not fully aware of workplace hazards. Given their vulnerability, injuries sustained at the workplace are often unreported and are settled by operators and workers, sometimes through small cash payments or termination of employment. In addition, they make no social security contribution, nor do their employers make any contribution on their behalf. For this group of workers, a social crisis awaits.

Informal operators who wish to achieve formal recognition face numerous legislative and bureaucratic obstacles that prevent their formalisation. Bureaucratic procedures and multiple legal requirements present hurdles for them in complying with labour standards.

Informal operators are also facing risks from lawlessness and insecurity. During periods of lawlessness, they are the first to be targeted, given that they are unprotected, vulnerable and have no legal status. To deal with these problems, local governments should review and simplify regulations to permit their more effective application in the informal sector. Bureaucratic procedures must be streamlined. The task of policy makers in PICs is to cultivate minimum standards for the informal sector, rather than to perpetuate the rather disdainful neglect that currently prevails.

4.11 Political Instability and the Labour Market

Reference has already been made to some PICs' having experienced civil unrest and political instability over the last three decades: PNG, Fiji Islands, Vanuatu, Solomon Islands and Tonga have all suffered severe disruption to economic activity. In Solomon Islands, the civil unrest resulting from conflict between settlers and customary owners led to the de-establishment of the government. Fiji Islands has experienced four coups, the most recent one on 5 December 2006, whose effects have included discontinuity of governance practices and policies (Table 10). The last three coups were executed primarily on the basis of ethnic supremacy, while the latest one asserts itself as an attempt to weed out corruption. The civil unrest on Bougainville was over access to the benefits of, and landowner dissatisfaction with, copper and gold mining activities, and social and other disruptions caused by these large-scale mining activities. The unrest and conflict lasting for ten years finally ended

Table 10: Government Change in Fiji Islands, 1987–2007

<i>Period</i>	<i>Type of Government</i>
1970–April 1987	Elected democratic government
April 1987–May 1987	Elected democratic government deposed in a military coup
May 1987–Sept 1987	Military appointed government; deposed in another military coup
Sept 1987–Dec 1987	Military government
Dec 1987–April 1992	Military appointed government
May 1992–Feb 1994	Elected government under an undemocratic constitution; loses budget vote and resigns
Feb 1994–May 1999	Elected government under an undemocratic constitution
May 1999–May 2000	Elected government under a democratic constitution; deposed in a military-backed terrorist coup
May 2000–July 2000	Government held hostage by military-backed terrorists. No effective government but military claims power
July 2000	Military-appointed government; in office for only 2 weeks before being dismissed
July 2000–March 2001	Military-appointed government; resigns after a court decision declared it illegal
March 2001–Sept 2001	Military-appointed government reappointed and backed by the military
September 2001–2006	Elected government under a democratic constitution
December 2006	Elected government deposed in a military coup
December 2006	Military government appointed
January, 2007	Interim government appointed

with the signing of a peace accord and ongoing negotiations and processes to establish an autonomous provincial government. In late 1997, Vanuatu witnessed social unrest due to lack of confidence in the Provident Fund, the collapse of the Development Bank, and the near-collapse of the National Bank. In 2006, the self-proclaimed Friendly Islands, Tonga, erupted with demands for a reduction in the powers of the monarch and other political reforms, culminating in violence and riot destroying 80 per cent of the CBD of the capital.

Such instability has both immediate and longer term implications for a country's labour market. Immediately, loss of capital stock will lead to closure of businesses and loss of jobs. In the medium to longer term, it will discourage investor confidence and affect investment and economic growth, thus having a negative impact on labour market expansion.

4.12 Governance, the Economy and the Labour Market

The state of governance has a marked effect on the depth and growth of a country's labour market. Labour market expansion requires expansion of the economy and economic expansion will only be possible if the key factors of production—land, labour, capital and technology – are able to move freely. Poor or bad governance will hinder the movement of these factors of production greatly.

Equally important, however, is the role of the private sector and civil society, especially in the corporate and economic realms. The private sector's role is significant in the harnessing and distribution of resources for wealth creation and sustainable development. Wealth creation is largely dependent on trade and investment. However, even here, good governance is of major importance, since it could have an effect the stability of the environment in which the private sector, households and investors can expand their activities. The expanded activity will also provide increasing resources to government to carry out its role in providing infrastructure, security, education, health and an effective judiciary. This in turn will boost private sector activities, expanding growth further.

Furthermore, small economies tend to be economically vulnerable to external shocks; good governance is a prerequisite for resilience building, principally because it promotes stability and a predictable legislative and fiscal environment.

However, bad governance is widely considered to be prevalent in the Pacific region and is often identified as a key factor in the relatively poor economic performance of the Pacific island nations. An ADB study by Mellor and Jabes (2004) concludes that the kinds of governance institutions so critical for producing equitable and effective development have not had time to develop fully. Furthermore, their report states that these governance institutions often are, or appear to be, at odds with traditional political and cultural

systems and processes, and these island states have not had time to work through the complex integration of old and new systems.

Another study, by Larmour and Barchan (2005), states that there seems to be a distinctive pattern of bad governance in the Pacific Islands. The authors attribute some but not all of those differences to small size in population and land area. The authors argue that smallness generates particular risks of corruption, for example, in offshore activities. The pattern of bad governance that is not yet present in PICs but could emerge in future given the smallness and the concentration of capital in the hands of the few, is the phenomenon of 'state capture'. It is defined as 'the undue and illicit influence of the elite in shaping the laws, policies and regulations of the state. When the institutions of the state are "captured" by vested interests in this way, entrenched elites in a country can benefit from a worsening status quo of misgovernance and can successfully resist demands for change even as incomes rise' (Kaufmann and Kraay, 2003:3).

Therefore, the long-term growth, development and sustainability of the PIC labour market depend to a large extent on how PICs can improve on governance in their country. Adopting appropriate macroeconomic policies, attracting foreign aid and capital will not help if the underlying institutions are not functioning well. It will only frustrate the work of the private sector and thus will impede growth.

4.13 Prevalence of a Rural Subsistence Sector

The PICs have a large rural subsistence sector, which plays an important role in employment creation and providing a source of livelihood. The persistence of the subsistence sector is due to no or low education and the prevalence of the communal land tenure system, which prevents land from being traded commercially.

The subsistence sector's support of livelihood has been termed 'subsistence affluence' (Bayliss-Smith and Feacham 1977; Lam 1982). The subsistence basis of the livelihood and the communal land tenure system have tended to keep a significant proportion of the rural population in the rural areas. However, the younger generation, more educated and with some knowledge of private property and the market economy, are gradually moving out from the rural sector. This basically implies that in the longer run, the subsistence sector will play a diminishing role in providing employment, thus occasioning a change in this dimension of the labour market.

4.14 State of Infrastructure and PIC Labour market

The state of infrastructure in PICs is poor by developing country standards (Table 11). The road conditions are quite bad, with mostly poorly maintained

Table 11: Limited Access to Infrastructure in Selected PICs

Country	Paved Roads % (1995–2000)	Fixed and Mobile Phone Subscribers per 1,000 people (2001)	Personal Computers per 1,000 people (2001)	Internet users thousands (2001)
Fiji Islands	49.2	211	60.9	15
Kiribati	—	48	23.2	2
Marshall Islands	—	67	50.0	1
Micronesia	17.5	—	—	5
Palau	—	—	—	—
Samoa	42	82	6.7	3
Solomon Islands	2.5	21	50.9	2
Tonga	27	112	—	3
Vanuatu	23.9	35	—	6

Source: World Bank, 2005

gravel roads and the tar-sealed roads badly pot-holed; also, electricity and phone coverage is low, thus affecting internet coverage.

The poor state of infrastructure finally has an impact on the cost of doing business. As is evident from the International Finance Corporation's (2005) *Doing Business* database, the PICs are ranked quite low relative to various countries in the region in terms of cost of doing business (Table 12). The limitation of basic infrastructure presents accessibility problems to many companies, leading to a decline in FDI.

Estimates of the costs of registering property and resolving contracts in several PICs are shown in Table 13. The transaction costs of registering property and settling contract disputes are extremely high, especially the latter. On average in these countries, it takes well over a year to settle a contract dispute. In PNG and Solomon Islands the monetary costs of doing so are prohibitive.

In the Melanesian countries (PNG, Fiji Islands, Solomon Islands and Vanuatu) a 'culture' of compensation claims has developed, whereby if investment projects such as mines or tourist resorts developed on customary land are successful, the landowners claim additional benefits under the contract. Unfortunately, in many cases the governments have not stood behind the contracts and have allowed the compensation claims to proceed. These contract disputes have increased the uncertainty of the investment climate, and thus will undermine any genuine efforts to expand economic growth and labour market.

Table 12: Doing Business in the Pacific

Economy	Ease of Doing Business Rank	Starting a Business Rank	Dealing with Licences	Employing Workers	Registering Property	Getting Credit	Ease of Doing Business Rank	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business Rank
Fiji Islands	31	55	27	28	71	21	31	19	49	70	86	106
Samoa	41	91	51	11	60	83	41	19	42	62	54	125
Tonga	51	23	37	4	108	117	51	99	81	17	126	92
Papua New Guinea	57	69	102	19	64	101	57	33	91	52	88	97
Vanuatu	58	65	33	96	91	117	58	60	19	120	88	45
Kiribati	60	72	76	18	62	101	60	33	14	31	136	151
Palau	62	45	42	7	13	117	62	162	70	66	151	52
Solomon Islands	69	76	40	53	159	143	69	46	23	34	102	101
Marshall Islands	87	13	5	1	172	117	87	151	69	90	103	117

Source: International Finance Corporation 2005, *Doing Business* database

Table 13: Costs of Registering Property and Resolving Contracts

	<i>Registering Property (days)</i>	<i>Settling Contract Disputes (days)</i>	<i>Settling Contract Disputes (costs as % of value of contract)</i>
Fiji Islands	48	420	54
Kiribati	58	440	71
PNG	72	440	110
Samoa	147	505	25
Solomon Ids	86	455	141
Tonga	108	510	47
Vanuatu	188	430	64

Source: *International Finance Corporation 2005, Doing Business database*

4.15 HIV/AIDS Threat to the PIC Labour Market

HIV and AIDS have become a major threat to some of the Pacific Island Countries. The ADB in its 2007 outlook for PICs states:

‘The ADB considers the threat of HIV/AIDS in the Pacific region to be real and is concerned about its potentially destructive effects on efforts to secure sustainable development for the region’s peoples. Together with its regional development partners, ADB wishes to respond to this threat.’

The high HIV/AIDS infection rate in PNG will have a devastating effect on the labour force (Table 14). HIV/AIDS can potentially affect and reverse economic and social development. The epidemic attacks people in their most productive age and has no cure. The effects felt by different countries will vary according to the severity of the epidemic and the existing social and economic structure. Apart from devastating the labour force and thus affecting the supply of labour, it also incurs huge medical expenditure bills and thus diverts government resources away from productive activities.

5. LABOUR MOBILITY AND INTEGRATION WITH LARGE MARKETS

5.1 International Trade Theory and Labour Mobility

International trade theory argues quite clearly that free trade between countries leads to enhanced economic welfare for the countries that engage in it. However, though not very widely recognised, there is also general understanding about factor mobility including labour. Krugman and Obstfeld state, ‘Trade in factors is in purely economic terms very much like trade in goods, occurring for much the same reasons and producing similar results’ (Krugman and Obstfeld, 1994:155).

Table 14: Cumulative Reported HIV/AIDS Cases in PICs

<i>Country</i>	<i>As at</i>	<i>HIV including AIDS</i>	<i>Mid-Year Population as at June 2004</i>
American Samoa	Dec 2004	3	62,600
Cook Islands	Dec 2004	2	14,000
FSM	Dec 2004	25	112,700
Fiji Islands	Dec 2004	182	836,000
French Polynesia	Dec 2004	243	250,500
Guam	Dec 2004	168	166,100
Kiribati	Dec 2004	46	93,100
RMI	Dec 2004	10	55,400
Nauru	Dec 2004	2	10,100
New Caledonia	Dec 2004	272	236,900
Niue	Dec 2004	0	1,600
Northern Mariana Islands	Dec 2004	25	78,000
Palau	Dec 2004	8	20,700
PNG	Dec 2004	10,184	5,695,300
Pitcairn Islands	Dec 2004	0	50
Samoa	Dec 2004	12	182,700
Solomon Islands	Dec 2004	5	460,100
Tokelau Islands	Dec 2004	0	1,500
Tonga	Dec 2004	13	98,300
Tuvalu	Dec 2004	9	9,600
Vanuatu	Dec 2004	2	215,800
Wallis and Futuna	Dec 2004	1	14,900
All Melanesia	Dec 2004	10,645	7,444,100
All Micronesia	Dec 2004	284	536,100
All Polynesia	Dec 2004	283	635,750
All PICTs	Dec 2004	11,212	8,615,650
All PICTs (excluding PNG)	Dec 2004	1,028	2,920,650

Source: Jenkins (2005:4)

While the benefits of labour mobility are not explicitly stated, there are empirical studies that expose this. Hamilton and Whalley, using a CGE model, state:

(There are) large potential worldwide efficiency gains from moving towards a worldwide labour market free of immigration controls. Gains to the world economy in many of the unadjusted cases exceed existing worldwide GNP; in the adjusted case gains are smaller but still large. Thus, while the main conclusion of this paper may not be surprising, it is the potential quantitative size of the effects involved that is striking...The calculations reported here suggest that gains from liberalised labour mobility are likely to dominate developing country gains from nonmigration initiatives. (Hamilton and Whalley 1984:74–75)

Another study, by Borjas, points out that:

...immigration can introduce new interactions among workers and firms, so that both workers and firms might “pick up” knowledge without paying for it. As a result, even though the production technology at the firm level has constant returns to scale, the external effects resulting from immigration might lead to increasing returns on the aggregate. (Borjas, 1995:11)

In light of these studies, there does exist a compelling case for easing of labour mobility between the PICs and the more developed countries in the neighborhood such as Australia and New Zealand.

5.2 Labour Mobility from the Pacific

Currently, the movement of labour from the PICs to Australia focuses mainly on skilled trades and professional staff – nurses, teachers, rugby players, accountants and trades people – who have the necessary points for immigration and residency requirements. This has caused significant problems for island nations, but another concern is the growing pool of unskilled and semi-skilled workers who cannot find employment in the formal sector of island economies, especially as 40 per cent of island populations are under 20 years of age. For example, the Fiji Government estimated that in the first years of the new millennium, there were about 17,000 new job-seekers each year in Fiji (school leavers and late entrants to the job market), but only about 9,700 job opportunities in the formal sector (Fiji 2002: 42).

In response to this problem, over the past decade the PICs have made gaining greater access to the labour markets of Australia and New Zealand an explicit policy goal, as they see this access as a crucial element in long-term job creation and social development. The importance of this issue is evident when it emerges as a key element in regional trade negotiations. While the starting point of these various negotiations focused on trade in goods, trade in services and labour mobility has become increasingly central to the discussions. A variant to access to the Australian and New Zealand labour market is the pressure from PICs to establish seasonal work schemes for the Pacific.

The PICs’ demand for access to the Australian labour market is based on the assessment that there is a huge demand for seasonal labour in the Australian horticultural industry (World Bank 2006b). The ‘undersupply or unreliability of labour in the Australian horticultural industry has resulted in massive amounts of direct and indirect losses’ (World Bank 2006b:104).

In its 2003 inquiry on Australia’s relations with the region, the Senate’s Foreign Affairs, Defence and Trade Committee received numerous submissions suggesting schemes to bring workers from the Pacific and recommended a pilot programme to allow for labour to be sourced from the region for seasonal work in Australia. In its formal reply to the Senate report, however, the Australian Government simply ‘noted’ the recommendation for a pilot study, adding a one-line response that Australia has traditionally not supported

programmes to bring low-skilled seasonal workers to Australia. The negative response of the Australian government could be due to several reasons.

First, there is a popular dislike for 'cheap foreign labour' from Asia or the Pacific because of the memories of the poorly regulated 'blackbirding' system that provided Island labour for the Queensland sugar industry in the late nineteenth and early twentieth centuries.

Secondly, there is an entrenched belief within the governments of Australia and New Zealand that sees value only from migration of highly skilled or capital-rich migrants (Jupp, 2003: 145-6).

Thirdly, there is also a strong preference for permanent migration over short-term temporary migration, because of a belief that temporary skilled migration creates a lot of costs for the receiving country. Prime Minister John Howard of Australia responded to the idea of using overseas workers to pick fruit by saying on ABC Regional Radio that 'for a long period of time we have put our face against a guest worker approach', which could result in '[losing] control of a significant part of our immigration program' (Bedford, 2004).

Another argument used to deny both visitors' visas and visas for temporary work attachments is the fear that temporary workers will overstay their visas and 'disappear' into the community (adding to the stock of undocumented migrants).

Trade union leaders in Australia also stress that any seasonal work scheme must not be used to undercut wages and conditions for Australian workers, and must adhere to core labour conventions and standards, in particular, the conventions (97 and 143) with regard to migrant workers. However, these two conventions have yet to be ratified by Australia, New Zealand or any Pacific Island governments.

The World Bank study draws the conclusion that seasonal employment programmes for Pacific Islanders should not be seen as a panacea for the challenges of unemployment and underemployment, but they do have the potential to make a material difference to the well-being of a significant number of PIC workers and their families and communities. Furthermore, the report says that 'the scheme has the potential to significantly ease the seasonal labour shortages that hold back the horticultural industries in Australia and New Zealand and to add symbolic value as a gesture of goodwill by the region's two major powers towards their Pacific neighbors' (World Bank, 2006b: 138).

Ensuring greater labour mobility between the PICs is also an idea mooted under the Pacific Plan developed by the Pacific Islands Countries Forum Secretariat (PIFS). The Plan is a strategy document designed to create stronger and deeper links between Pacific Countries. It identifies the sectors where the region could gain the most from sharing resources and aligning policies. It aims to promote economic growth, sustainable development, good governance and security in the region, especially in regard to the limited capacity and fragile environment of the small islands states.

The Pacific Islands Forum Secretary-General, Mr Greg Urwin, notes that the issue of labour mobility requires more broad-based attention (PIFS, 2006). Urwin argues that:

Within the Pacific Plan, Forum leaders recognized, among other things, the need to prioritize Pacific Labour market issues. The direction taken on the issue of labour mobility in respect to arrangements under the Pacific Island Countries Trade Agreement (PICTA), Economic Partnership Agreement (EPA) and Pacific Agreement on Closer Economic Relations (PACER), will have a significant bearing on the nature of regional integration in the Pacific. Temporary movement arrangements for both the skilled and unskilled, if properly designed, have the potential to fill labour market gaps in the region, without leading to brain drain, and other imbalances or adverse social impacts in the source countries. (PIFS, 2006: 5)

The Pacific Plan, officially endorsed by the Forum Leaders at the 36th Pacific Island Leaders meeting held in PNG in 2006, recommends specific actions under the four pillars of Economic Growth, Sustainable Development, Good Governance and Security. These actions are currently being led by the Forum Secretariat.

6. HUMAN RESOURCES DEVELOPMENT IN THE PICs

Human Resources Development (HRD) is fundamental to the development process, contributing to poverty eradication and long-run economic growth through improved health, education and capacity building. Given the forces of globalisation, education and skills of the workforce will be the key competitive weapon for the rest of 1990s as well as the 21st century. (Thurow, 1994).

A perusal of PIC governments' strategic plans, annual budget addresses and development plans reveals that health and nutrition, general education, vocational training and managerial capability are given priority.

Health and Nutrition: Health and Nutrition has a direct impact on the workforce's dignity, self-esteem and productivity and a long-term effect of increasing their ability to absorb new techniques and knowledge. In most of the PICs, governments are providing public health services free of charge via government hospitals and health centres. However, fiscal constraints severely affect quality, full coverage and continuous provision of these services.

Provision of Formal Education: PICs have done relatively well in the provision of formal education. The region has one of the world's two regional universities, the University of the South Pacific. With the main campus in Fiji Islands and campuses or centres in each of the other 11 member countries and a commitment to distance and flexible learning and innovative use of ICT and educational technologies, the University delivers high-quality degree and postgraduate education throughout its vast and challenging region. Apart

from this, there are numerous other tertiary institutions and technical colleges in PICs.

The Australian government provides scholarships and fellowships for PIC citizens to study in Australia. Types of scholarships awarded by Ausaid in PICs include: Australian Leadership Awards, Australian Fellowship Awards, Australian Development Scholarships, DEST Endeavour Award Program, Australian Regional Development Scholarships and Australian Partnership Scholarships

The governments of New Zealand, Japan, the European Union and India also offer awards. The New Zealand government provides aid to PICs to strengthen the human resource base by supporting identified priority areas of HRD. Other international agencies providing funds for HRD are the UN, the EU, UNDP, UNICEF, KOICA and JAICA. One example of HRD support by UNDP is the introduction of a Young Professionals Program that not only trains new graduates, but also reduces unemployment and poverty in PICs. Another example is the provision of technical assistants by the Japan Special Fund and the Australian Agency for International Development in Kiribati. In addition to these, international agencies under the Council of Regional Organizations (CROP) – which includes the Secretariat of the Pacific Community (SOPAC), the Forum Secretariat, the Forum Fisheries Agency, the South Pacific Regional Environment Programme, South Pacific Tourism Organisation, Pacific Islands Development Program and South Pacific Board of Educational Assessment – are forming inter-organisational sectoral working groups to carry out research and development in HRD in PICs.

Technical and Vocational Education Training (TVET): For most of the past century or so, most PICs concentrated on formal academic education and overlooked non-formal and vocational training. Where they exist, vocational training institutes are limited, but some of the PICs are trying to catch up on such training to develop their human resources. For instance, in Fiji Islands some of the secondary schools as well as institutions such as the Fiji Institute of Technology and the Training and Productivity Authority of Fiji are providing vocational courses and training. Australia has also begun planning to establish a technical institute in Fiji Islands to train school leavers and recruit them to Australia to overcome the problem of shortages of skilled workers.

The importance of TVET was highlighted at a recent Pacific Forum leaders meeting in Auckland, New Zealand in April 2004, at which the leaders endorsed the development of a Pacific Plan emphasising the importance of technical training, especially in relation to the Pacific Islands labour market. Emerging TVET pedagogy strongly supports training having a strong component of workplace learning, rather than training being primarily institution based.

Skills shortages that impede economic growth could be solved through investment in TVET, as stated in Fiji's Strategic Development Plan 2003–2005. This could be done through expansion of intake at tertiary and vocational institutes to meet skill needs, to encourage tertiary-level distance education

and to promote wage systems that reward skills. Among the PICs, Fiji Islands and PNG presently have the most developed institutions for TVET.

7. LABOUR MARKET REGULATIONS, STANDARDS AND INSTITUTIONS

The labour market in PICs is regulated by both domestic and international labour regulations. With respect to domestic regulations, the Ministry of Labour in each of the countries regulates the labour market via the industrial relations bill. However, a number of other regulations enacted by the legislature deal with specific issues of the labour market. These regulations vary from country to country. A detailed study of Fiji Island's labour market regulations was carried out by Chand (2006). Table 15 provides a summary of the labour-related laws prevalent in PICs.

With respect to the international laws, the key ones are the International Labour Organisation (ILO) conventions. Fiji Islands has ratified 20 Conventions, of which two were ratified in 1998 (C.144 and C.169). Of these Conventions, three are fundamental (C. 29, C.105 and C.98). The remaining four fundamental Conventions (C.87, C.100, C.111 and C.138) have been submitted to the Labour Advisory Board for endorsement, but due to the current political environment have not been pursued for ratification. In response to the Government's request for technical assistance, EGALITE and ILO Suva organised a two-day Tripartite Seminar in January 1997 with a follow-up in 1999. A Pacific Multi-Islands Tripartite Seminar on Social Dialogue (with a focus on the Declaration) was held in Auckland in December 2000, to which only workers' and employers' representatives from Fiji Islands were invited. The commitment to pursue ratification remains on the part of the workers and employers, with the proviso that they will do so once an elected government is in place.

Papua New Guinea is also doing well on this aspect. On 1 March 2000, the National Executive Council (Cabinet) approved the ratification of seven ILO Conventions, these being Nos. 87, 100, 103, 111, 138, 158, 182. This is in addition to the 19 Conventions previously ratified by the Australian Colonial Administration. PNG has become one of the few member States to ratify all 8 fundamental Conventions. Plans to assist the constituents in the application of these Conventions will begin with a project to 'promote the Declaration in PNG' funded by the Japanese government.

Solomon Islands has ratified 14 conventions of which one (C.29) is a core convention. In 1997, ILO Suva received 11 reports on the application of Ratified Conventions, which were subsequently forwarded to NORMES. This was the first time such reports had been received in the last six years. Four core Conventions (C.87, C.98, C.100 and C.101) were being examined with the possibility of ratification of the first two conventions by the end of 1999. All efforts in this area have been suspended due to the current situation.

Table 15: Summary of Labour Market Regulations

<i>Aspect</i>	<i>Status</i>
Employment	<ul style="list-style-type: none"> • Cook Islands, Fiji Islands, Kiribati, PNG, Solomon Islands, Tuvalu, Vanuatu and Samoa have specific Employment Acts regulating the general terms and conditions of work (i.e., hours, leave, rest period, termination, etc.) • FSM, Niue and Palau have either their constitution or other laws overlapping to regulate employment aspects • RMI does not have an EA and Tonga has an Employment Act draft but has not passed it yet
Wages	<ul style="list-style-type: none"> • Fiji Islands, Solomon Islands, Palau and Vanuatu have minimum wage legislation and machinery for fixing wage minimums • PNG, Solomon Islands and Samoa have other laws, such as Industrial Relations Act, also responsible for regulating minimum wage • Administrative policies cater for minimum wages in Niue, Tonga and Tuvalu • Cook Islands, FSM, RMI and Nauru have no such laws on wages
Trade unions	<ul style="list-style-type: none"> • Fiji Islands, Kiribati, PNG, Solomon Islands, Tuvalu and Vanuatu have trade union legislation regulating their registration and operation as industrial organisations • Samoa has the Employment Act also regulating trade unions • Tonga has a draft Trade Union Act but not passed yet in Parliament • FSM, Nauru, Niue, Palau and RMI do not have trade union legislation
Dispute settlement	<ul style="list-style-type: none"> • Fiji Islands, Kiribati, PNG, Solomon Islands, Tuvalu and Vanuatu have Dispute Settlements Acts. The process of dispute settlement is well catered for in the Acts • Cook Islands and FSM have policies in place to accommodate dispute settlement • There is no such procedure or process in place in Nauru, Niue, Palau, Tonga and RMI
Occupational health and safety	<ul style="list-style-type: none"> • OHS Acts are in place in Fiji Islands, PNG, Solomon Islands and Vanuatu • Employment Acts and other laws regulate OHS in Kiribati, Tuvalu and Samoa
Pension	<ul style="list-style-type: none"> • Superannuation Acts exist for Fiji Islands, PNG, Solomon Islands, Vanuatu and Western Samoa • Cook Islands, FSM and Kiribati have other laws regulating superannuation • Administrative policies exist for Niue, Tokalau and Tonga • Second country laws apply in FSM, Palau and RMI • There is no arrangement yet for Cook Islands, Nauru and Tuvalu
Public service	<ul style="list-style-type: none"> • Fiji Islands, Kiribati, PNG, Vanuatu and Western Samoa have Public Service Acts • Cook Islands, FSM and Niue have Employment Acts responsible for public service regulation • Nauru, RMI and Tuvalu have the Constitution or policies responsible for public service • Tonga is yet to come up with a Public Service Act. It is in draft form

Workers compensation	<ul style="list-style-type: none"> • Workers' Compensation Acts exist in Fiji Islands, Kiribati, PNG, Solomon Islands, Tuvalu, Vanuatu and Samoa • FSM has policies regulating workers' compensation • Palau and RMI have second country laws applicable • Cook Islands, Niue and Tonga do not have such laws
Expatriate	<ul style="list-style-type: none"> • Cook Islands, Palau, PNG and Western Samoa have legislation on expatriates • FSM, Fiji Islands, Solomon Islands and Vanuatu have other laws responsible for expatriate labour and immigration regulation • Tonga has an administrative policy • Nauru, Niue and Tuvalu and RMI do not have laws on expatriates

Source: Imbun (2006)

In Kiribati, the translation of the fundamental Conventions into the Kiribati language is currently underway. This will provide basic materials for a national education and awareness campaign, which will also include the wider ILO mandate and objectives. Applications have been received from the constituents for their participation in the ILS Training course in Turin, preparatory to the ILC, to strengthen the capacity of national officials to pursue the twin objectives of education and ratification. A keen knowledge of application and reporting requirements gained through the ILS training course will provide a firm base for Kiribati to fulfill its membership obligations.

Labour market legislation suggests difficulties in most areas including employment relationship, minimum wages, dispute settlement, OHS, public service, workers' compensation, expatriate employment and tripartite. The kinds of difficulty experienced vary between the different types of legislation and between PICs, but in general problems spring from:

- a complete lack of policy and/or legislation pertaining to one of the above issues
- the areas being governed by obsolete legislation
- legislation focusing on one of the desired labour market outcomes to the neglect of others. For example, the paper suggests that in PNG, Solomon Islands and Fiji Islands wage decisions are fixed largely taking social conditions into consideration rather than productivity factors
- over-ambitious legislation in relation to resources. For example, Health and Safety Regulation across the region in general appear too ambitious given the human and financial resources available for enforcement
- legislation leaving too much leeway for discretion – as in the Trade Dispute Acts of Fiji Islands, Kiribati, Solomon Islands, Tuvalu and Vanuatu. This can lead to a lack of accountability and a reduction in the effectiveness of the legislation.

(Forum Economic Ministers Meeting, 2006:3)

The ILO provides a number of yardsticks through their conventions and recommendations as a basis for development. But not all PICs are members of

ILO and in such cases, joining the ILO might be an important starting point. This will enhance international trade prospects, so the challenge is to translate international standards into national practice and law (Prasad and Hince, 2001: 226).

8. SUMMARY AND CONCLUSION

This paper provides a detailed examination of Pacific Island countries' labour market, giving a snapshot of PICs labour markets and examining the various characteristics; it demonstrates that the woes faced by PICs labour markets can be solved only by a multi-pronged approach with a variety of tools.

The paper demonstrates that the major problem faced by PICs is rising unemployment and this problem will become much worse in the future given that population levels are expected to rise, while reasonable growth prospects of 5–7 per cent in real terms are quite slim.

In light of slow economic growth, the two larger developed countries in the neighbourhood, Australia and New Zealand, must allow labour mobility between PICs and them, thus enabling expansion of the labour market. Not only will it ease the unemployment problem in the PICs, it will also contribute to social and economic development of PICs via income flow back into the PICs and also solve the undersupply or unreliability of labour in the Australian horticultural industry.

There is also a need for regional integration and incorporation of labour. This simply means setting up dialogues or processes between governments. Regional integration means decreasing market barriers between countries to allow free trade of goods, services and labour. Furthermore, there should be both local and regional moves to develop the resilience of PICs' labour markets and economies.

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