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# ▶ Minimum wage systems and wage-setting practices in the Pacific Island Countries





- ▶ **Minimum wage systems and wage-setting practices in the Pacific Island Countries**

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## ► Preface

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Wage policy plays a critical role in shaping labour markets, promoting decent work and advancing social justice. In the context of the Pacific Island Countries (PICs), where economies are small, informality is widespread, and vulnerability to climate and economic shocks remains high, the design and implementation of effective minimum wage systems present both challenges and opportunities.

This report was conceived as part of the broader efforts by the International Labour Organization (ILO) to support the implementation of inclusive and evidence-based wage policies under the Decent Work Agenda. It aims to address critical knowledge gaps regarding the structures, performance and reform needs of minimum wage systems in the PICs. By documenting country-specific experiences and offering regionally grounded recommendations, the report contributes to advancing social justice, promoting fair pay and strengthening institutional capacities.

The report is released at a pivotal time. Governments across the Pacific are reassessing wage mechanisms to address post-pandemic recovery, rising cost-of-living pressures and the imperatives of just transitions. This work provides technical insights for policymakers, tripartite constituents, researchers and development partners working towards more equitable wage-setting systems that advance fair wages.

The findings reflect a diversity of contexts, from relatively structured wage systems in Fiji and Samoa to emerging frameworks in Tuvalu and Vanuatu. The research also underscores the importance of social dialogue, institutional development and robust labour market data for sustainable wage reform.

As the ILO Office for Pacific Island Countries, we are committed to supporting our tripartite partners in their journeys towards strengthening their labour market institutions together with capacities, thus contributing to improved working conditions and an enabling environment for sustainable enterprises. This publication represents both a diagnostic tool and a roadmap for reform – one that is firmly anchored in international labour standards and adapted to national circumstances.

I express my appreciation to the national counterparts and ILO constituents who provided their invaluable insights and cooperation during the preparation of this study. I also acknowledge the collaborative efforts of the ILO technical team and our development partners who contributed to this important initiative.

Martin Wandera

Director, ILO Office for Pacific Island Countries

Suva, Fiji

October 2025



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## ► Abbreviations

<b>ADB</b>	Asian Development Bank
<b>BNPL</b>	Basic Needs Poverty Line
<b>CIA</b>	Central Intelligence Agency
<b>CISO</b>	Cook Islands Statistics Office
<b>COFA</b>	Compact of Free Association
<b>CPI</b>	Consumer Price Index
<b>CSD</b>	Central Statistics Division
<b>DLIR</b>	Department of Labour and Industrial Relations
<b>DWAB</b>	Decent Work Advisory Board
<b>DWCP</b>	Decent Work Country Programme
<b>EEZ</b>	Exclusive Economic Zone
<b>EFPNG</b>	Employers' Federation of Papua New Guinea
<b>EIRC</b>	Employment and Industrial Relations Code
<b>ERAB</b>	Employment Relations Advisory Board
<b>ERAC</b>	Employment Relations Advisory Committee
<b>ERB</b>	Employment Relations Bill
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>FNPF</b>	Fiji National Provident Fund
<b>FTUC</b>	Fiji Trades Union Congress
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>GoK</b>	Government of Kiribati
<b>GST</b>	Goods and Services Tax
<b>H&amp;S</b>	Health & Safety
<b>HIES</b>	Household Income and Expenditure Survey
<b>ICLS</b>	International Conference of Labour Statisticians
<b>ICT</b>	Information and Communications Technology
<b>ILO</b>	International Labour Organization
<b>ILS</b>	International Labour Standards
<b>IMF</b>	International Monetary Fund
<b>IOM</b>	International Organisation for Migration
<b>ITUC</b>	International Trade Union Confederation

<b>KIMEO</b>	Kiribati Major Employers Organisation
<b>KNSO</b>	Kiribati National Statistics Office
<b>KTUC</b>	Kiribati Trade Union Congress
<b>LDC</b>	Least Developed Country
<b>LERA</b>	Labour and Employment Relations Act
<b>LFPR</b>	Labour Force Participation Rate
<b>LFS</b>	Labour Force Survey
<b>MCIL</b>	Ministry of Commerce, Industry and Labour
<b>MEHR</b>	Ministry of Employment and Human Resource
<b>MFATTEL</b>	Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour
<b>MFED</b>	Ministry of Finance and Economic Development
<b>MSMEs</b>	Micro, Small, and Medium Enterprises
<b>MW</b>	Minimum Wages
<b>MWB</b>	Minimum Wages Board
<b>MWP</b>	Minimum Wage Policy
<b>MWRP</b>	Minimum Wage Review Panel
<b>NEET</b>	Not in Employment, Education, or Training
<b>NEP</b>	National Employment Policy
<b>NSDP</b>	National Sustainable Development Plan
<b>NSP</b>	National Strategic Plan
<b>NSSD</b>	National Strategy for Sustainable Development
<b>NTCC</b>	National Tripartite Consultative Council
<b>NZ</b>	New Zealand
<b>NZODA</b>	New Zealand Agency for International Development
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OSH</b>	Occupational Safety and Health
<b>PALM</b>	Pacific Australia Labour Mobility
<b>PAYE</b>	Pay as you Earn
<b>PCI</b>	Productive Capacities Index
<b>PDNA</b>	Post-Disaster Needs Assessment
<b>PDP</b>	Palau Development Plan
<b>PIC</b>	Pacific Island Country
<b>PIFS</b>	Pacific Islands Forum Secretariat
<b>PNG</b>	Papua New Guinea

<b>PNGTUC</b>	Papua New Guinea Trade Union Congress
<b>PSC</b>	Public Service Commission
<b>PSDI</b>	Pacific Private Sector Development Initiative
<b>RMI</b>	Republic of the Marshall Islands
<b>RNZ</b>	Radio New Zealand
<b>RSE</b>	Recognised Seasonal Employer
<b>SBS</b>	Samoa Bureau of Statistics
<b>SDG</b>	Sustainable Development Goal
<b>SICTU</b>	Solomon Islands Council of Trade Unions
<b>SNPF</b>	Samoa National Provident Fund
<b>SNTF</b>	Samoa National Tripartite Forum
<b>SOEs</b>	State-Owned Enterprises
<b>TCCI</b>	Tonga Chamber of Commerce and Industry
<b>TNCC</b>	Tuvalu National Chamber of Commerce
<b>TOSU</b>	Tuvalu Overseas Seamen's Union
<b>TVET</b>	Technical and Vocational Education and Training
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDAF</b>	United Nations Development Assistance Framework
<b>UNDP</b>	United Nations Development Programme
<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
<b>US</b>	United States
<b>USDS</b>	United States Department of State
<b>UK</b>	United Kingdom
<b>VCCI</b>	Vanuatu Chamber of Commerce and Industry
<b>VNPF</b>	Vanuatu National Provident Fund

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This report was authored by Professor Jim Arrowsmith and Dr. Salman Rashid of the Massey Business School (MBS), Auckland, New Zealand,

and Professor Jane Parker, based at the European Trade Union Institute (ETUI) in Brussels and Adjunct Professor at MBS. Professors Arrowsmith and Parker are co-directors of MPOWER, the Massey People, Organisations, Work and Employment Relations research network. Their analysis provides an important academic contribution to understanding wage-setting practices in the Pacific context.

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The views expressed in this report are those of the authors and do not necessarily reflect the official views of the ILO or its constituents.

## ► Executive Summary

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This report provides a comprehensive review of minimum wage systems and wage-setting practices across the Pacific Island Countries. It assesses how wage-setting frameworks are structured, how they have evolved over time and how effectively they function in practice. It evaluates the strengths and limitations of current systems in achieving policy objectives in setting adequate minimum wages. The report identifies key shortcomings – such as limited enforcement capacity, weak tripartite dialogue and inadequate data for wage setting – and assesses the extent to which national frameworks align with international labour standards, particularly International Labour Organization (ILO) Conventions, the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26) and the Minimum Wage-Fixing Convention, 1970 (No. 131).

### 1. Socioeconomic and labour market contexts in the Pacific

The Pacific Island Countries (PICs) are among the world's most geographically dispersed and climate-vulnerable economies. They face distinct structural challenges, including small population sizes, heavy reliance on imports and international aid, narrow economic base, high transportation costs and increasing climate threats. These vulnerabilities are compounded by limited productive capacity and diversification, weak infrastructure and fragile private sectors.

Labour markets in the PICs are dualistic, with a small formal economy and large informal or subsistence sectors. Labour markets are marked by low productivity, high informality (over half of total employment in many countries), and significant outward migration. The public sector remains a dominant employer in several countries, constraining fiscal space for wage adjustments. Gender gaps in labour force participation are persistent, with women's participation rates up to 30 percentage points lower than men's in some cases.

### 2. Minimum wage legislation and governance

While Fiji, Papua New Guinea and the Solomon Islands have ratified the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), and Fiji has also ratified the Minimum Wage-Fixing Machinery (Agriculture) Convention, 1951 (No. 99), none of the PICs have ratified the more recent Minimum Wage-Fixing Convention, 1970 (No. 131)—the most comprehensive and up-to-date ILO instrument on the subject. Most PICs have enacted legislation establishing minimum wage mechanisms, often through Employment Acts or Labour Codes. However, coverage, enforcement and review mechanisms vary widely. Some countries such as Fiji and Cook Islands have formal minimum wage policies and periodic review structures. In contrast, others – such as Tuvalu and the Solomon Islands – struggle with implementation due to administrative limitations, insufficient resourcing, and gaps in information and data systems.

Enforcement mechanisms remain underdeveloped across many PICs. Labour Inspectorates are typically under-resourced, and data collection systems are often weak or outdated, limiting effective monitoring and compliance. The involvement of employers' and workers' organizations is limited, and social dialogue on wage-related issues is sporadic. Moreover, the monitoring of existing minimum wage implementation is largely absent, leaving enforcement gaps unaddressed.

### 3. Emerging trends and key issues

**Gender and equity dimensions:** Women are over-represented in low-paid, informal work, particularly in sectors such as agriculture and tourism. Minimum wage policies should be gender-responsive and grounded in the principle of equal pay for work of equal value, as enshrined in the ILO Equal Remuneration Convention, 1951 (No. 100).

**Cost of living and inflation:** Across many PICs, wage growth has lagged behind inflation. In Papua New Guinea, for instance, the real value of the minimum wage eroded significantly between 2010 and 2022.

**Tripartism and policy coherence:** Stronger mechanisms for social dialogue and policy coherence are required. Samoa, Fiji, and the Cook Islands are examples of countries where institutionalized consultation has supported minimum wage reforms.

**Climate and economic shocks:** Natural disasters, such as cyclones in Vanuatu and Tonga, and the COVID-19 pandemic, have strained labour markets and reduced fiscal space for wage adjustments. Climate vulnerability must be factored into wage-setting frameworks.

## 4. Country case study synthesis

Each of the 11 country case studies presents unique conditions, challenges and innovations in wage-setting practices. The report reviews minimum wage systems across countries, each shaped by unique economic structures, labour dynamics, and institutional frameworks:

**Cook Islands:** Has one of the most structured and transparent minimum wage systems in the region. The wage rate is reviewed annually with full tripartite consultation. The high level of compliance is supported by consistent dialogue between the government, employers and unions. A stable economy, relatively well-developed tourism sector and limited informality allow for effective implementation.

**Fiji:** Has a long-standing minimum wage setting mechanism, based on the Wage Councils. Today, it applies a national minimum wage and a set of sectoral wage regulations. It also has a national wage policy which integrates economic and social dimensions, supported by data and stakeholder dialogue. While some challenges remain in aligning wage rates with living costs, the country benefits from relatively strong institutions and capacity.

**Kiribati:** Established its first statutory minimum wage in 2016. Although this resulted in the current minimum wage setting, adjustment has not taken place and there is a need to strengthen capacities to enable a sustainable wage-setting practice. Enforcement is constrained by geographic dispersion, low institutional capacity and outdated data. However, the country has taken early steps to integrate wage policy into broader labour reform

efforts and has requested ILO support to review the minimum wage in 2025.

**Marshall Islands:** Operates with a flat minimum wage rate. Wage levels have not been adjusted in years, and the government lacks a mechanism for systematic review. The private sector is fragile, dominated by microenterprises, and wage enforcement is minimal. The situation highlights the urgent need for institutional capacity-building and social dialogue.

**Palau:** Has maintained a statutory minimum wage since 1998 but enforcement and review are limited. Despite being one of the more affluent countries in the region, Palau's reliance on migrant labour and a narrow economic base present challenges for inclusive wage policy. Wage disparities between nationals and migrant workers remain a concern, particularly in hospitality and construction.

**Papua New Guinea:** Has the largest and most complex economy in the PICs, and accordingly, illustrates the challenges of governance and scale. The national minimum wage has not been revised since 2016, despite sustained inflation. Institutional fragmentation, limited labour inspections and weak coordination among stakeholders impede wage reforms. Informality and regional disparities further complicate implementation. However, the ILO has provided support to undertake an evidence-based adjustment which took off with a series of consultations during the first quarter of 2025.

**Samoa:** Demonstrates steady progress with a recently adopted minimum wage legislation that mandates periodic reviews. The national minimum wage was revised in 2024 following tripartite consultations. Samoa's approach stands out for its policy coherence, legal clarity, and institutional framework. However, cost-of-living pressures and reliance on remittances continue to affect the real value of wages.

**Solomon Islands:** Reflects a highly rural, informal economy with significant geographic dispersion. The majority of workers are outside the reach of wage regulations due to subsistence livelihoods and limited road access. The minimum wage has been static for years and enforcement remains virtually non-existent. Nonetheless, renewed political commitment and external support offer entry points for reform.

**Tonga:** A small economy with strong reliance on remittances and public employment. It currently has no statutory minimum wage in force, though a comprehensive framework is ready for implementation. The law embeds tripartite consultation and includes notice and enforcement provisions. However, progress has been delayed by business concerns, disaster recovery, and administrative constraints. Establishing the system remains a key priority to strengthen worker protection and promote equitable, sustainable wage-setting.

**Tuvalu:** Has a legal provision for minimum wages but no formal rate has been established. Wage setting is challenged by the country's small size, limited private sector and external dependency. Employment is concentrated in the public sector, and wage policy is largely disconnected from broader economic planning. However, international partnerships and labour mobility schemes offer leverage for future reforms.

**Vanuatu:** Features a nascent but evolving wage-setting structure. Informality is widespread and subsistence agriculture dominates rural livelihoods. A minimum wage is in place but lacks frequent review. Natural disasters and climate risks continue to disrupt economic stability. The tourism and construction sectors present opportunities for inclusive wage policy if matched by data collection and institutional support.

Together, these case studies provide a rich understanding of how diverse economic structures, governance arrangements and social dialogue shape wage-setting practices in the Pacific. They underscore the need for context specific approaches rooted in national realities but informed by international standards and regional cooperation. While progress has been made across the region, significant gaps persist in institutional capacity, enforcement, data systems and the integration of wage policies into broader development strategies. The diversity of approaches illustrates both shared vulnerabilities – such as exposure to climate shocks and reliance on informal economies – and the distinct economic, social and political contexts of each country. This highlights the importance

of tailoring wage-setting frameworks to national circumstances while building on the strengths of regional collaboration and shared learning.

## 5. Strategic recommendations

Based on the comprehensive findings, the following strategic priorities are identified:

- ▶ **Develop and implement national wage policies:** Countries should establish coherent wage-setting frameworks linked to broader development, employment and social protection goals.
- ▶ **Institutional strengthening:** Technical and financial investments are needed to build capacity in ministries of labour, wage boards and statistical systems.
- ▶ **Regular and transparent review mechanisms:** Countries should adopt regular review cycles grounded on evidence based social dialogue balancing the needs of workers and their families with economic factors.
- ▶ **Extension of coverage:** Minimum wage protection should cover all groups of wage earners, to include informal workers where feasible.
- ▶ **Tripartite dialogue and consensus building:** Strengthening employer-worker-government dialogue will improve the legitimacy and sustainability of wage reforms.
- ▶ **Data and research systems:** Governments and development partners must support improved data collection, including labour force and household surveys, essential to take policy decisions based on evidence.
- ▶ **Gender equality and youth employment:** Wage setting should align with commitments to gender equality and youth inclusion.
- ▶ **Climate-resilient wage systems:** Wage floors should reflect environmental vulnerability and support economic adaptation.

## 6. Conclusion

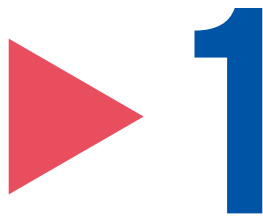
Minimum wages are a vital instrument for reducing working poverty, promoting equity and advancing social justice across the PICs. However, their effectiveness depends on various elements including the scope of the coverage, setting an adequate level and improving the level of compliance. To be effective, minimum wage systems must go beyond serving as stand-alone instruments. In line with ILO Convention No. 131, their design and implementation should balance the needs of workers and their families with broader economic considerations and be underpinned by tripartite social dialogue.

Embedding minimum wage systems within national development strategies ensures coherence with employment, social protection

and poverty-reduction policies, improving fiscal space. Their success also depends on strong and adequately resourced institutions, regular and evidence-based reviews supported by robust labour market data, and transparent mechanisms for compliance and enforcement. When grounded in these principles, minimum wage policies can fulfil their purpose of protecting vulnerable workers, reducing inequality, while promoting sustainable enterprises contributing to inclusive and resilient development across the Pacific Island Countries.

Regional cooperation—guided by ILO international labour standards, core principles, and UN frameworks—can help countries strengthen their wage-setting systems and align them more closely with the goals of Decent Work and the Sustainable Development Goals (SDGs).





# Introduction

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Advancing social justice and promoting decent work are central to the International Labour Organization's mission, playing a crucial role in fostering inclusive, sustainable and resilient development. By promoting productive employment, rights at work, social protection and social dialogue, this approach ensures equitable growth and prosperity, particularly in vulnerable regions like the Pacific Islands. The emphasis on social justice, underscored by the ILO's Centenary Declaration for the Future of Work (2019), reaffirms the need for human-centred policies that balance economic growth with societal well-being.

The Asia-Pacific region faces significant challenges in ensuring decent work, as many workers remain trapped in low-wage jobs, lacking access to social protection, and subject to deep wage inequality driven by high shares of informal employment, gender-based wage gaps and weak enforcement mechanisms. Designing and implementing adequate wage policies – particularly minimum wages – is essential to ensuring that development benefits are shared equitably, especially in small island and fragile economies like those in the Pacific. Such policies not only protect workers' incomes but also serve as powerful tools to promote inclusive growth, strengthen economic resilience and reduce wage inequality.

Against this backdrop, key ILO instruments—including the Minimum Wage Fixing Convention, 1970 (No. 131) and its accompanying Recommendation No. 135—are directly relevant. These instruments promote balanced minimum wage-setting mechanisms that consider both the needs of workers and their families and broader economic factors, supported by social dialogue and the use of robust

data to enable evidence-based decision-making. In addition, the Protection of Wages Convention, 1949 (No. 95) reinforces the need to ensure that wages are paid in full, regularly, and under conditions that protect workers from unlawful deductions or delays—an essential complement to effective minimum wage systems.

Labour market policies in the PICs remain underexplored, creating significant gaps in understanding their impact. To address these gaps and achieve effective policy outcomes, evidence-based policymaking is essential. Recent ILO efforts, including the Governing Body's endorsement of the conclusions of the meeting of experts on wage policies, including living wages, underscore the critical role of statutory minimum wages and collective bargaining as foundational mechanisms for ensuring the determination of adequate wages.

In addition to these mechanisms, the endorsed wage-setting principles emphasize promoting gender equality, equity and non-discrimination, adopting more evidence-based approaches, tailoring policies to national circumstances and addressing the root causes of low pay. These principles reflect the growing importance of wage policies for advancing social justice across the region, highlighting their transformative potential in achieving inclusive and sustainable development.

This report provides an overview and evaluation of statutory minimum wage arrangements in 11 ILO Member States of the Pacific Islands region based on comprehensive desk research and stakeholder involvement through interviews and provision of source materials. It explores how minimum wage systems, when aligned with the Decent Work

Framework, can serve as a catalyst for progress in the Pacific Islands. The report emphasizes the need to harness reliable data and evidence to inform policy choices that can contribute to reducing poverty and inequality, and support long-term, inclusive growth in these distinct economic settings.

## 1.1. Context

The ILO has 11 Member States in the Pacific Islands region. In order of the year of joining, these are Fiji (1974), Papua New Guinea (1976), Solomon Islands (1984), Kiribati (2000), Vanuatu (2004), Samoa (2005), the Republic of the Marshall Islands (2007), Tuvalu (2008), the Republic of Palau (2012), Cook Islands (2015) and the Kingdom of Tonga (2016). The primary objective of the ILO Office for Pacific Island Countries is to assist governments and employers' and workers' organizations in their efforts to promote dignity at work. This includes the active pursuit of decent employment through effective rights at work, social protection and social dialogue frameworks.

In April 2024 the ILO and the Pacific Islands Forum (PIF), which comprises of 18 members in the region, signed a five-year cooperation [Agreement](#). The aim is to help further integrate the ILO's [Decent Work Agenda](#) and the PIF's [2050 Strategy for the Blue Pacific Continent](#), as well as advance actions related to the [2030 Agenda for Sustainable Development](#). Cooperation focuses on people-centred development, addressing climate change and just transition, exclusion and inequality, and human rights. In concrete terms, this involves national and local initiatives throughout the region around the following:

- ▶ private sector development to promote inclusive, job-rich economic growth, as well as employment diversification for sustainable development;
- ▶ regulatory and policy reforms to improve enabling environments for innovation, support the establishment and growth of small enterprises, and enhance skills development;

- ▶ strengthening the capacity of governments to promote and ensure the observance of fundamental principles and rights at work, both to protect workers and to ensure a level playing field for investment in the region;
- ▶ promotion of regional coordination to address common labour market issues including the needs to advance gender equality, combat violence and harassment at work, and ensure good governance of labour mobility schemes;
- ▶ promoting universal access to comprehensive, adequate, and sustainable social protection, including by adapting and preserving indigenous knowledge. It is important to design integrated sets of policies that ensure income security and support to all people across the life cycle, particularly the poor and the vulnerable.

Labour market and labour law frameworks are important in addressing each of these goals, and the principles of social dialogue and tripartism underpin participatory forms of governance in these areas. The involvement of the social partners helps represent and reconcile stakeholder interests towards sustainable development through social inclusion, and shared wellbeing and prosperity.

Within these frameworks, minimum wages systems are an important mechanism to help advance objectives including income protection, labour force participation, skills development and tackling unfair competition. Statutory measures are especially relevant where collective bargaining is underdeveloped, as in most of the Pacific Island Countries. The need for effective minimum wage systems has become especially pronounced in the post-COVID context of high inflation, migration pressures and skills shortages.

PICs are diverse, culturally, economically, socially and politically (Schoeffel 1996). Typically, Polynesian countries tend to be ethnically more homogeneous and demonstrate relative political and economic stability, in contrast to the culturally diverse and sometimes conflict-impacted Melanesian states.<sup>1</sup> The Melanesian countries of Fiji, Papua New Guinea

<sup>1</sup> Polynesia, Melanesia and Micronesia are terms of European origin categorizing the PICs according to geography and ethnicity. Polynesia ("many islands") is located in the eastern Pacific and includes Samoa, Tonga, the Cook Islands and French Polynesia. Micronesia ("small islands") is north of the Equator and east of the Philippines, and includes Palau, Guam, Northern Mariana Islands, Federated States of Micronesia, Nauru, Marshall Islands and Kiribati. The term Melanesia refers to the darker skin tone of the indigenous peoples of southwestern Pacific including Fiji, Vanuatu, Solomon Islands, Papua New Guinea and New Caledonia.

(PNG), Solomon Islands and Vanuatu have larger populations and land areas endowed with various natural resources than their Polynesian neighbours, and benefit from closer proximity to markets (ILO 2017a). The Polynesian countries of Cook Islands, Samoa and Tonga have experienced considerable emigration and have sizeable diaspora communities abroad, mainly in New Zealand (NZ) and Australia. This has implications for skills and employment as well as national income through remittance flows. Culturally, Tuvalu is a Polynesian country. However, being an atoll country, it is economically and geographically distinct. As with Kiribati, a Micronesian country, there is a high degree of vulnerability to climate change and environmental degradation and a lack of opportunities for economic diversification. The economies and labour markets of the northern Micronesian countries of Palau and Republic of the Marshall Islands (RMI) are also distinctive given their Compact of Free Association (COFA) with the United States (US) which generates economic support and enables free movement of labour.

Notwithstanding these differences, the PICs share important features and challenges (Reilly 2004). The challenges of geography include environmental risks from volcanic eruptions, earthquakes, tropical storms, tsunamis, coastal erosion and flooding which can severely impact economic activity and livelihoods. Geography imposes significant structural constraints on PICs, contributing to persistent trade imbalances. Remoteness, small populations, and limited production capacity result in high dependency on imports—particularly for food and fuel—leading to elevated living costs and concerns around food security. While geographic distance can provide some protection for small-scale local businesses by limiting external competition, it also restricts economies of scale, undermines productivity, and inhibits wage growth. In addition, small domestic markets reduce opportunities for competition, innovation, and private investment.

Low productivity is endemic due to lack of economies scale, inadequate access to finance, weak infrastructure, underdeveloped human capital and poor management (Bloom et al. 2010). This can limit employment opportunities as well as wage growth, particularly for youth. The PICs have young populations (as well as increasing numbers of dependent elderly people) which place a premium

on economic growth and skills development. However, many of the countries have relatively low labour force participation and a high proportion of informal work. The public sector is usually a major employer as well as economic actor which can lead to inefficiencies in labour allocation and production. Private sector employment tends to be limited or uneven, concentrated in key sectors such as tourism or the primary sectors.

Each of the countries also faces institutional capacity constraints in policy development, implementation, and monitoring. In some cases, these challenges may be exacerbated by political fragmentation or frequent changes in leadership, which can affect policy continuity and long-term planning. While governance structures vary across the region, maintaining consistent political commitment and coordination remains essential to advancing wage and employment reforms. More specifically, labour ministries and statistics units are typically under-resourced, limiting awareness and enforcement of employment and labour rights. The fundamental importance of data is recognized in the ILO's Minimum Wage Fixing Recommendation, 1970 (No. 135) which calls for "periodical surveys of national economic conditions, including trends in income per head, in productivity and in employment, unemployment and underemployment", to support the minimum wage-setting process. However, statistical offices in the PICs commonly face high data collection costs owing to population dispersion and inaccessibility, which intensifies problems associated with financial and staffing under-resourcing.

## 1.2. Minimum wage regulation

These considerations have implications for labour regulation as well as employment generation. In principle, labour regulation, including minimum wages, can be a constitutive force for economic and individual development as well as a corrective to some of the deleterious effects of work. As Deakin (2011: 167) argues, the fact that the core institutions associated with labour regulation emerged out of industrialization in the West, though not implying a necessary condition, "does, however, suggest that labour law institutions are capable of contributing to economic growth and social cohesion in emerging and transitional economies". There is a case to be made for labour regulation

in least developed countries (LDCs) on the bases of labour market efficiency and economic growth apart from worker protection and human rights.

There are however obstacles to the introduction and implementation of labour legislation in developing countries such as the PICs. For example, in a large informal economy, effective labour regulation may not be given due importance (Bacchetta et al. 2009) and this, by reducing government resources, is likely to undermine systems of labour administration and inspection (Olivier 2013). Relatedly, civil society stakeholders in labour regulation, including trade unions, are often weak. In contrast, employers, though also often weakly organized, may have a more direct influence on state policy through personal networks, lobbying against measures that might be seen to increase costs and reduce flexibility (Graham and Woods 2006). States might also be reluctant to regulate employment and labour markets under the pressures of globalization and international agencies (Rudra 2008). Finally, colonial legacies might also be relevant; countries influenced by British common law and “voluntarist” traditions tend to demonstrate a lower appetite for state intervention to regulate employers (Cooney et al. 2009). Many of these obstacles are intensified in smaller countries, given that they are less likely to have a diversified, industrialized economy or a well-developed civil society, and are more open to influence by powerful interest groups (UN 2009).

In developed countries, there are three main mechanisms for supporting those in low-waged employment: collective bargaining, statutory minimum wages, and in-work social transfers and benefits (Picot and Pedersen 2024). Each of these is limited in small LDCs by the small scale of the private sector, extensive informal employment, and the limited regulatory reach and capacity of the State. Structural constraints on productivity growth also constrain real wages. As the ILO (2024: 9) notes, globally, real wages increased every year after 2006 until the sharp rise in inflation in 2022; this growth was driven by productivity which “in turn, is usually the result of structural transformation and a comprehensive set of policy reforms that are conducive to economic growth, including in the areas of skills, public and private investments, and the establishment of an enabling environment for enterprises”. The PICs face severe problems in generating productivity growth owing

to small and remote economies, large informal sectors, an under-skilled workforce, and capacity constraints of the social partners and policymakers. Furthermore, as Acemoglu and Johnson (2024) note, productivity growth does not necessarily translate to wage growth without a supportive regulatory environment including collective bargaining, which constitute a form of inclusive institution that promote broader participation and sustain long-term growth.

Minimum wage regulation in support of decent work has arguably never been more important across the region. Setting and enforcing minimum wages can help address poverty, wage and gender inequality (Berg 2015), provide an incentive for workers to gain formal employment (OECD 2024), combat unfair competition (ILO 2014), promote social dialogue (ILO 2017b) and even contribute to social cohesion and peace (Belser and Sobek 2012). Most importantly, minimum wages provide a measure of protection for low-paid workers. This is all the more pertinent in the post-pandemic scenario: the economic impact of COVID-19 has been severe and most adversely impacted low-paid workers through job loss and coping with the cost-of-living crisis (ILO 2020; 2022). High inflation has a disproportionate effect on low-income workers and families given their lower discretionary expenditure. Across the Asia-Pacific region, those in smaller countries were most adversely affected by higher inflation and inadequate revisions to the minimum wage (Estupiñan et al. 2023). The growth of in-work hardship and wage inequality underscores the importance of the 2019 ILO Centenary Declaration for the Future of Work in its call for a human-centred approach to the future of work. An “adequate minimum wage”, established with the involvement of the social partners, balancing social and economic views, is an essential part of such an approach.

Linked to this is the formalization of employment. The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) provides guidance to facilitate that transition. With respect to minimum wages, countries should progressively extend minimum wage protections, in law and in practice, to workers in the informal economy through the process of formalization. It reiterates that a minimum wage “takes into account the needs of workers and their families and considers

relevant factors, including but not limited to the cost of living and the general level of wages in their country”.

There is also increased international attention on the concept of a living wage. The Preamble to the ILO Constitution of 1919 proclaims the urgency of improving conditions of labour through, among other measures, “the provision of an adequate living wage”. This implies a wage whereby workers and their families are able to lead at least a simple but decent life considered acceptable by society, in light of its level of economic development, with some scope for savings, insurance and participation in social and cultural life (Anker 2011). The living wage concept broadens that of minimum wage by its reference to families and an acceptable standard of living, rather than simply basic needs. In March 2024, the ILO Governing Body endorsed the agreement reached by its wage experts that decent wages are central to economic and social development and social justice, while elaborating principles to estimate and operationalize living wages in national and local contexts.

Establishing a living wage may pose a challenge in the context of the PICs, as subsistence and informal work contributes substantially to in-kind and income support towards a decent living standard for households and families, which may be large and extended. However, wage-setting institutions and principles offer mechanisms to pave the way towards policy goals by means of social dialogue. This can help address the root causes of low pay while at the same time fostering economic stability and equitable growth. The Minimum Wage Fixing Convention, 1970 (No. 131) and the accompanying Recommendation (No. 135) stress the importance of a balanced approach to reconcile the needs of workers and their families and economic factors.

The inherent challenge of balancing the needs of workers, business and the wider economy was acutely felt during the COVID pandemic: high inflation and job losses reduced workers’ living standards, while many businesses struggled with the economic impact of lockdowns, supply chain interruptions and price rises. The required balancing act places a premium on systematic, evidence-based mechanisms for setting minimum wages that involve the social partners, but “across the region, labour market institutions are insufficiently developed” (ILO 2017b: 14). Ministries and Labour Departments are under-resourced, trade unions weak outside of the public sector (except for Fiji and to some extent the Solomon Islands) and some countries have no minimum wage-setting mechanism that formally involves the social partners. Decision-making processes can be opaque, and, in some cases, minimum wage reviews can be delayed due to political considerations. This adversely impacts workers and business alike due to uncertainty, delays and adjustment shocks.

In conclusion, minimum wage regulation constitutes a cornerstone for promoting decent work, reducing inequality, and supporting economic stability. Despite many challenges such as the presence of weak institutions and extensive informal economies, especially in PICs context, evidence-based wage-setting and social dialogue remain critical. Aligning wage policies with international standards, such as ILO Convention No. 131, and integrating living wage principles can address low pay, foster economic growth, and enhance social justice. Prioritizing these efforts is vital for building equitable and resilient labour markets. The next section provides a comparative overview of results before a discussion of wage policy context. This is followed by the individual country case studies.

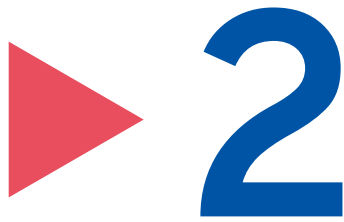
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▶ 2

# Comparative overview



# Comparative overview

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## 2.1. Economic and labour market context

Economic vulnerability and underdevelopment create significant barriers to formal employment and higher labour productivity. These challenges are compounded by capacity constraints around governance and, in some cases, migration pressures. In many of the PICs, these contextual factors pose substantial obstacles in the establishment of a systematic minimum wage-setting process.

### Economic vulnerability

*Vulnerability is linked to remoteness, exposure to natural disasters and limited economic diversity.*

Not only do most of the PICs have a small economy, they also have a narrow economic base. For example, the Cook Islands economy is dominated by tourism – focused on the main island of Rarotonga – which accounts for a third of all jobs in the country. A normally buoyant tourist sector, alongside migration prospects to New Zealand (Cook Islanders hold New Zealand citizenship), results in private sector wages generally much higher than the minimum wage, even though the latter is amongst the highest in the region. COVID-19, of course, led to a cessation of tourism and massive public sector borrowing. This has implications for minimum wage setting due to the private sector downturn and because most low-paid workers are employed in the public sector. The Cook Islands government is looking for economic diversification, including developing

seabed mining of nodules rich in minerals within its Exclusive Economic Zone (EEZ). Other countries with sizeable tourism sectors include Palau (40 per cent of gross domestic product (GDP)), Fiji (25 per cent of GDP) and Samoa (20 per cent of GDP). In contrast, the RMI has a very small private sector and around 70 per cent of its GDP derives from US funding connected to COFA.

Income from fishing is important in several countries. In Kiribati, the two main sources of revenue are fishing licensing and overseas remittances. Fishing revenues increased rapidly after 2012 and accounted for around two thirds of GDP just before COVID, supporting significant economic growth and government spending (including a 30 per cent wage increase in 2018). However, these earnings can fluctuate and are threatened by climate change and overfishing. Remittance income (around AU\$23 million in 2022) also fell due to COVID.

The Solomon Islands largely depends on tuna fishing and processing, as well as plantation agriculture which accounts for a third of GDP. However, further development is impeded by land ownership disputes. Around 90 per cent of the land is under customary ownership, usually undocumented, making it difficult to lease or purchase land for business or to use it as collateral. Its neighbour, PNG, generates large foreign revenues from extractive industries including gold, copper, silver, natural gas, timber and oil. However, in both countries, the costs of governing and extending services across large distances are high.

Tonga faces many challenges typical of small island developing states, including geographical isolation, limited human and financial resources, and high costs associated with doing business and providing basic services. The economy is dependent on contingent inflows of remittances and external aid. Import dependency is most acute in the area of fuel for transport and energy. All grid-supplied electricity derives from diesel and imported fuel can account for as much as a quarter of total imports (equivalent to 10 per cent of GDP). Rising fuel prices impact living standards and business viability. The country is also vulnerable to external shocks including natural disasters: Tonga is one of the countries in the world most exposed to natural disasters.

Using GDP per capita in constant PPP terms is particularly valuable in this region, as it allows for more meaningful comparisons of real living standards across countries with very different price levels. These disparities also have direct implications for wage-setting and social protection,

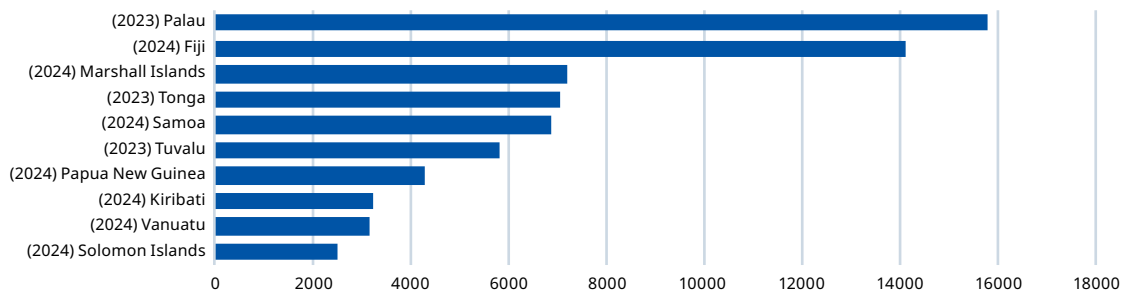
where capacity and adequacy must be calibrated to each country’s development context.

Figure 2.1 highlights the wide disparities in GDP per capita (constant PPP terms) across Pacific Island Countries. At the upper end, Palau (US\$15,800 in 2023) and Fiji (US\$14,200 in 2024) record the highest values, reflecting their integration into international tourism and services.

Meanwhile, Marshall Islands, Tonga, Samoa, and Tuvalu form a middle group, with per capita incomes between US\$6,000–7,500, supported by fisheries revenues, remittances, and donor aid. In contrast, Papua New Guinea, Kiribati, Vanuatu, and Solomon Islands remain below US\$4,500, constrained by structural vulnerabilities, narrow economic bases, and exposure to natural disasters.

The Cook Islands, though excluded from PPP-converted databases, would rank above all others: its 2023 GDP per capita in constant US\$ terms was US\$23,708, underlining the weight of tourism and close economic ties with New Zealand and Australia.

► **Figure 2.1. GDP per capita in Pacific Island Countries, latest available year (constant 2021, US\$ PPP values)**



**Note:** No PPP-converted data are available for the Cook Islands. However, based on the Asian Development Bank’s estimate of Gross Domestic Product per capita at 2016 constant prices, the 2023 value corresponds to USD 23,708.

**Source:** World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

Across the PICs, natural disasters are destructive, unpredictable and occur frequently with immediate adverse effects on the economy. They also reduce long-term growth by disrupting investment and diverting resources from development to reconstruction (Lee et al. 2018). As the PICs commonly face low GDP growth, high reliance on grants and external loans, and underdevelopment in disaster-resilient infrastructure, the economic impact of natural disasters tends to be larger than

for comparable low-income emerging economies (Noy 2016). Some of these problems also relate to poor governance. The European Union (EU 2022) was trenchant in its verdict on the Solomon Islands, for example, noting, “Corruption in the political and government sector is a serious concern ... corruption is pervasive in the Government.” More generally, problematic governance causes capacity constraints within the relevant ministries and departments.

## Constraints on development potential

*The PICs face a range of structural as well as capacity barriers to development.*

A recently developed indicator of economic development potential is the United Nations Conference on Trade and Development's Productive Capacities Index (PCI) which measures human capital, infrastructure and institutional capacity to generate a score between 0 and 100 (UNCTAD 2021). Most of the PICs are mid-ranking in the

list of the 195 economies in the index though performance across the countries varies (table 2.1). There are also differences in development capacity and barriers across various economic dimensions within the countries. For example, ease of doing business for the private sector generally scores well, but the ratings for structural change (the ability to reallocate resources from low- to high-productivity activities) as well as transport, energy, and information and communication technology (ICT) are low.

►Table 2.1. Productive Capacities Index of PICs, 2018

Country	Energy	Human capital	ICTs	Institutions	Natural capital	Private sector	Structural change	Transport	PCI	Rank
Fiji	27.6	49.0	9.8	53.4	43.1	83.9	19.3	20.5	31.7	101
Kiribati	25.4	46.2	5.9	57.2	51.6	80.8	9.3	24.3	27.9	132
RMI	27.6	50.1	7.5	52.0	45.9	81.4	13.7	28.8	30.7	113
Palau	32.0	43.3	14.6	60.3	31.9	79.0	15.5	32.8	33.5	80
PNG	21.8	34.5	5.0	41.8	45.5	75.6	15.7	17.8	25.0	152
Samoa	26.9	46.6	7.4	66.9	39.7	83.8	18.4	25.7	31.5	103
Solomons	21.2	40.0	5.6	46.9	44.7	81.1	13.5	20.7	26.2	145
Tonga	28.6	47.4	8.8	55.8	53.6	81.9	19.9	24.0	33.0	86
Tuvalu	28.4	36.8	12.1	60.5	51.6	86.9	17.7	26.5	33.6	79
Vanuatu	23.1	41.2	6.7	55.5	46.2	80.4	17.8	24.2	29.4	124

Note: No data for the Cook Islands. Some data may be impacted by small population and/or geographical size.  
Source: UNCTAD 2021.

Two significant features that may present a development drag in many PICs are high levels of migration and informal work as these can impede skills growth and retention even as they provide some immediate economic benefits in terms of household support. Low labour force participation is also a constraint though this also presents opportunities for better utilization of human capital.

## Labour force participation

*Significant differentials exist in labour force participation rates across PICs. The gender differentials in the participation rates are stark in many countries.*

The labour force participation rate (LFPR) varies significantly across the PICs, including by sex (ILO 2024). The global average LFPR of 60.8 per cent in 2023 is calculated using the 19th International Conference of Labour Statisticians (ICLS) standards, which provide a broader and more inclusive definition of employment, including subsistence and certain forms of unpaid work.

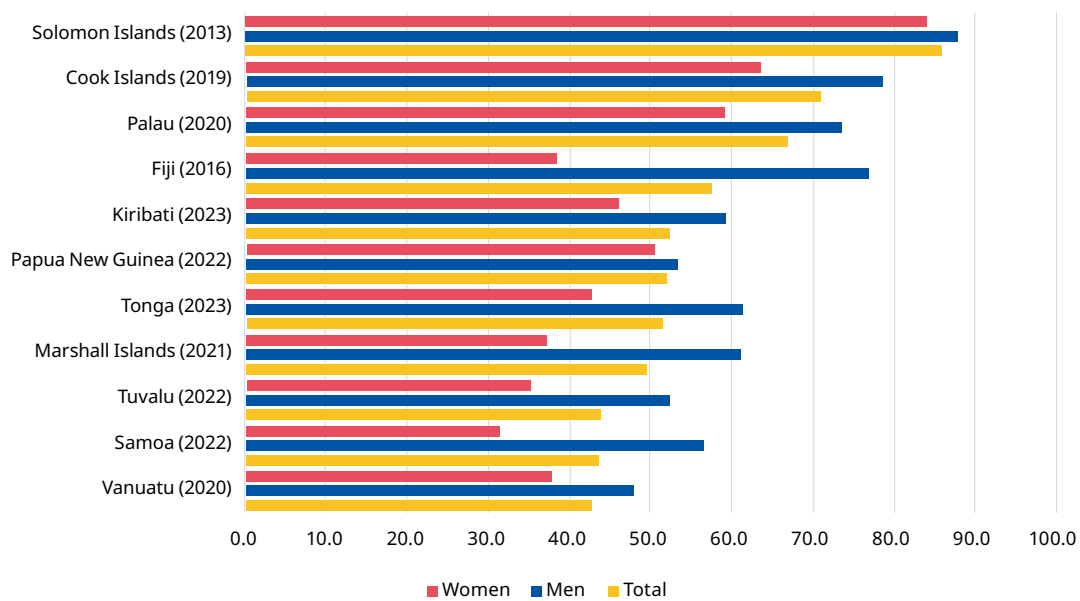
However, for comparative purposes across all countries — particularly where data collection is still based on the 13th ICLS standard<sup>2</sup>, such as in the Solomon Islands — we have adopted the 13th ICLS methodology uniformly. This ensures consistency in the calculation and allows for comparability across national datasets.

<sup>2</sup> The 13th ICLS standard applies narrower criteria for employment, excluding many informal or subsistence activities that are counted under the 19th ICLS. As a result, the LFPR values based on the 13th ICLS standard may be slightly underestimated in countries where such forms of work are significant. This methodological choice allows for meaningful comparisons, but it also underscores the need for caution in interpreting the figures. Differences between the two standards can be particularly relevant in countries with large informal or rural subsistence sectors.

Some countries show a higher LFPR such as the Solomon Islands (86 per cent), Cook Islands (70.9 per cent) and Palau (67 per cent) but many show lower than 50 per cent LFPR like in Marshall Islands, Tuvalu, Samoa and Vanuatu (figure 2.2). Only 31.4 per cent of working-age women engage in the labour market in Samoa, and the female

participation rate is below forty per cent in the Fiji, Vanuatu, Marshall Islands, Tuvalu and Samoa. Gender disparities in labour force participation rates exceed 30 percentage points in Fiji and are greater than 20 points in the Marshall Islands and Samoa.

► **Figure 2.2. Labour force participation rate in PICs, by gender, selected years (percentage)**



Source: ILOSTAT database, ILO modelled estimates, based on the 13th ICLS standard, extracted June 2025.

### Wage earners or employees

*Proportion of wage and salaried workers and their share in formal employment vary across PICs. Customised strategies that combine wage policies with measures like formalisation is pivotal to maximise labour market outcomes.*

A higher share of wage/salaried employees indicates a greater potential impact of minimum wage policies, as this group is typically very likely to fall in the formal sector and be directly covered by such regulations. Countries with a high share of wage and salaried employees, such as Palau (92.9 per cent in 2020), Tuvalu (86.3 per cent in 2022), Cook Islands (81.8 per cent in 2019), and Marshall Islands (73.9 per cent in 2021), present the greatest potential for minimum wage policies to positively impact their workforce. Conversely, countries like Solomon Islands (25.3 per cent in 2013) and Vanuatu (40.1 per cent in 2020) face significant challenges due to a smaller proportion

of wage employees. Considering that some of these countries have high levels of informal employment, for example Vanuatu with more than 70 per cent, may face stiffer challenges regarding the reach and enforcement of minimum wage policies.

The public sector plays a pivotal role in the effective implementation of minimum wage policies, though its unique characteristics may pose challenges. Many workers employed in the public sector are often excluded from minimum wage systems due to budgetary constraints and pre-existing wage structures, even in industrialized countries. This exclusion can create inconsistencies in the labour market and limit the reach of minimum wage protections. Therefore, a large public sector share can constrain wage policy implementation due to budgetary limitations, as governments often play a dual role as wage regulator and employer. In the PICs, countries with substantial public sector employment, such as Tuvalu (71.4 per cent in 2022), Marshall Islands (47.9 per cent in 2021) and Palau

(39.8 per cent in 2020), may therefore encounter constraints in implementing wage adjustments. By contrast, countries such as Fiji (14.5 per cent in 2016) and Samoa (19.1 per cent in 2022) combine relatively higher shares of formal employment with a more moderate role of the public sector. This configuration provides a stronger foundation for minimum wage systems to be more effective, as coverage can extend to a larger proportion of workers while fiscal pressures on government budgets remain manageable. These labour market characteristics highlight the need for tailored strategies that combine wage policies with broader measures (e.g. formalization initiatives and social protection) to maximize effectiveness and address structural barriers.

## Informal employment

*Informal employment is high across the PICs and dominant in many. This form of vulnerable work is linked to the underdevelopment of the private sector as well as the continued importance of agriculture for household livelihoods.*

The informal employment rate is an indicator of the overall quality of employment in an economy. This is because informal workers lack social protection, rights and benefits at work, have limited training, and are commonly engaged in insecure and low-paid work (OECD 2024).

### ► Box 2.1. Informal sector and informal employment: A brief note on terminology

The “informal sector” refers to economic units with features such as lack of registration or legislative architecture. In contrast, a formal sector enterprise is one that is registered or has full bookkeeping for national reporting. “Informal employment” is a broader job-based concept. Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits such as sick leave, pension contributions and paid annual leave. Informal employment can occur in formal or informal sector enterprises, or households, including self-employed arrangements.

Informal workers comprise informal sector employers and own-account workers (i.e. self-employed with no employees); employees holding informal jobs irrespective of type of enterprise; and contributing family workers who provide paid or non-remunerative work in support of an income-producing enterprise operated by a member of the same household.

In addition, subsistence workers are included within the scope of the informal workforce. These are defined with the International Classification of Status in Employment (ICSE-93) as self-employed workers engaged in the production of goods or services exclusively or predominantly for their own or household use, and which provides an important basis for its livelihood. If data on subsistence workers is not collected separately by national statistics, they are included as own-account workers.

According to the Pacific Employment and Social Monitor (April 2024), the overall informal employment rate in the Pacific Islands is 55.1 per cent<sup>3</sup>, closely aligning with the global rate of 58.0 per cent. Table 2.2 highlights that informal employment constitutes a large part of the economy in each of the 11 PICs and is often the main source of employment. This tends to inversely correlate with opportunities for higher paid work, whether largely provided through the public sector as in the Marshall Islands or Tuvalu, or through private enterprise such as tourism in the Cook Islands or Fiji. Informal work therefore increased during COVID in response to job losses and reduced hours. Much of the informal work is concentrated in agriculture, accounted by work in farming, raising animals, fishing or making goods exclusively for own consumption. In the Solomon Islands, for example, when agriculture is excluded, the share of informal employment falls from 57 per cent to 4.4 per cent.

It is important to note that overall data on informal employment often fails to reflect the fluid and multi-dimensional nature of work in Pacific Island Countries (PSDI 2023). Many workers in the region engage simultaneously or sequentially in a mix of economic activities—ranging from subsistence farming, barter exchange, and informal trade to formal employment or entrepreneurship. Temporary migration, both internal and overseas, further adds to this complexity. Even individuals with formal jobs may turn to agricultural or informal activities during certain periods to supplement income or fulfil social obligations (World Bank 2014). This overlap and movement between different forms of work challenge conventional definitions of employment and complicate efforts to measure labour market participation, design effective labour policies, and extend social protection coverage.

► **Table 2.2. Employment status (share of employed population, percentage), informal share of employment (percentage) and public sector share of total employment (percentage) in PICs (latest available year)**

Country	Wage/salaried employees	Own-account workers	Contributing family workers	Employers	Public sector	Informal employment
Cook Islands (2019)	81.8	7.8	5.3	5.1	30.4	29.2
Fiji (2016)	63.6	15.6	18.6	1.2	14.5	43.6
Kiribati (2023)	54.2	39.4	5.2	1.2	29.3	59.9
Marshall Islands (2021)	73.9	17.1	5.4	2.0	47.9	33.1
Palau (2020)	92.9	4.9	0.3	1.8	39.8	N/A
Samoa (2022)	54.3	32.5	9.0	2.9	19.1	51.6
Solomon Islands (2013)	25.3	10.7	49.8	0.9	9.9	N/A
Tonga (2023)	57.8	16.5	3.9	8.1	34.4	58.9
Tuvalu (2022)	86.3	5.8	4.3	1.6	71.4	20.2
Vanuatu (2020)	40.1	26.3	5.9	4.3	20.2	72.4

Source: ILOSTAT database, ILO modelled estimates, based on the 13th ICLS standard, extracted June 2025.

<sup>3</sup> The ILO's official regional classification for the Pacific includes Australia and New Zealand. However, the 55 per cent figure cited here refers specifically to Pacific Island Countries (PICs) and excludes Australia and New Zealand. One of the aims of the Monitor is to highlight labour market trends and challenges unique to PICs, going beyond the broader regional classification.

Subsistence agriculture is important in many countries and defrays what would otherwise be a high cost of living relative to earnings. This is especially the case in Melanesia. In the Solomon Islands, for example, more than one in ten people (13 per cent) live below the poverty line and less than half of those in employment are in wage work. Subsistence agriculture, combined with kinship obligations, provides an essential social safety net. The large rural subsistence sector provides the main livelihood for some 80 per cent of the population. Similarly, informal work is the norm for the majority (83 per cent) of the PNG population that live outside urban areas, and many within its towns and cities too. In Vanuatu, more than two thirds of employees are in informal employment. Around 50 per cent of food is acquired through cash-based purchases, while 39 per cent is sourced through own production.

Even in the Cook Islands, which is relatively urbanized and has a well-developed private sector, 70 per cent of the households engage in agricultural activity and nearly two in five in fishing, almost all for own use rather than sale. Likewise in Fiji, one of the most developed countries in the region, subsistence agriculture is a mainstay for most of the population. In other countries, the informal market sale of produce is a significant source of income. In Samoa, agricultural output accounts for less than 10 per cent of GDP, with an employment share of 20 per cent, but it is a source of income for over 70 per cent of the population.

In Kiribati, only a third of the working-age population is in employment and more than half of the workers are informally employed, with almost one in five working in the informal sector. Around a fifth of the people engage in subsistence agriculture and fishing for household consumption is almost universal. In Tonga, a third of those employed work in the informal sector and nearly one in five (17 per cent) are involved in subsistence labour. Overall, informal employment accounts for 78 per cent of Tonga's total employment. In contrast, the proportion of informal employment in Tuvalu accounts for only 20.2 per cent according to 2022 Census. In Samoa, 37. However, 3,625 people were economically inactive, with over 2,000 engaged in subsistence work and other domestic duties. In Samoa, 37 per cent of employment was informal

in 2017, a sharp drop from around 47 per cent in 2006 (Chong-Fruenan 2010), owing to the growth of overseas investment and infrastructure projects.

While informal work constitutes a significant proportion of the total employment in most of the PICs, it is relatively low in the Marshall Islands, an effect of fewer opportunities for subsistence work and extensive employment through the state and US military base. In Palau, employment is generated by the public sector and tourism and related industries. The latter is also sustained by large-scale immigration, particularly from the Philippines.

It is important to note that the PICs have little by way of social security benefits. This is limited to superannuation savings schemes, which usually allow for funds to be withdrawn in response to economic crises. There may also be some payments for sickness or work accidents under workers' compensation schemes. Informal workers are excluded from these schemes, reinforcing the subsistence economy as a valuable means of support in times of hardship. At the same time, engaging in subsistence activities can limit full participation in the formal economy, compounding income inequality and precarity, especially for women (UN Women 2022). Informal work is therefore highly persistent, linked to economic underdevelopment, and is both a product of and support for low-paid and low-skilled work (OECD 2024).

## Migration

Labour mobility plays a central role in the economies and livelihoods of many PICs. Overseas employment opportunities—whether through circular seasonal work, temporary contracts, or long-term emigration—provide an essential source of jobs, income, and skills development for thousands of Pacific workers. While remittances are a widely recognized benefit, the impacts of migration go beyond financial transfers. Many workers return home with new skills, experiences, and aspirations that contribute to social and economic development.

A majority of PICs now participate in structured labour mobility schemes such as New Zealand's Recognised Seasonal Employer (RSE) scheme

and Australia's Pacific Australia Labour Mobility (PALM) programme. These schemes not only meet labour shortages in the rural economies of Australia and New Zealand but also offer training, skills enhancement, and pathways to formal qualifications for Pacific workers (Luthria 2008; Doan et al. 2023). Between 2007 and 2021, nearly 37,000 Pacific Islanders participated in New Zealand's RSE scheme alone, with many returning for multiple seasons (Bedford and Bedford 2023). The temporary and circular nature of these arrangements makes them a unique form of mobility—less permanent than traditional emigration, but still impactful.

For some countries, participation has reached significant levels. In 2022/23, one in five men aged 20–59 in Tonga and a similar share in Vanuatu were engaged in seasonal work overseas, while 11.5 per cent of Samoan men in that age group also participated. While these flows bring income and opportunity, there is growing concern about their potential to hollow out domestic labour forces. Employers in Tonga, Vanuatu, and Samoa report shortages in key sectors due to the draw of better pay overseas, prompting calls for schemes to recruit more broadly across the region to avoid overburdening smaller labour markets (Bedford 2023).

Longer-term migration continues to shape demographic and labour market patterns. Cook Islanders, for instance, have the right to reside in New Zealand and now number approximately 81,000 there, compared to around 22,000 in Australia. Similarly, under the Compacts of Free Association (COFA), citizens of the Marshall Islands and Palau can reside and work in the United States. This has led to high rates of outward migration: between 2002 and 2022, the Marshall Islands lost nearly a quarter of its population, leading to acute skills shortages, while Palau—buoyed by its tourism industry—has experienced almost no net migration.

Remittances continue to play a critical role in sustaining household consumption. In Tonga, four in five households receive remittances, accounting for 44 per cent of GDP. Other countries also show substantial reliance: Samoa (34 per cent of GDP), Vanuatu (15 per cent), Marshall Islands (11 per cent), Fiji (10 per cent), Tuvalu (9 per cent), Kiribati

(7 per cent), and even the Solomon Islands (5 per cent), despite having relatively low emigration rates. However, this dependence also creates vulnerability to global shocks, as seen during the global financial crisis (2008–10) and the COVID-19 pandemic (2020–22).

Labour mobility is increasingly being explored as a strategy for climate resilience. Kiribati and Tuvalu, for example, have proactively developed national migration policies to support their populations in accessing overseas employment. Kiribati's "Migration with Dignity" framework and Tuvalu's investment in maritime training reflect long-term strategies to build human capital for external labour markets. As of 2019, approximately 2,300 Tuvaluans were working on foreign vessels, trained by the Tuvalu Maritime Training Institute. The Tuvaluan diaspora now represents nearly 29 per cent of the national population.

However, migration also presents challenges, especially when it involves the loss of skilled human resources. Countries like Fiji have experienced accelerating emigration in recent years, driven by political uncertainty and better opportunities abroad. In the 18 months leading up to October 2023, around 10 per cent of Fiji's formal workforce left for work in developed countries. This trend, while offering individual opportunity, has created labour gaps and increased strain on key domestic sectors.

In Vanuatu, migration operates in both directions. As of April 2025, more than 6,000 ni-Vanuatu workers were participating in Australia's PALM scheme, with several thousand more employed under New Zealand's RSE scheme. These opportunities bring vital income to rural households and support livelihoods. At the same time, Vanuatu's tourism sector increasingly relies on incoming migrant workers—especially from the Philippines and other countries—to fill local labour shortages. In 2020, of the 10,705 employed persons aged 18 and above, over 3,800 were migrants. Migrant workers are primarily engaged in lower-skilled occupations and have faced wage disparities. While initially excluded from minimum wage protections when the system was introduced in 1999, they were brought under coverage following the 2013 revision.

Internal migration also plays a significant role in shaping labour dynamics across the Pacific. In PNG, limited outward migration is offset by large-scale internal movements. A youthful and rapidly growing population—median age 21.6—has intensified pressure on cities and formal employment systems. Industries like mining remain capital-intensive and offer limited local job creation, while urban services struggle to meet rising demand. In the Solomon Islands, internal migration from Malaita to Guadalcanal was a contributing factor in the violence of 1999–2003. Though often framed as ethnic conflict, deeper economic and political disparities were at play, including uneven development and the concentration of resources in the capital, Honiara.

Internal migration continues to raise challenges for businesses. Employers report difficulties retaining skilled staff, who frequently move for better pay or benefits such as housing, school fee support, or healthcare. In the Cook Islands, there is considerable internal migration from the Pa Enua (outer islands) to Rarotonga, the main island and administrative centre, driven by better access to formal employment and essential services. This has contributed to depopulation and an ageing population in the outer islands, raising policy debates about introducing regional minimum wages as a possible solution.

## 2.2. Minimum wage setting

Of the 11 PICs, all but Tonga and Tuvalu have a statutory minimum wage. Though processes vary, there are common weaknesses including limited social partner involvement and capacity; insufficient ministry resourcing; and partial data and evidence to support wage adjustment decisions. This results in weak tripartite institutions and irregular minimum wage reviews. Inadequate enforcement and redress mechanisms can also limit effective implementation of the minimum wage.

None of these issues are new. For example, tripartite workshops convened by the ILO in Fiji in 2010 (ILO [2012](#)) noted the need to define explicitly

the process and objectives for wage councils, including regularity of meetings and criteria used; the necessity of more consistent and better-quality data; concerns around private lobbying of the Minister; limited enforcement including the risk of corruption within the inspectorate; and a lack of training for participants in the process (including understanding key concepts and data). Canvassing of stakeholders for this report highlighted similar concerns and added others, such as insufficient industry-based research and data (including productivity measures), crucial for evaluating and adjusting the different sector and occupational rates in Fiji, in addition to the standard minimum wage. Furthermore, enforcement needs to be more robust, including for informal and casual workers who fall under the general minimum wage category. The failure to review minimum wages for five years ultimately led to increases of around 50 per cent over the course of 2022, a pattern that was observed in other countries too. This emphasizes the importance of robust tripartite institutions in guiding wage policy and ensuring regular reviews to achieve more desirable outcomes.

## Aligning to International Labour Standards

Only a few PICs have ratified ILO Conventions that support comprehensive wage policy and regulation. Minimum wages are specifically addressed by the Minimum Wage Fixing Convention, 1970 (No. 131) and its accompanying Recommendation No. 135, which advocate for balanced wage-setting mechanisms that consider both social and economic factors, supported by tripartite dialogue and robust data.

Earlier instruments include the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), which gave States the flexibility to determine the sectors or occupations to which minimum wages should apply—particularly where no collective bargaining arrangements exist or where wages are unduly low. The Minimum Wage-Fixing Machinery (Agriculture) Convention, 1951 (No. 99) provides similar guidance for the agricultural sector.

In addition to wage-setting, wage regulation also encompasses the protection of workers' earnings. The Protection of Wages Convention, 1949 (No. 95) remains a critical standard in this regard. It establishes principles on the timely and full payment of wages, prohibits unlawful deductions, and promotes wage transparency—all essential to ensuring that wage systems are fair, predictable, and enforceable.

Other relevant ILO standards relate to employment policy, tripartite consultation, and labour inspection. The ILO has designated 11 Fundamental Conventions that represent core principles and rights at work:

C29: Forced Labour Convention, 1930 (and its 2014 Protocol)

- C87: Freedom of Association and Protection of the Right to Organise Convention, 1948
- C98: Right to Organise and Collective Bargaining Convention, 1949
- C100: Equal Remuneration Convention, 1951
- C105: Abolition of Forced Labour Convention, 1957
- C111: Discrimination (Employment and Occupation) Convention, 1958
- C138: Minimum Age Convention, 1973
- C155: Occupational Safety and Health Convention, 1981
- C182: Worst Forms of Child Labour Convention, 1999
- C187: Promotional Framework for Occupational Safety and Health Convention, 2006

The ILO Governing Body also designated a further four Conventions as Governance (or Priority) instruments, encouraging Member States to ratify them because of their importance for the functioning of the international labour standards system. The four Priority Conventions are:

- C81: Labour Inspection Convention, 1947
- C122: Employment Policy Convention, 1964
- C129: Labour Inspection (Agriculture) Convention, 1969
- C144: Tripartite Consultation (International Labour Standards) Convention, 1976

Table 2.3 shows that the implementation of international labour instruments varies across the PICs. While few have ratified the ILO Minimum Wage Conventions (C26 and C99), only a minority have ratified Priority Conventions that actively support wage policy development (such as C122 on Employment Policy or C144 on Tripartite Consultation). All PICs have ratified several Fundamental Conventions. Engagement with Decent Work Country Programmes (DWCPs) has been widespread, with most countries launching their first DWCPs between 2008 and 2010.

Progress on National Employment Policies (NEPs) also varies. Some countries such as Fiji, PNG, and Samoa have already adopted their first NEPs and are now advancing towards revised or second-generation policies. Others, including Kiribati, Vanuatu, and the Solomon Islands, are still in the development phase, with consultations and technical support underway. In the case of the Cook Islands, a new NEP is currently being finalized, while Tuvalu and Tonga are preparing to initiate policy development.

► **Table 2.3. Ratification of International Labour Standards and engagement with NEP and DWCP in PICs**

	Year of joining ILO	Ratifications (current)				Year of the first NEP	Year of the first DWCP
		Fundamental Conventions	Priority Conventions	MW Conventions	Other Conventions (total number)		
<b>Fiji</b>	1974	29,87,98,100, 105, 111, 138, 155,182	81,122, 129,144	26	Sixteen	2018	2010
<b>PNG</b>	1976	29,87,98,100,105, 111,138,182	81,122, 144	26,99	Thirteen	2022	2008
<b>Solomon Islands</b>	1984	29,87,98,100, 105, 111,138,182	81	26	Ten	U	2009
<b>Kiribati</b>	2000	29,87,98,100,105, 111,138,182	144	-	Two	U	2009
<b>Vanuatu</b>	2004	29,87,98,100,105, 111,138,182	-	-	One	U	2009
<b>Samoa</b>	2005	29,87,98,100, 105, 111,138,182	144	-	One	2016	2009
<b>Marshall Islands</b>	2007	182	-	-	Two	U	U
<b>Tuvalu</b>	2008	182	-	-	One	-	2010
<b>Palau</b>	2012	182	-	-	Two	U	U
<b>Cook Islands*</b>	2015	29,105,182	144	99	Four	U	2019
<b>Tonga</b>	2016	182	-	-	-	U	2018

Note: U = development is underway, e.g. through workshops and consultations.

\* On becoming a member of the ILO in 2015, the Cook Islands committed to upholding and reporting on Conventions that had been ratified by New Zealand and declared applicable on its behalf. It has since ratified C182, C144 and the Maritime Labour Convention (MLC) 2006.

Coping with the COVID-19 crisis is likely to have impeded policy development in recent years, though there are also questions around capacity or a lack of political will. For example, Tuvalu introduced legislative provision for minimum wages in 2017, but there remains no legal minimum wage in effect. Following its accession to the ILO in 2016, Tonga developed a Decent Work Country Programme (DWCP) for the period 2018–2022. However, the country still lacks a comprehensive legal framework for managing individual and collective employment relations outside of the public service. Although an Employment Relations Bill (ERB) was adopted by the Parliament, it has yet to receive assent from the King and therefore has not entered into force. This legislative gap presents a significant challenge for labour protection and

the enforcement of employment rights in the private sector.

Developing a NEP can help identify policy problems and solutions. In PNG, for example, the recent NEP stipulates that a Minimum Wage Board (MWB) needs to be established on a statutory basis, with defined responsibilities including the flexibility to make recommendations for industry rates, and it proposes significant improvements to statistical support. Most countries are working with the ILO to engage stakeholders in the development of NEPs, though progress can be slow without the obligations imposed by the ratification of C122. The underdevelopment or inadequate operation of tripartite institutions is also a common and major constraint.

## Tripartism

*Tripartite institutions exist in most countries, though embeddedness and effectiveness vary.*

Most of the PICs have national standing tripartite bodies to advise on general employment and labour relations issues (table 2.4). These include the National Labour Advisory Board (NLAB) in the Cook Islands, Employment Relations Advisory Board (ERAB) in Fiji, Decent Work Advisory Board (DWAB) in Kiribati, National Tripartite Consultative Council (NTCC) in PNG, Samoa National Tripartite Forum (SNTF), Labour Advisory Board (LAB) in the Solomon Islands, and Tripartite Labour Advisory Council (TLAC) (which replaced the separate Labour and Minimum Wage Boards in 2010) in Vanuatu. These apex-level institutions usually consider minimum wage matters directly or through a subcommittee, though a relevant body may be convened separately for this purpose (such as in the Cook Islands). There may also be temporarily constituted tripartite arrangements. For example, a Maritime Labour Convention Committee was convened in Tuvalu to address ratification and implementation of the relevant Convention.

The Chairperson of a tripartite institution is normally a senior labour ministry official such as the Permanent Secretary or Commissioner, though in PNG the Minister for Labour and Employment chairs the tripartite body. These bodies vary in size and regularity of meeting, though this may not always be as frequent in practice as prescribed. For example, Fiji has a long history of tripartism dating back to the establishment of a Labour Advisory Board in 1965, followed by a broader

apex-level Tripartite Forum introduced in 1977, and an Employment Relations Advisory Board constituted in 2007. However, notwithstanding a Tripartite Agreement signed in 2015 amidst concerns raised by the social partners and ILO, no ERAB meetings were convened for a decade until 2023.

Larger bodies, though arguably more representative, may be unwieldy to manage and service. Another common problem is that of resource and representation gaps on the workers' side, especially in the private sector. Private sector unions are particularly under-resourced, with many officials working in a part-time or voluntary capacity. For example, the Kiribati Trade Union Congress (KTUC) does not have a physical office and receives no income from membership subscriptions. This issue is less pronounced in the larger economies such as Fiji, PNG and the Solomon Islands which are the only countries where collective wage bargaining is observed. However, the workers' union of the Solomon Islands had to reduce the number of its full-time officials from 12 to 4 following COVID. Most union members are in the public service, public professions and large companies or State-Owned Enterprises (SOEs) so workers in low-paying sectors and occupations are especially under-represented. In any case, tripartite committees normally provide little or no training, financial support or reimbursement for participating members. Employers are better organized through Chambers of Commerce as well as sector groups for industries such as banking or tourism.

► Table 2.4. Tripartite institutions in PICs

	Scope	Institution	Regularity	Government	Employers	Unions
Cook Islands	General	NLAC (2016); NLAB (2018)	Quarterly	6 reps (incl. MIA, PSC, MFAI, MFEM)	3 reps (all CoC)	3 reps (2 CIWA, 1 (Fijian Workers)
	MW*	MWRP (2014)	Annual	1 (MFEM)	1 (CoC)	1 (CIWA)
Fiji	General	ERAB (2007; reconvened 2023 after 10-year abeyance)	At least every 6 months	5 reps	5 reps (FCEF)	5 reps (FTUC)
	MW	WC (2007)	To be decided by Minister and ERAB. WCs are subcommittees of ERAB and should meet as often as necessary and at least annually to make proposals to Minister (ERA 2007; Employment Relations (Administration) Regulations 2008).			
Kiribati	General/ MW	DWAB (2015). Provision for sub-committee	Quarterly	4 (Commissioner, MEHR; Secretary for finance and economic development, Secretary PSC, Director of Labour	3 (2 KCCI, including 1 for SMEs, 1 KIMEO)	4 (FTUC, incl. both public and private sectors)
Marshall Islands	No tripartite institutions					
Palau	No tripartite institutions					
PNG	General	NTCC (1991)	When convened	Chair plus 4 other state ministers and heads of institutions	Reps from 5 associations	Reps from 6 associations
	MW*	MWB (1972)	Originally 3 years, now as convened	Chair plus 1 rep	2 (EFPNG)	2 (PNGTUC)
Samoa	General/ MW	SNTF (2009)	At least 2x every 90 days	Chair plus 3 ministry/ agency CEOs or Secretary	4 associations	4 unions
Solomon Islands	General/ MW	LAB (2012)	At least every 4 months	Chair plus 4 from other ministries/ agencies	4 (SICCI nominees, to include manufacturing associations, women in business, small business)	4 (SICTU nominees)
Tonga	No tripartite institutions. However, the Employment Relations Bill 2020 (not yet in legal force) provides for an ERAC consisting of the Ministry CEO (Chair), 3 each from government and employer and employee associations, 1 from the Forum of Directors of Education.					
Tuvalu	No tripartite institutions. However, LERA 2017 provides for an MWB comprising 3 representatives each from the social partners in addition to one each from the PSC, Ministry of Finance and Ministry of Labour (as Chair).					
Vanuatu	General/ MW	TLAC (2010) [replaced MWB and LAB]		Commissioner of Labour and 3 others	3 from VCCI	3 from VCTU

**Note:** NLAC: National Labour Advisory Council; MIA: Ministry of Internal Affairs; PSC: Public Service Commission; MFAI: Ministry of Foreign Affairs and Immigration; MFEM: Ministry of Finance and Economic Management; CoC: Chamber of Commerce; CIWA: Cook Islands Workers' Association; MW: minimum wages; MWRP: Minimum Wage Review Panel; FCEF: Fiji Commerce and Employers' Federation; FTUC: Fiji Trade Union Congress; WC: wage council; ERA: Employment Relations Act; KCCI: Kiribati Chamber of Commerce and Industry; KIMEO: Kiribati Major Employers Organisation; EFPNG: Employers' Federation of PNG; PNGTUC: Papua New Guinea Trade Union Congress; SICCI: Solomon Islands Chamber of Commerce and Industry; SICTU: Solomon Islands Council of Trade Unions; ERAC: Employment Relations Advisory Committee; LERA: Labour and Employment Relations Act; TLAC: Tripartite Labour Advisory Council; VCCI: Vanuatu Chamber of Commerce and Industry; VCTU: Vanuatu Council of Trade Unions.

\*Includes civil society. The Cook Islands MWRP has a "community representative". The last MWB in PNG (2014) included representatives for women, youth and churches.

## Frequency of minimum wage review

*Regular review of the minimum wage is rare.*

Currently, only the Cook Islands makes provision for and implements an annual review process; this

is done by specially convening a small, dedicated panel (table 2.5). Other countries may stipulate required timeframes for review but usually fail to meet them. Most of the PICs implement changes to the minimum wage in an ad hoc rather than timely manner.

► **Table 2.5. Frequency of minimum wage review in PICs**

	Required	Review practice
<b>Cook Islands</b>	Annual	<ul style="list-style-type: none"> <li>▶ annual review since 2014 except 2016 (lack of ministerial capacity), with MW increased annually except 2021 (panel recommended no change: COVID)</li> <li>▶ prior to 2014, only 2 changes to MW from 1992</li> </ul>
<b>Fiji</b>	Annual	<ul style="list-style-type: none"> <li>▶ 142 rates in 10 sectors were increased in 2008, 2011, 2015, 2017, then 187 rates stepwise 3 times in 2022 (April, July, Oct) and most recent in April 2025</li> <li>▶ the ERAB and WCs were suspended until 2024</li> <li>▶ a national MW was first introduced 2014; unchanged until it was increased 3 times in 2022 (April, July, Oct) and in Jan 2023. The most recent adjustments made in 2024, taking effect on August 1st and then again on April 1st, 2025</li> </ul>
<b>Kiribati</b>	At least 2 years	<ul style="list-style-type: none"> <li>▶ MW first introduced 2016</li> <li>▶ review undertaken 2019 but no recommended increase owing to economic conditions</li> <li>▶ Tripartite partners requested ILO technical support for the 2025 national minimum wage review</li> <li>▶ review in progress</li> </ul>
<b>Marshall Islands</b>	No provisions	<ul style="list-style-type: none"> <li>▶ MW introduced 1986</li> <li>▶ increased by fiat in 1999 and 2016. As of October 1, 2024, minimum wage phased increase was proposed but has not been implemented</li> </ul>
<b>Palau</b>	No provisions	<ul style="list-style-type: none"> <li>▶ MW introduced 1998</li> <li>▶ changed by fiat in 2013 with phased increase to 2016</li> <li>▶ MW rose from \$3.50 to \$4.25 per hour on October 1, 2024, and expected to rise to \$5.00 per hour on October 1, 2025, following the passage of Public Law 11-34—marking the first increase in over a decade</li> </ul>
<b>PNG</b>	Ad hoc	<ul style="list-style-type: none"> <li>▶ MWB met every 3 years during 1972–92</li> <li>▶ then 2000, 2008 and lastly 2013/14 when MW was raised in 3 stages to 2016.</li> <li>▶ will increase from K3.50 to K5.00 per hour, from January 1, 2026</li> </ul>
<b>Samoa</b>	Ad hoc but every 2 years	<ul style="list-style-type: none"> <li>▶ MW set at \$2 in 2005 and WS\$2.30 in 2015</li> <li>▶ the 2019 review recommended WS\$3, followed by an increase to \$4.00 per hour effective on July 1st, 2024, then increasing to \$4.84 per hour on July 1st 2025</li> </ul>
<b>Solomon Islands</b>	At least every 2 years	<ul style="list-style-type: none"> <li>▶ LAB meets only when convened (SICCI: 1 in 2016, 1 in 2018 and 1 in 2021; union reports more regular meetings before 2021). Recent meeting (2023) cancelled due to no funding and Pacific Games, with change of government causing further delay</li> <li>▶ MW adjusted only in 1982, 1996, 2008, 2019</li> </ul>
<b>Tonga</b>	3 years	<ul style="list-style-type: none"> <li>▶ no MW, though there is provision under ERA 2020; not yet in force</li> </ul>
<b>Tuvalu</b>	3 years	<ul style="list-style-type: none"> <li>▶ no MW though LERA 2017 enabled an MWB to be constituted, which has not occurred</li> </ul>
<b>Vanuatu</b>	2 years	<ul style="list-style-type: none"> <li>▶ adjusted 9 times since 1984</li> <li>▶ most recently on June 1st 2023 – a 36% rise on the 2019 rate (made by the Minister with little TLAC involvement)</li> </ul>

In Fiji, an annual wage review process is expected to resume following the government’s commitment, made after its election in late 2022, to reintroduce tripartite sector wage councils as outlined in the Employment Relations Act (ERA) 2007. These councils, along with the tripartite ERAB, had become

inactive under previous administrations. As part of its renewed commitment to wage policy reform, the government is undertaking a review of the national minimum wage and the ten Sectoral Minimum Wage Regulations, including proposals for updated job classifications.

Samoa has also recently legislated for regular reviews and is developing a wage policy through the SNTF. In line with this commitment, the government has announced a two-stage increase to ensure wages remain fair and responsive to economic conditions. Effective 1 July 2024, the minimum wage rose from WS\$3.00 to WS\$4.00 per hour. A second adjustment followed on 1 July 2025, increasing the rate by WS\$0.84 to WS\$4.84 per hour, providing minimum wage earners with an additional WS\$20 per week. These changes reflect Samoa's commitment to introducing regular and predictable wage adjustments, ensuring that minimum wages keep pace with living costs and economic conditions.

In May 2024, the Cook Islands' five-member Minimum Wage Review Panel (MWRP), chaired by the Ministry of Internal Affairs (MIA) and including representatives from finance, business, workers and the community, recommended a minimum wage increase. The Cabinet approved the adjustment, which applies to the public sector, private businesses, organizations and SOEs. The increase became effective on July 1, 2024, raising the minimum wage from NZ\$9.00 to NZ\$9.50 per hour, in line with the ERA 2012. Most recently, new regulations signed on 15 April 2025 confirmed the latest adjustment, with the minimum wage rising by 50 cents to NZ\$10.00 per hour from 1 July 2025 — a milestone in the Cook Islands' wage policy.

Under the Employment and Industrial Relations Code (EIRC) of 2015 in Kiribati, the frequency of minimum wage review (and by implication adjustment) is stated as two years, but no change has been made since 2016 when the minimum wage was first introduced. In a recent consultation exercise, this was linked to the capacity problems that the Ministry of Employment and Human Resource faces in the areas of coordination, data, budget and consultation. These were compounded by the COVID crisis which also diminished the appetite of both government and business for a review. On April, 2025 Kiribati's tripartite social partners requested technical support from the ILO to assist in the 2025 review of the national minimum wage.

In the Marshall Islands, the Minimum Wage Act 1986 established a minimum wage but did not include provisions for periodic review. The rate was increased from US\$1.50 to US\$2 in 1999 and

remained unchanged until the Minimum Wage (Amendment) Act 2016. It was raised to US\$3 from 8 September 2018. The amendment also proposed subsequent increases to US\$4 in two US\$0.50 stages. These were contingent on a favourable assessment report to be submitted by a task force established by the Cabinet, but as this was never requested nor delivered, the rate remain unchanged. In March 2024, Graduate School USA issued a technical note recommending that the Marshall Islands' minimum wage be raised to US\$5.25/hour, aligned to the basic needs poverty line based on 2021 data. In response, the government enacted legislation in September 2024 implementing a gradual increase: US\$4.00/hour in October 2024; US\$4.50/hour in October 2025; US\$5.00/hour in October 2026; and US\$5.25/hour in October 2027. This phased approach aims to support urban living standards, manage inflation and private sector wage costs. No further legislative approval is required as the law is already passed.

Palau too has had no increase to the minimum wage since 2016, even with concerns around wage undercutting and labour exploitation due to the extensive use of overseas labour. However, after nearly a decade, Palau's Congress, known as the Olbiil Era Kelulau, approved a minimum wage increase to US\$5 per hour, implemented in two 75-cent increments. The first increase took effect on October 1, 2024, increasing the minimum wage to US\$4.25 per hour, followed by a second increase to US\$5.00 per hour on 1 October 2025.

Papua New Guinea's minimum wage has remained static since 2016, failing to keep pace with cost-of-living increases. In September 2024, the government reinstated the Minimum Wages Board (MWB) and engaged the ILO for technical support in developing a transparent, evidence-based wage-setting framework. This support includes training, facilitating social dialogue, and guiding policy reforms to restore a fair and sustainable minimum wage system. On 1 October 2025, the Minimum Wage Board announced that the national minimum wage will rise from PGK3.50 to PGK5.00 per hour from January 2026, with gradual increases to PGK5.25 in 2027 and PGK5.50 in 2028, following nationwide consultations.

Infrequent reviews not only erode the logic of a minimum wage for workers but can generate financial shocks for business. Catch-up increases

include the doubling of the Solomons Islands rate in 2019 and a 36 per cent hike introduced in Vanuatu in 2023. Indeed, the Solomon Islands has made only three changes to the minimum wage rate in over 40 years. The 1996 adjustment increased it from SI\$ 0.74 to SI\$ 1.50 (SI\$ 1.20 in the fishing industry and agricultural plantations), then it was increased in 2008 to SI\$4.00 (SI\$3.20 for fishing and agricultural). The 2019 revision fixed rates of SI\$8.00 and SI\$7.20 respectively.

### Criteria for minimum wage review

*Review criteria favour a balanced and flexible approach.*

Most countries specify guiding principles and/or criteria for their minimum wage review (table 2.6), and these largely follow the balanced approach indicated in the Minimum Wage Fixing Convention, 1970 (No. 131). None apply indexation nor use a formula to calculate a minimum wage even for indicative purposes.

In practice, the operationalization and weighting of these principles and criteria may vary and not just because of measurement and data issues. In the Cook Islands, for example, the fact that the government is more impacted than the private sector by any increase to the minimum wage means that their representative has a major influence over decisions in the tripartite panel. A 20 per cent change to the minimum wage in 2014 was accompanied by an increase in value added tax (VAT) to cover the impact on State expenditure, for example, and post-COVID minimum wage revisions are likely to be constrained by pressures on public finances. Moreover, the economic and labour statistics are organized and presented by the Finance Ministry rather than the Statistical Office. A similar process operates in Kiribati. The legislation sets out a range of objective factors underpinning the minimum wage review, but in practice economic conditions have primacy. Data is likewise provided by the Ministry of Finance rather than the Statistical Office, though this may also reflect capacity constraint in that area.

► **Table 2.6. Minimum wage review criteria in PICs**

	Review considerations
<b>Cook Islands</b>	<ul style="list-style-type: none"> <li>► prevailing economic conditions</li> <li>► income distribution in the community</li> <li>► the need for protection of low earners</li> <li>► work incentives</li> <li>► public submissions</li> </ul>
<b>Fiji</b>	<ul style="list-style-type: none"> <li>► none stated</li> </ul>
<b>Kiribati</b>	<ul style="list-style-type: none"> <li>► the needs of employees and their families</li> <li>► the general level of wages in Kiribati</li> <li>► the cost of living and its effect on the real value of the minimum wage, and whether any other social protection measures have compensated</li> <li>► the relative living standards of other social groups; economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment</li> <li>► the right to equal remuneration for work of equal value</li> <li>► other relevant information including that submitted by employer and employee representatives and other interested parties</li> </ul>
<b>Marshall Islands</b>	<ul style="list-style-type: none"> <li>► none stated</li> </ul>
<b>Palau</b>	<ul style="list-style-type: none"> <li>► none stated</li> </ul>
<b>PNG</b>	<ul style="list-style-type: none"> <li>► none stated</li> </ul>
<b>Samoa</b>	<ul style="list-style-type: none"> <li>► Minimum Wage Policy (2024) refers to 5 criteria: basic needs (BNPL), ability to pay (GDP growth), cost of living (CPI), wage equality (inequality and wage growth), supplementary considerations (i.e. traditional social protection mechanisms)</li> </ul>

	Review considerations
<b>Solomon Islands</b>	<ul style="list-style-type: none"> <li>▶ changes in the cost of living</li> <li>▶ changes to any social protection measures</li> <li>▶ wage inequality</li> <li>▶ any other information submitted, including of a financial or economic nature either at the national level or in relation to an industry, sector or geographic area</li> <li>▶ any other matters LAB considers relevant including economic development, productivity and employment</li> </ul>
<b>Tonga</b>	<ul style="list-style-type: none"> <li>▶ the needs of employees and their families, taking into account the general level of wages in the country, the cost of living and retirement benefits</li> <li>▶ economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment</li> <li>▶ relevant poverty indices, consumer price indices, and any other factors identified by the Committee and Ministry as being relevant for consideration</li> <li>▶ any other information, including information submitted by representatives of employees and employers relating to the reasonableness of wages relating to any occupation, sector, industry or area</li> </ul>
<b>Tuvalu</b>	<ul style="list-style-type: none"> <li>▶ the needs of the employees and their families</li> <li>▶ the general level of wages in Tuvalu</li> <li>▶ the cost of living and its effect on the real value of minimum wages</li> <li>▶ other social protection measures which could compensate for the increase in living costs</li> <li>▶ the relative standard of other social groups</li> <li>▶ economic factors relating to economic development, labour productivity and level of employment</li> <li>▶ the right to equal remuneration for work of equal value</li> <li>▶ any other information submitted by social partners and other stakeholders</li> </ul>
<b>Vanuatu</b>	<ul style="list-style-type: none"> <li>▶ the needs of employees and their families</li> <li>▶ the general level of wages (median wage)</li> <li>▶ the cost of living (CPI inflation)</li> <li>▶ social security benefits</li> <li>▶ the relative standard of living of other social groups (Gini coefficient)</li> <li>▶ economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment (e.g. indicators such as foreign direct investment (FDI), growth in tourism and other sectors, level of employment)</li> </ul>

**Note on review criteria:**

Cook Islands: Criteria are confirmed annually when the Minister appoints the Review Panel. The criteria are reported in annual MWRP Reports.

Kiribati: Criteria are stated in s51 of the Employment and Industrial Relations Code 2015.

Samoa: Cabinet endorsed the Minimum Wage Policy in 2024. The MWP has these criteria embedded in it.

Solomon Islands: Part 3 of the Labour (Advisory Board) Rules 2012.

Tonga: Criteria are indicated in the Employment Relations Bill 2020 (Part 8).

Tuvalu: Criteria are articulated in 124(1) of the Labour and Employment Relations Act 2017 but no MW Board has not yet been activated.

Vanuatu: s 7(3) Minimum Wage and Minimum Wage Board Act 1984.

## Minimum wage rates and taxes

The rate and taxation of the minimum wage vary across countries.

Minimum wage rates have not been revised on a regular basis (table 2.7). The figures also show

a wide range of hourly rates in US dollar terms, from under a dollar per hour in Kiribati, PNG and Solomon Islands (each of which has not revised the rate in recent years) to US \$6.06 – the highest – in the Cook Islands.

► **Table 2.7. Minimum wage rates and taxation in PICs, July 2025**

	Minimum wage rate				Tax
	Fixed	Local	US\$	Annual FTE	Wages/salaries (PAYE)
<b>Cook Islands</b>	2025	NZ\$10.00	6.06	NZ\$20,800	Tax free to NZ\$14,600 then 17% to NZ\$30,000
<b>Fiji</b>	2025	FJ\$5.00	2.26	FJ\$10,400	Tax free to FJ\$30,000
<b>Kiribati</b>	2016*	AU\$1.30	0.85	AU\$2,704	Tax free to AU\$5,000 then 20% to AU\$15,000
<b>RMI</b>	2025	US\$4.50	4.50	US\$9,360	8% to US\$10,400 then 12%
<b>Palau**</b>	2025	US\$5.00	5.00	US\$10,400	Zero to US\$15,000, top marginal rate of 12%
<b>PNG</b>	2016*	PGK 3.50	0.88	PGK7,280	Tax free to PGK20,000
<b>Samoa</b>	2025	WS\$4.84	1.82	WS\$10,067	Tax free to WS\$15,000
<b>Solomon Islands</b>	2019	SB\$8.00	0.98	SB\$16,640	Tax free to SB\$30,080 then 11% to SB\$45,080
<b>Tonga</b>	-	-	-	-	Tax free to T\$12,000 then 6.4% to T\$59,000
<b>Tuvalu</b>	-	-	-	-	Tax free to US\$1,900 then 30%
<b>Vanuatu</b>	2023	VT300	2.56	VUV624,000	None

**Note:** PAYE: Pay as You Earn; GST: Goods and Services Tax. Exchange rate based on U.S. Treasury Reporting Rates of Exchange ([fiscaldata.treasury.gov](https://fiscaldata.treasury.gov)) of 6 June 2025.

Annual full-time equivalent (FTE) is approximation based on 2,080 hours. Only lower income tax rates shown.

\* Both Kiribati and Papua New Guinea last established statutory minimum wages in 2016—Kiribati’s took effect on 1 November 2016 (in AUD) and PNG’s on 1 July 2016 (in PGK). In Kiribati there has been no formal adjustments—however, tripartite social dialogue has been reactivated to reviewing new wage proposals that may come into effect as early as 2025. Kiribati has also a minimum wage for overseas-funded projects at a higher rate of AUD 3.00 per hour. The latest update comes from PNG, with the decision to raise the minimum wage from K3.50 to K5.00 per hour from January 2026.

\*\*Palau: 2023 MW rate increase applies only to public sector workers. The FY 2024 Supplemental Budget, approved by Congress introduced a two-stage increase. Starting 1 October 2024, the minimum wage rose to USD 4.25 per hour, and then it will be subsequently increased to USD 5.00 per hour on 1 October 2025.

In terms of net income, minimum waged workers are usually free of income tax. However, full-time minimum waged workers face a tax bite in the Cook Islands, Marshall Islands and (until 2023) Palau as these have relatively high minimum wage rates and/or low taxable income thresholds. The tax-free threshold in PNG was raised in 2023 in response to public and trade union pressure around the impact of inflation on low-paid workers, and Palau changed its income tax rates when introducing a consumption tax in 2023. Low-waged workers in the formal sector are also likely to pay superannuation contributions. For example, all employees in Vanuatu earning a minimum monthly salary of VT3,000 are required to contribute to the

Vanuatu National Provident Fund (VNPF).

Table 2.7 also indicates that indirect taxation rates similarly vary significantly across the countries. In most of the PICs, tax gathering is reliant on indirect rather than wages or incomes taxes (IMF 2022). Goods and services (or value-added) taxes account for about 46 per cent of total tax revenue and about 69 per cent of indirect taxes in the Pacific region. They are relatively easier to collect, and some countries have moved to increase or introduce them to address COVID costs and boost climate resilience investments. For example, Palau introduced its first goods and services tax (GST) in 2023 and Fiji increased its rate to 15 per cent

in the same year to address pandemic-related government debt. The RMI is an exception in levying no consumption tax, as the last proposal in 2012 was defeated by lobbying from the business community.

However, indirect taxes are regressive as the burden falls disproportionately on those with lower incomes. As a result, countries may exempt products deemed essential, such as rice, flour, kerosene and certain medicines, from indirect taxes. Fiji increased its Family Assistance Scheme in the 2023 budget from FJ\$11.5 million to FJ\$45.6 million, covering 26,000 households, in recognition of the impact of the VAT rise and general cost of living. The tax reform law passed in Palau in September 2021 also changed the wage tax from 6 per cent up to US\$8,000 and 10 per cent to US\$40,000, to a zero-rate collected on Palauans with wages less than US\$15,000 and a top marginal rate of 12 per cent (GSUSA 2022).

## Data collection and analysis

*The availability of regular and quality data varies and generally requires improvement.*

The provision of reliable statistics is essential to ensure that the decision-making process is transparent and robust, rather than subject to arbitrary or subjective considerations including undue political pressure. Analysis of datasets such as LFS and HIES can provide vital mapping of information on wage distributions and minimum wage coverage. However, the collection and analysis of data can be complicated and expensive.

The main datasets on employment, earnings and living standards in the PICs are the LFS, HIES and Census, though these are conducted every five years at most. Table 2.8 sets out the most recent survey dates for the 11 countries. Four of the 11 PICs in the study do not conduct a Labour Force Survey. Among the more advanced countries, the Cook Islands made investments under the Cook Islands Strategy for the Development of Statistics 2015–2025, and Samoa did so in association with its Australian development partners. Samoa leads the way as each of the three major surveys are conducted every three years and this is complemented by data on formal employment and wages provided quarterly from the Samoa National Provident Fund (SNPF).

► **Table 2.8. Labour market, employment and population surveys in PICs**

	LFS	HIES	Census
<b>Cook Islands</b>	2023	2015/16	2021
<b>Fiji</b>	2024	2019/20	2017
<b>Kiribati</b>	-	2023/24	2020
<b>Marshall Islands</b>	-	2019/20	2021
<b>Palau</b>	-	2023	2020
<b>PNG</b>	-	2009/10	2011
<b>Samoa</b>	2022	2023	2021
<b>Solomon Islands</b>	-	2013	2019
<b>Tonga</b>	2023	2021	2021
<b>Tuvalu</b>	-	2022	2022
<b>Vanuatu</b>	-	2019/20	2020

**Note:** Surveys are ongoing in some countries like : LFS 2025 in Vanuatu, LFS 2025/26 in PNG, HIES 2025/26 in Cook Islands and HIES 2025/26 in Fiji.

Ideally, statistics offices should be able to conduct simple research on a regular basis to investigate wages, employment, productivity and profitability in the usually small and localized private sector. Productivity is not precisely measured in any of the PICs, though output per worker, measured as total output divided by the number of workers, can be a straightforward indicator of overall macroeconomic productivity. Alternatively, if direct output data is not available, proxies such as revenue generated per worker or units produced per worker could also be used to estimate productivity levels. In surveys, this data can be collected by asking respondents about the quantity of goods or services produced within a given timeframe and the number of workers involved.

Capacity issues tend to be more acute for the smaller island countries, but even a larger PIC such as PNG faces logistical problems due to the isolation of its many communities, preponderance of rural and informal work, as well as a failure to prioritize investment in data collection. In PNG, the only relevant statistics currently available from the National Statistical Office (NSO) are dated excerpts from the 2009/10 HIES and the 2011 population Census. There are no Labour Force Survey nor harmonized labour market indicators. The new NEP (p. 22) notes, “The assessment of labour market in PNG is currently a challenge because data is very scarce and most of it is outdated and debatable. ... The scarcity of labour market data is not only a result of weak institutional coordination but also due to non-enforcement of existing legislation.” However, in 2025, PNG will conduct its first national Labour Force Survey, as announced by the Minister for Labour and Employment. This marks a critical step towards strengthening labour market information and supporting evidence-based policymaking, as emphasized in the new National Employment Policy.

## Enforcement

*Compliance is achieved through mechanisms for awareness and education, complaints, inspections and penalties but each country faces capacity constraints.*

Labour ministries or units across the PICs are often under-resourced, affecting their ability to meet increasing demands. In the Cook Islands, for example, the small Labour and Consumer Services Division within the Ministry of Internal Affairs is

responsible for servicing the annual Minimum Wage Review Process (MWRP), yet no separate budget is allocated for this function. The time and effort required can strain the unit’s ability to advance other important initiatives—including the review of employment legislation and the development of policies on Occupational Safety and Health (OSH) and workers’ compensation. Nonetheless, there remains strong commitment to advancing National Employment Policies (NEPs), as demonstrated by ongoing consultations and support from regional and international partners.

Capacity constraints mean that enforcement of employment protection legislation in general can vary. The social partners can play an important role here. The trade union in the Solomon Islands, for example, is noted for helping to ensure adherence by the larger firms to the country’s comprehensive labour law framework. Employers’ associations also have an interest in widespread and consistent adherence to labour law to ensure a level playing field. Furthermore, in most countries, there is wide media publicity around any changes made to the minimum wage, which helps in enforcement. In Kiribati, employers are legally required to display a written notice in the workplace regarding minimum wage application, and the Tongan Employment Relations Bill (ERB) 2020 proposes the same.

Two significant problems relating to enforcement include limited inspection activity and insufficient penalties. Low pay can be a complex issue for the Inspectors because most workplaces are small and dispersed; offences may reflect ignorance, employee complicity or exploitation; and records may need to be inspected to examine not just pay against hours worked but possible unlawful deductions, non-payment of PAYE or superannuation, and breaches of entitlements such as holiday leave, public holidays or overtime not paid. However, given that labour inspection units are under-resourced, attention often focuses on a relatively small number of firms usually in the capital. In the Marshall Islands, the Labour Division has only four staff for all its duties and no legal powers to inspect and enforce the minimum wage. This will change with the enactment of a Labour (Minimum Standards) Bill, but it will take time to recruit and train any new officials even with the necessary budget allocation.

Likewise, in the Cook Islands, the Labour and Consumer Division should have a Chief Inspector

and four Inspectors to cover over 400 businesses in the country in relation to consumer as well as employment law. However, for the past few years the unit has been short-staffed and currently consists of only two Inspectors (both based on Rarotonga) in addition to the Chief Inspector. This is partly a legacy of COVID, as no inspections were pursued during 2020–2022 and staff leaving were not replaced. The shortfall lingered as it was subsequently difficult to find suitably qualified recruits, and now seems to be systemic as the Budget Support Group has declined additional funding, with education and health receiving priority for public sector staffing.

Notwithstanding resourcing issues, Inspectors often have limited powers and there may be no specific penalties for non-compliance. In the Cook Islands, redress is to be pursued through personal grievance procedures and mediation under the ERA. If the dispute is not settled by mediation, either party may refer the dispute for arbitration by an arbitral tribunal under the Arbitration Act 2009. The outcome may be reimbursement and/or compensation. In practice, few workers are willing or capable of pursuing what is effectively legal action. The Act does not refer to additional

or specific sanctions for non-compliance with the minimum wage, merely penalties in the form of fines for the obstruction of an inspector.

In Palau, recent research found that 361 migrant workers and 94 residents were illegally paid below the minimum wage rate (Reklai 2022). Most migrant workers are too vulnerable to raise a complaint and inspections were few, with eight officers responsible for enforcing minimum wage laws and regulations for working conditions of foreign employees and safety standards. In addition, penalties were rarely applied against violators. Penalties are limited in Fiji too. An employment tribunal or court is able to enforce repayment of wages lost for up to three years prior to the offence but there are no other penalties or sanctions. In PNG, the penalty has not changed since the 1978 Employment Act established a fine of up to K5,000.

Evidently, there remains much to do in terms of minimum wage setting, from establishing effective institutions for review, to servicing them with appropriate evidence and data, and ensuring implementation and compliance. A Minimum Wage Policy can be an important mechanism to ensure an integrated and transparent approach relevant to the national context.

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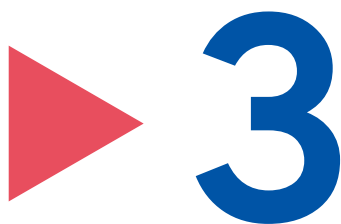
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▶ 3

# Minimum wage policies



## Minimum wage policies

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The inclusion of wage provisions in international labour standards can be traced back to the Preamble of the 1919 ILO Constitution, which affirms the need for “an adequate living wage” as fundamental to social justice. Building on this foundation, the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26) requires Member States to ratify it and to establish a machinery to cover sectors and occupations “in which no arrangements exist for the effective regulation of wages by collective agreement or otherwise and wages are exceptionally low”. Member States can decide the nature and form of this minimum wage machinery but should provide for social partner consultation and involvement, as well as effective enforcement.

The Minimum Wage Fixing Convention, 1970 (No. 131) refers more generally to protection against “unduly low wages” to “all groups of wage earners whose terms of employment are such that coverage would be appropriate”. It calls for the establishment of a minimum wage system. The Convention makes special reference to developing countries and sets out two guiding criteria to determine minimum wage levels (Article 3):

- the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups;
- economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment.

The Minimum Wage Fixing Recommendation, 1970 (No. 135) sets out the purpose of minimum wage fixing as “one element in a policy designed to overcome poverty and to ensure the satisfaction of the needs of all workers and their families. The fundamental purpose of minimum wage fixing should be to give wage earners necessary social protection.” It reiterates the criteria to be taken into consideration, provides guidance on the forms of consultation and decision-making, and emphasizes the need for timely periodic review and mechanisms for enforcement.

ILO Conventions No. 26 and No. 131 have been ratified by 105 and 54 countries respectively, and 90 per cent of ILO Member States now have minimum wage systems. Statutory minimum wage-fixing procedures are common in developing countries though they vary enormously in process and scope of application (Eyraud and Saget 2008). Procedures range from unilateral government decision-making through to institutionalized mechanisms for the consultation and involvement of the social partners and other stakeholders. The criteria and evidence required, or utilized, in decision-making also vary. Furthermore, a single national minimum wage may apply, or different rates or exemptions may exist for certain sectors, occupations, regions or age groups to recognize different conditions or to promote employment of groups such as youth, trainees and disabled workers.

Most countries operate their minimum wage systems without a guiding wage policy and there is also uneven coverage within National Employment Policies (ILO 2023). Although 43 per cent of all NEPs make some reference to minimum wages, only a few

address strategies and institutional mechanisms for review and compliance. Developing appropriate wage policies may be more difficult for a developing country given the small size and fragmented nature of the private sector, extensive self-employment and informal work, and capacity constraints of ministries and social partners. Nevertheless, a wage policy can be a useful tool to specify the objectives and mechanisms of adequate minimum

wage setting appropriate to the national context. It can also help address wider strategic initiatives such as the ILO Decent Work agenda and the UN Sustainable Development Goals (SDGs) (figure 3.1). In line with the Resolution concerning the Recurrent Discussion on Employment adopted at the International Labour Conference (ILC) in 2022, wage policies are also increasingly recognized as an integral element of NEPs<sup>4</sup>.

► **Figure 3.1. Minimum wages and the SDGs**



Source: [UN Global Compact](#).

4 The ILC 2022 Resolution on Employment (ILO, 2022) highlights the importance of wage policies, including minimum wages, as key elements in National Employment Policies aimed at promoting inclusive and sustainable economic growth, productive employment, and decent work.

### 3.1. Specifying a minimum wage policy

The core components of a minimum wage system, as indicated by ILO Convention No. 131, may be encapsulated as follows (ILO 2014: 30):

- ▶ as broad a scope of application as possible;
- ▶ full consultation with the social partners, on an equal footing, in the design and operation of the minimum wage system and, where appropriate, their direct participation in the system;
- ▶ the inclusion of both the needs of workers and their families and economic factors in determining the levels of minimum wages;
- ▶ the periodic adjustment of minimum wage rates to reflect changes in the cost of living and other economic conditions;
- ▶ the implementation of appropriate measures to ensure the effective application of all provisions relating to minimum wages.

A Minimum Wage Policy (MWP) addresses these principles by establishing the objectives and operational matters for minimum wage setting for a given country. Objectives need to align with broader strategies set out in an NEP and/or other frameworks such as development strategies and Decent Work Country Programmes. These may include, in addition to income protection, goals such as generating decent work, labour market inclusion, and addressing wage inequality and the gender pay gap. More detailed considerations include the definition, structure and coverage of minimum wages; role of social partners; criteria and regularity of review; and compliance and enforcement strategies.

An MWP ultimately introduces a degree of certainty in the wage-setting process to safeguard employers and workers alike against untimely, arbitrary or politicized decision-making. Based on Eyraud and Saget (2005), we can identify the following as guiding principles of good practice in establishing MWPs and related institutional frameworks:

- ▶ *Purpose*: Clearly set out the underlying objectives of the minimum wage to help focus evidence gathering and decision-making.

Where there are multiple goals, priorities could be established. Setting minimum wage levels in developing countries is often problematic because it is used as a policy instrument to address too many ends (Saget 2008).

- ▶ *Consistency*: The process needs to be predictable and systematic. This includes regular review to aid implementation and adjustment. Delay can reduce the real purchasing power of the minimum wage and subject employers to sudden large increases.
- ▶ *Involved decision-making*: Those impacted by the decision, notably workers and their employers, need to be included in the review process.
- ▶ *Informed decision-making*: Robust data and statistics are required for evidence-based wage policy design and implementation. The collection and analysis of comprehensive data and timely, reliable statistics are essential to inform decision-making.

As discussed, current practice across the PICs largely deviates from these principles. In particular, the generation of reliable and robust data encounters numerous challenges, largely stemming from the under-resourcing of national statistical offices. This deficiency results in a significant lack of robust data necessary for informed social dialogue.

From an employers' perspective, Bissinger (2023) advises that minimum wage systems need three guiding principles. *Purposeful* minimum wages have clearly defined objectives alongside monitoring and evaluation to ensure that these are met. *Productive* minimum wages support productivity growth, which ultimately helps pay for higher wages. Related to this is the need to ensure compliance, so that businesses as well as workers are sufficiently protected from nefarious employers. *Predictability* in the wage-setting process involves transparency around decision-making criteria (including goals and data) and timing (regularity and steps involved). The full involvement of social partners needs to be normalized, and provision made for public consultation. Revised rates should be announced with a suitable notice period.

For their part, workers’ representatives including the International Trade Union Confederation (ITUC) emphasize that a minimum wage floor not only offers better income security but also serves to promote economic development, productivity and employment by eliminating unproductive businesses competing on substandard wages and conditions (ILO 2014). The ILO Committee of Experts underscores that setting minimum wages helps to create a level playing field for all participants (ILO 2014). Additionally, on a national scale, minimum wage policies are sometimes employed to pursue goals beyond income protection and reducing income disparities. The Committee acknowledges that the effectiveness of minimum wages in achieving these varied objectives remains a topic of contention, as evidenced by the differing viewpoints articulated by employers and workers. However, there is common ground on the need for transparency, regularity and social partner inclusivity in decision-making which needs to be based on solid research evidence.

A country’s MWP itself should be subject to regular tripartite review. This will ensure it remains responsive to the dynamic national economic and social context and facilitates an active learning process to adjust to emerging complexities. This might involve reassessing measurement items and indicators to better align with the policy objectives. For example, when looking at the goal of protecting living standards, it becomes essential to factor in the cost of living for households. This entails considering various elements such as regional price variations, household size, household income and basic needs data, apart from inflation.

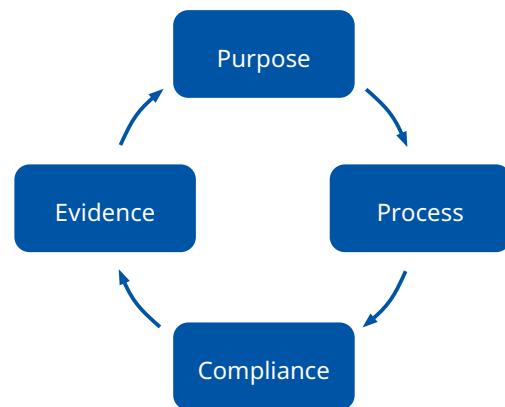
Similarly, with respect to the goal of addressing income inequality, relying solely on average wage and income data might be misleading if wage growth is linked to factors such as labour scarcity or productivity growth in dominant sectors. Economic affordability is also difficult to assess, with macroeconomic measures relating to GDP or productivity<sup>5</sup> insufficiently addressing the potential impact in low-paying sectors. Ad hoc and sector-specific surveys may therefore be commissioned as part of the review process for the MWP, addressing effectiveness in terms of overall compliance and impact on workers and firms.

5 Productivity data is difficult to collect in developing countries at the micro level and hence GDP per worker or hour worked is often used. However, output per capita represents the return on all factors of production, so is a less reliable proxy for labour productivity than GDP per hour worked.

### 3.2. Components of a minimum wage policy

The MWP can be thought of as an iterative cycle of policy-making, minimum wage setting and review (figure 3.2). The overall purpose guides the process by which decisions are to be implemented and enforced. Economic and social data as well as evidence on impact (post hoc and predicted) can help refine policy goals and priorities as well as inform decision-making, bridging any gap between policy options and the perspectives of social partners. Within each of these elements is a series of fundamental questions involving alternative policy responses.

► Figure 3.2. Minimum wage policy cycle



#### Purpose

*Q1. What is the MWP trying to achieve?*

According to ILO Convention No. 131, the primary purpose of a minimum wage is to provide protection for wage earners against “unduly low wages”. This recognizes that low wages are not always set in a free and fair market for human capital. There is a need to regulate and redress market imperfections (competition, information, power resources, stickiness and rigidities) but more fundamentally to insulate people from the market to alleviate poverty, end exploitation and improve quality of life. Interfering with labour markets in this way endorses the ILO founding principle that “labour is not a commodity”.

According to the ILO Declaration on Social Justice for a Fair Globalization (2008), policies on wages and other conditions of work should “ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection”. The equity case therefore extends to fair and inclusive participation in economic growth. There is also a demonstrated “lighthouse effect”, where wages rise in informal employment following minimum wage increases due to signal and sorting effects (Boeri et al. 2011).

The Preamble of the ILO Constitution also urgently calls for the “recognition of the principle of equal remuneration for work of equal value”. Women’s work is often undervalued, and they usually comprise a higher proportion of low-paid workers than men. Addressing gender equality may therefore be a legitimate goal of wage policy.

Allied to the equity case for minimum wages may be an efficiency case to promote business innovation and better human resource management practices. Floor wage puts a floor on the “race to the bottom” and discourages “sweating”. This can improve recruitment, retention and productivity through higher motivation and returns to training. The growth of formal employment, skills and productivity may also form part of wage policy goals.

Such goals need to be balanced and contextualized. They can be ordered in terms of priority and specified over different time horizons. They should be aligned to other policy tools like technical and vocational education and training (TVET) and active labour market policies, taxation and welfare or social benefits, and thus support an enabling environment for sustainable enterprises and business growth.

## Process

*Q2. What is included in a minimum wage and who should it cover?*

The Protection of Wages Convention, 1949 (No. 95) defines wages as “remuneration or earnings, however designated or calculated, capable of being expressed in terms of money and fixed by mutual agreement or by national laws or regulations, which are payable in virtue of a written or unwritten contract of employment by an employer to an

employed person for work done or for services rendered or to be rendered” (Article 1). In practice the term refers to employees’ gross wages before statutory deductions. Hence, there is a need to understand how income tax and social insurance contributions impact minimum waged workers to facilitate considered dialogue and decisions on minimum wages.

Minimum wages can be set for different units of time—such as hourly, daily, weekly, or monthly rates—depending on national practices and employment arrangements. However, expressing the minimum wage at an hourly rate offers greater transparency and facilitates monitoring and enforcement. At the same time, in recognition of diverse working arrangements, it may be appropriate to also define complementary time-based rates (e.g., daily or monthly) to ensure full alignment with employment contracts. For piece-rate workers, earnings should be assessed against the time-based minimum wage to ensure that total pay corresponds fairly to time worked and does not fall below the statutory minimum.

A clear definition of minimum wage in the MWP can contribute to understanding which remuneration components are encompassed within this concept. Not all regulations take this approach, but in practice this can enhance compliance and reduce minimum wage claims and complaints. The main concern is: should only the basic wage be covered by minimum wage or should additional elements of compensation, such as bonuses, allowances, commissions or tips, be included as well? Some countries include additional remuneration payments if regularized, while excluding direct individual tips from customers or any pay linked to overtime. Similarly, decisions will have to be made about the appropriateness and scale of payment in kind, such as food and accommodation, if included as part of the minimum wage. These may be permitted in sectors where it is customary or deemed necessary (such as on-site accommodation and services for migrant workers) but could be mandated to not exceed a given amount to minimize scope for abuse. The Protection of Wages Convention, 1949 (No. 95) states that “in cases where partial payment of wages is in kind, the value of such allowances should be fair and reasonable. Workers shall be free to dispose of their wages as they choose.”

In terms of coverage, uniform national systems are generally preferred to sector- or occupation-based schemes, especially in small developing countries given relative economic homogeneity, because simplicity facilitates better awareness and enforcement (Cunningham 2007). A single framework can also better address the gender wage gap than sector-based arrangements. More complex arrangements risk unintended consequences such as undermining collective bargaining or reduced compliance (Rani et al. 2013), internal migration or competitive use of minimum wages to attract investment under regional systems (Belser and Sobeck 2012).

The establishment of sub-minimum wage rates for specific groups of workers, such as young or migrant workers or individuals with disabilities, is a feature of some systems. While lower minimum wage rates for certain groups may facilitate labour market entry, there are also concerns about possible discrimination against individuals whose productivity is not systematically lower than the norm. Consequently, many countries have recently limited or eliminated provisions for lower minimum wages, particularly for young workers. Instead, the introduction of reduced minimum wages during post-recruitment probationary periods has been considered, acknowledging the potentially lower productivity of new employees.

Consideration must also be given to whether the minimum wage extends to the public as well as private sector. The public sector is usually a large employer in the PICs though wages tend to be relatively higher than in the private sector due to its skills mix and administrative wage-fixing mechanisms. Where this is not the case, and the public sector is covered by the minimum wage, then measures may have to be introduced to ensure that the process is not compromised by undue influence exercised on the grounds of government affordability.

### *Q3. Who should set the minimum wage and when?*

Social dialogue helps promote democratic stakeholder involvement, consensus building and good governance which better serve the goals of the MWP and minimize the risk of erratic and disruptive adjustments. The involvement of the social partners may take a variety of forms, but a standing tripartite institution is most likely to provide a systematic framework. This could be a

dedicated standalone committee, a subcommittee of a broader tripartite body or deliberations undertaken at that higher level. The relevant body should be mandated with fixed meetings and financial support for members to attend where needed. A dedicated and resourced secretariat is also required to service its work.

Underpinning the process is access to good-quality data. All countries in the region have financial and staffing constraints concerning the gathering and analysis of statistics (ILO 2020; Lound and Obst 2022). These capacity and logistical limitations are naturally more acute for the smaller island countries (Haque et al. 2015). External expert assistance should be sought as appropriate to support the process. In some countries, technical bodies facilitate discussions among social partners or independent experts. These bodies or persons can provide valuable technical assistance and support.

Timely revisions to the minimum wage rate can help employers adjust as well as better protect the real wages of low-paid employees. Little has changed since the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (2007: 14) observed that “regular revision of minimum wage levels has, however, been a problem in most Pacific Island countries”. The Minimum Wage Fixing Recommendation, 1970 (No. 135) states that “rates should be adjusted from time to time to take account of changes in the cost of living and other economic conditions”. Since even relatively low rates of annual inflation can erode the purchasing power of wages over time, these reviews should normally be made “at regular intervals or whenever such a review is considered appropriate in the light of variations in a cost-of-living index”. A fixed date of review, such as annually or every two years, reduces uncertainty and can better balance the needs of workers and economic conditions. Longer time frames could utilize a trigger mechanism linked to indicators such as inflation or wage growth to initiate an earlier review.

### *Q4. What criteria and indicators should be used when revising the minimum wage?*

ILO Recommendation No. 135 refers to two sets of influences to consider while setting minimum wage rates: the needs of workers and their families, and economic factors. The latter implicitly relates

to affordability, and the two are also related. A minimum rate set too low means that workers' incomes are not sufficiently protected, but a rate set too high may adversely impact businesses and thereby workers if it leads to non-compliance, job losses, fewer hours and/or intensification of work. Balancing these broad criteria implies choice and some subjectivity (ILO 1992). Although formulae linked to measures such as inflation and/or wage growth may be used to frame considerations, anything resembling indexation tends to be an inept approach that may have unintended consequences (such as fuelling inflationary pressures) as contexts change. Minimum wage fixing is rarely a "mechanical process of applying precise predetermined rules to readily available data" and is instead generally based on discussion and negotiation (Starr 1981: 114). This stresses the importance of research and information to ensure a "balanced and evidence-based approach" overall (ILO 2016: 42).

Specific criteria and measures will be related to the driving goals of the MWP. However, Belser and Sobeck (2012) suggest three sets of indicators to develop the discussion:

- A "minimum living wage" based on income needs of workers and their families. The Preamble to the ILO Constitution called for "the provision of an adequate living wage" and both the 1944 Declaration of Philadelphia and 2008 ILO Declaration on Social Justice for a Fair Globalization called for "a minimum living wage to all employed and in need of such protection". Policymakers must decide if the minimum wage embraces the concept of the living wage, and if so, how this might be operationalized.<sup>6</sup> A minimum wage measure could incorporate the cost of food, housing, health, education, and other necessary goods and services, in accordance with national circumstances. Methodologies should consider a basket of goods necessary for a decent living standard, with adjustments made for changes in living costs over time. HIESs are useful to establish relative

hardship and a Basic Needs Poverty Line (BNPL). Measures relating to a living wage should also factor in sufficient income to adequately participate in society including meeting customary obligations. However, demands on families differ according to size, regional costs and household income, not just individual wages. Additionally, many workers may not earn a wage, being employed in informal work and/or the informal economy, or supplement wages from employment with subsistence work (ILO 2022). To estimate living wages accurately, methodologies should be transparent, inclusive and sensitive to regional contexts; consultation with stakeholders is essential to ensure ownership and reliability of estimates (ILO 2024).

- *Median wage growth.* The minimum wage can be benchmarked against average wages as an indicator of general economic affordability. The median is preferred over the mean as the latter may be skewed by outliers.
- *Impact on total wage bill and inflation.* Assessing the former involves a calculation of the number of workers impacted and by how much, ideally with adjustment for labour intensity (labour as a proportion of total costs) and productivity. The problem is that there is usually limited data, especially from establishment surveys, and smaller countries may not yet even conduct labour force surveys. Inflation is now conventionally measured by CPI, but this may understate the impact of inflation on the low paid, compared to a retail price index, because the rising cost of food and other essential items disproportionately impacts the poor.

The issue of evidence runs through the whole MWP policy process. Data is needed to assess progress against priorities and establish the real and potential impact of decisions on workers' living standards (including groups such as youth, migrant, casual and informal workers); businesses (e.g. recruitment and retention, employment, total

<sup>6</sup> The concept of living wage relates to the wage level that is necessary to afford a decent standard of living for workers and their families, considering the country circumstances and calculated for the work performed during the normal hours of work (see ILO 2024). Furthermore, the concept of a living wage aligns with international human rights principles, emphasizing the right to just and favourable working conditions. Living wages should be achieved through wage-setting processes in line with ILO principles on wage setting, either through the negotiation of statutory minimum wages or collective bargaining, taking into consideration national circumstances and economic factors.

and unit labour costs, profitability, prices and wage differentials); and government finances (wage bill and transfers). Ideally, statistics should be available in relation to aspects such as wages in the formal sector plus other indicators such as working hours and training; incomes in the informal sector; prices in the urban and rural economies; macroeconomic indicators including (un)employment and GDP; and micro-level data concerning productivity and adjustment mechanisms at the level of the firm. Worker wellbeing (and that of entrepreneurs) is another relevant policy consideration and measure. Qualitative information is also important to contextualize and help explain quantitative data given the complexities and cultural specificity of business and work in small developing country contexts. This may be made available from the social partners or through commissioned research.

In short, a robust evidence base is essential for a legitimate and effective MWP. Reliable data is necessary to ensure that goals are addressed and, if necessary, recalibrated, and that stakeholders are fully engaged in the process. This engagement also fosters a growing need for more comprehensive data and indicators to be regularly produced, delivering as far as possible mutually beneficial outcomes. Of course, the realities of data gathering and analysis in small developing economies is that there are huge logistical and capacity obstacles to be faced. It is incumbent on partner countries and agencies to continue to support PIC governments in developing statistical expertise in the areas of wages, labour markets and employment.

## Compliance

### *Q5. How should the minimum wage be enforced?*

The Minimum Wage Fixing Convention, 1970 (No. 131) states: "Appropriate measures, such as adequate inspection reinforced by other necessary measures, shall be taken to ensure the effective application of all provisions relating to minimum wages" (Article 5). The Minimum Wage Fixing Recommendation, 1970 (No. 135) suggests that measures should include:

- ▶ arrangements for giving publicity to minimum wage provisions in languages and dialects understood by workers who need protection, adapted where necessary to the needs of illiterate persons;

- ▶ the employment of a sufficient number of adequately trained inspectors equipped with the powers and facilities necessary to carry out their duties;
- ▶ adequate sanctions and penalties for infringement of the provisions relating to minimum wages;
- ▶ simplification of legal provisions and procedures, and other appropriate means of enabling workers effectively to exercise their rights under minimum wage provisions;
- ▶ the association of employers' and workers' organizations in efforts to protect workers against abuses;
- ▶ adequate protection of workers against victimization.

Effective compliance begins with the principle of simplicity followed by communication and awareness raising. Compliance is maximized by a participative minimum wage process, a simple rate, education (information campaigns, training seminars), easy access to complaints procedures, a prominent and professional labour inspectorate, and prompt and effective redress and sanctions (worker compensation, penalties for underpayment), ideally allied to inexpensive access to the labour tribunal. Publicity directed at offenders may also be an appropriate deterrent strategy in some circumstances.

Benassi (2011) notes that persuasion strategies need to be allied to capacity-building measures to enable information dissemination, stakeholder engagement and monitoring. The latter includes labour inspection, focusing on sectors at risk and employee complaints mechanisms as well as collective empowerment (e.g. union rights to access wage information) and sanctions that deter compliance. More punitive measures could include exclusion from public loans and procurement as well as fines and other basic penalties such as wage restitution.

It is also useful to measure compliance (ILO 2016). The MWP can specify that this be done in three main ways; if possible, all of them should be pursued given the limitations of each method. The first approach is to calculate from available datasets the percentage of workers earning less than the legal minimum wage in different jobs

and sectors. This provides rough estimates and contains measurement error. The second is based on violations of minimum wage laws identified during workplace inspections or claim channels such as toll-free telephone lines. However, this is a partial snapshot as it refers only to cases detected or reported. A third measure is the number of complaints made by workers to enforcement bodies and courts. However, this is a poor indicator as low-paid workers are likely to be in precarious or vulnerable employment and the perceived costs of raising a complaint are likely to exceed anticipated benefits (Weil and Pyles 2005). At the same time, inspection agencies are constrained in reaching small, dispersed workplaces, especially in developing country contexts, so wage policies may need to consider “strategic enforcement” techniques based on focused, proactive detection and innovations such as peer reporting (Hardy et al. 2023).

### 3.3. Aligning minimum wage policy with development strategies

Finally, it is important to note that an MWP does not exist in isolation. It needs to align with national development strategies, ideally situated within an NEP as part of broader wage policy considerations. Allied to this is the complementary of statutory minimum wage setting to collective bargaining. While minimum wages have become a cornerstone of wage policy, establishing fair wages may also rely on the promotion of collective bargaining and wider tripartite social dialogue involving employers, workers and government representatives. Collective bargaining, underpinned by the freedom of association, plays a crucial role in ensuring equitable wage agreements. By fostering transparent negotiations, it enables the fair distribution of economic growth. Some nations primarily use collective bargaining for minimum wage determination, and others rely more heavily on statutory systems. However, a combination of both approaches is common and can lead to optimal results. In both cases, effective dialogue among stakeholders is essential, with access to comprehensive information on economic and social conditions.

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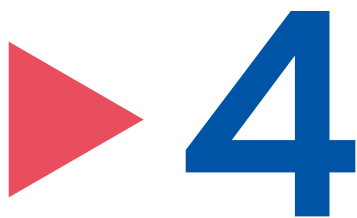
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▶ 4

**Country case studies**





## Country case studies

A thorough case study approach was adopted to delineate the contours of the existing wage regulation architecture in each country and thus facilitate comparative analysis. It involved close attention to the economic and political context, the contemporary legislative and policy framework, and stakeholder perspectives. The research began in September 2023 and cases were drafted by January 2024, though fieldwork continued until March 2024. Cases were subsequently updated with published sources until early 2025.

The desk research was intended to be exhaustive, drawing on academic, official and policy papers; census, official surveys, and other national data

and reports; legal documents; media; and other relevant international and national websites. The cases and interviews were conducted based on a common template to facilitate thematic content analysis. Interviews were recorded via Zoom and transcribed.

The ‘summary of methods’ outlines the data collection methods used across the 11 Pacific Island Countries (PICs). In several cases, efforts were made to engage ministries and social partners through invitations, written requests, or sharing draft reports. Where no responses were received, this is noted to reflect the limitations in direct validation, not to imply unwillingness to participate.

### ► Summary of methods

Country	Methods
<b>Cook Islands</b>	Desk research; interviews with 4 Ministry of Internal Affairs officials and Chamber of Commerce representative and written response from the union representative.
<b>Fiji</b>	Desk research plus written answers to questions from the CEO and the Director for Labour Standards, Ministry for Employment, Productivity and Workplace Relations.
<b>Kiribati</b>	Desk research also drawing on ILO mission notes; invitations sent to Ministry and social partners, but no responses received.
<b>Marshall Islands</b>	Desk research including information from ILO Office for the PIC; remote meeting with relevant Ministries, Statistics Office and Attorney General, coordinated by Deputy Chief Secretary for Planning and Administration; interview with CEO, Chamber of Commerce.
<b>Palau</b>	Desk research; case draft sent to Ministry of Human Resources, Culture, Tourism and Development and social partners for input and feedback, but no responses received.
<b>PNG</b>	Desk research also drawing on prior fieldwork undertaken in the country.
<b>Samoa</b>	Desk research and liaison with Tautai (Australian agency) which arranged a research visit (November 2023) including meetings with officials of the Ministry of Commerce, Industry and Labour and the Tripartite Forum.
<b>Solomon Islands</b>	Desk research and interviews with representatives of employers' association and trade union; Ministry of Commerce, Industry, Labour and Immigration approached but no response received.
<b>Tonga</b>	Desk research also drawing on prior fieldwork in the country.
<b>Tuvalu</b>	Desk research; case draft sent to Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour and social partners for insights and feedback, but no responses received.
<b>Vanuatu</b>	Desk research also drawing on ILO mission notes; Labour Department contacted for inputs, but no reply received.



## 4.1. Cook Islands – Kūki 'Āirani

### 4.1.1. Introduction

The Cook Islands comprise 15 small islands with a total land area of 237 square kilometres and just over 15,000 people (Census 2021). Its EEZ covers around 2 million square kilometres of ocean. Rarotonga is the largest island, at 67 square kilometres, and has the country's capital, Avarua. The island is the country's administrative and commercial centre with 71 per cent of the population (LFS 2019). There are a further six inhabited islands in the Southern group, containing 21 per cent of the population, plus five inhabited islands in the Northern group, with 8 per cent. The two groups are distinct in terms of social, cultural and economic characteristics. Rarotonga, in the Southern group, is unique as the country's only urban area. The 14 islands besides Rarotonga are known as the outer islands, or the Pa Enua.

Like its neighbours, Cook Islands is exposed to a high risk of natural disasters including tropical cyclones, floods, droughts, earthquakes, tsunamis and landslides (Noy and Edmonds 2016). The country is prosperous by regional standards though it is subject to economic shocks exacerbated by reliance on imports. Imports are expensive because of the distances involved and because the harbour (Avatiu) is unable to receive trans-Pacific shipping. The border closures imposed in 2020 due to COVID-19 had a dramatic economic impact as the country is dependent on tourism. The crisis also provided a further stimulus to outward migration, as Cook Islanders are New Zealand citizens and thus able to move freely to New Zealand and Australia for work.

The Cook Islands is an independent self-governing state in free association with New Zealand, with which it shares a currency and Head of State. Under this relationship, New Zealand has responsibilities for external affairs and defence, and decisions regarding such matters are to be made in consultation between the two countries. The Cook Islands may undertake diplomatic relations and sign international treaties and, though it is not a UN Member State, it is a member of its specialized agencies including the ILO which it joined in June 2015. The Constitution (1964) provides for a Parliament within the Realm of New Zealand, with the British monarch as the Head of State. The Parliament comprises 24 elected members of

which 10 are from Rarotonga and 14 from the Pa Enua. A six-member Cabinet is presided over by the Prime Minister. Elections are held every four years, most recently in 2022.

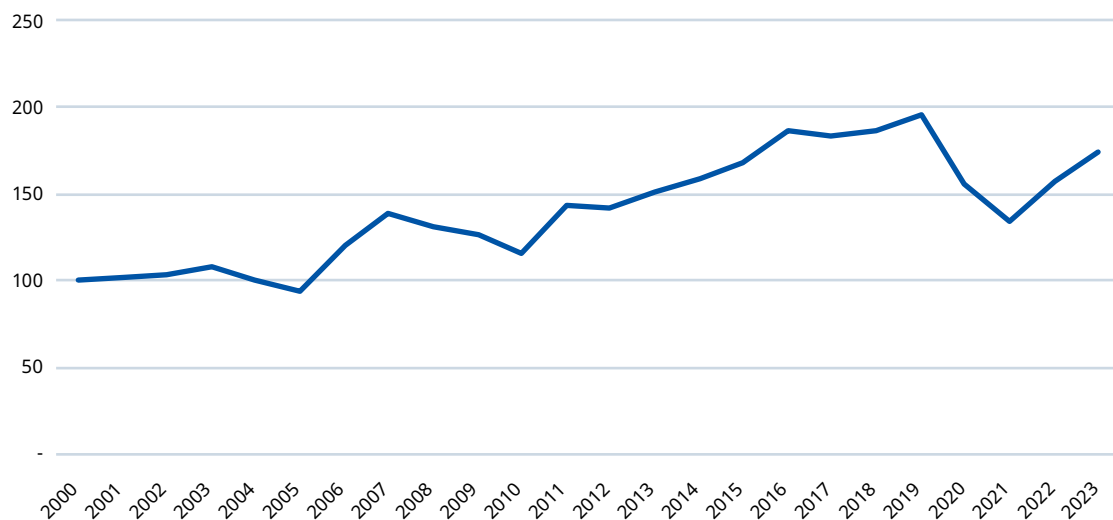
A minimum wage was first introduced by the Industrial and Labour Ordinance 1964 but not systematically reviewed until ERA 2012. The Employment Relations (Review of Minimum Rate of Pay) Regulations of 2013 further specify a universal minimum wage rate subject to annual tripartite review. The minimum wage has since increased from NZ\$5 per hour to NZ\$9 (2023/24), which is amongst the highest in the region.

### 4.1.2. Economy

The Cook Islands traditionally depended on the export of tropical produce to New Zealand until the latter deregulated its economy in the mid-1980s and the Cook Islands lost preferential market access. Exporters could not compete with Australian producers given Cook Islands' small population, limited arable land and transport costs (Alexeyeff 2008). The economy plunged into crisis in the mid-1990s, leading to severe public sector retrenchment.

Economic recovery occurred on the back of a reform programme and strong tourism sector growth. Tourism soon came to account for about two thirds of the GDP; other significant foreign currency earners were pearling (conducted on two Northern group islands) and offshore banking (Connell 2005). Remittances from the diaspora, principally located in New Zealand, are also important to the economy but cannot easily be estimated given that both countries share a common currency.

The Cook Islands' GDP per capita (figure 4.1.1) has fluctuated due to its reliance on tourism and close ties with New Zealand and Australia. Growth accelerated after 2012, peaking in 2015–2019 with strong visitor arrivals. A sharp contraction in 2020 followed border closures during COVID-19, with only a partial recovery in 2021. The deeper dip in 2022 reflected the delayed border reopening, which slowed the return of tourism compared to regional peers. Since 2023, arrivals have rebounded, and by 2024 GDP per capita surpassed pre-pandemic levels, though dependence on tourism leaves the economy highly exposed to external shocks.

► **Figure 4.1.1. Index of GDP per capita in constant prices (2000 = 100), Cook Islands, 2000–23**

**Source:** Authors' calculations based on ADB data, GDP per capita (2016 constant US\$ PPP values), Cook Islands, available at ADB Key Indicators Database <https://kidb.adb.org/>

The Cook Islands is heavily reliant on imports of fuel, food, machinery and manufactured goods. Physical exports are minimal (2.2 per cent of GDP) but the country normally runs a large surplus on its current account due to services receipts (equivalent to 75.2 per cent of GDP), dominated by tourism (PIFS 2015). Concerns around the need for diversification have increased since the pandemic placed a two-year hiatus on tourism. This may include the lucrative prospect of deep-sea mining.

### Public sector

From the late 1980s to 1995 the Cook Islands government responded to mounting economic problems by experimenting with “issuing its own currency, operating as an offshore tax haven, supporting a large and often unproductive public sector workforce” (Bertram 2018: 58). By the early 1990s the country was in massive debt. Its GDP was around NZ\$150 million, while it carried a debt estimated to be between NZ\$169 million and NZ\$180 million, and a default looked imminent (Alexeyeff 2008).

On the recommendation of the Asian Development Bank (ADB), the government undertook a radical structural adjustment programme in 1996. This

involved privatization (e.g. the broadcasting corporation, airports and ports authorities, the electricity company and four large hotels), a reduction of government departments from 35 to 20, and cuts to welfare services and benefits (NZODA 1997). Other measures included opening the economy to foreign investment, freezing wages and permitting increases in the price of basic goods. Public sector employment halved under a Transition Project, funded by the New Zealand Agency for International Development (NZODA). This involved paying “surplus” public servants three months redundancy pay and “upskilling” them through training in small business enterprises, preferably in tourism, crafts and agriculture.

The immediate impact of the reforms was that over half the working population of the Cook Islands lost their jobs, and those who remained employed were required to take a 15 per cent pay cut. The price of essential items also rose dramatically. The outer islands lost the greatest proportion of public service jobs after the 1996 economic reforms. Around three quarters of their paid workforce were in public sector roles and 57 per cent of these workers were retrenched (NZODA 1997). However, private sector opportunities were not readily available (Sharma 2008). The outcome

was large-scale emigration, especially of skilled workers (Connell 2005). In 1996, the resident population of the Cook Islands was 18,000 but by 2001 it was 15,000 (CISO 2010).

According to Bertram (2018), another legacy of the restructuring programme was low tax revenues and consequent dependence on aid, despite an increasingly successful tourism sector. Tax revenue was capped at 25 per cent of GDP and non-tax revenue at 5 per cent under the 1998 Manila Agreement, which involved an austerity package brokered by the ADB with creditor countries including New Zealand and Nauru. However, government expenditure has been around 40 per cent of GDP due to infrastructure investment linked to tourism growth, and aid revenue has filled the gap. Effectively, the government was unable to capture a sufficient share of private sector tourism growth through individual and company taxation because of the 1998 Manila Agreement ceiling on tax revenue.

Since the reforms, several legislative measures have been taken to enhance public sector efficiency and responsiveness. These include: the Public Service Act 2009 to streamline the administration and regulation of the public service; the Employment Relations Act 2012 to establish good employment relations between employers and employees; the Island Government Act 2012/13 to foster good governance by island governments; and the Official Information Act 2008 to provide the public with

the right of access to government information. The Public Sector Strategy 2016–25 and the work of the Public Service Commissioner have also helped modernize human resource practice across recruitment, training, performance management and remuneration (Glassie 2018).

The public sector currently comprises 14 ministries and offices, seven crown agencies, 10 island governments, eight statutory agencies and four state-owned enterprises (table 4.1.1). The first three groups of organizations comprise the public service as prescribed by the Public Service Act 2009. The other two are state services with some autonomy from political control. Employment and labour issues are the responsibility of the Ministry of Internal Affairs, specifically through the Labour and Consumer (L&C) Services Division. Overall, this is a streamlined service compared to previous arrangements but may still be seen as administratively complex with a relatively high burden of bureaucratic reporting and oversight (Glassie 2018). The need for greater efficiency and cooperation across government departments was also highlighted by the COVID crisis (PSC 2022). In January 2020, the country graduated out of the Organisation for Economic Cooperation (OECD) Official Development Assistance (ODA) eligibility list for the first time since 1996, only to be hit by COVID. This meant that donor aid was reduced, reinforcing the negative impact of the pandemic on GDP (MWRP 2023).

► **Table 4.1.1. Public sector organizations in Cook Islands**

<b>Ministries and Offices</b>	Ministries of Agriculture; Cultural Development; Education; Foreign Affairs and Immigration; Finance and Economic Management; Health; Justice; Internal Affairs; Marine Resources; and Transport. Office of the Prime Minister; Office of the Public Service Commissioner; Statistics Office; Infrastructure Cook Islands.
<b>Crown Agencies</b>	Office of the Head of State; Office of the Ombudsman; Cook Islands Audit Office; Cook Islands Police; Crown Law Office; Parliamentary Services; Office of the Opposition.
<b>Island Governments</b>	Aitutaki, Atia, Mangaia, Manihiki, Mauke, Mitiaro, Palmerston, Penrhyn, Pukapuka/Nasau, Rakahanka.
<b>Statutory Agencies</b>	Business, Trade and Development Authority; Financial Services Development Authority; Financial Supervisory Commission; National Environment Service; Natural Heritage Authority; Pearl Authority; Seabed Minerals Authority; Tourism Corporation.
<b>State-Owned Enterprises</b>	Bank of the Cook Islands; Cook Islands Airport Authority; Cook Islands Investment Corporation; Cook Islands Ports Authority.

Source: Glassie 2018.

Two distinctive features of public sector employment are that the sector is small by regional standards but does account for a significant proportion of relatively low-paid work.

- Three in ten workers (29.8 per cent) are public sector employees (ILO 2020). The 14 public service Ministries employ 1,485 people (979 full-time equivalent) and total public sector employment was 2,488 in 2022 (PSC 2022). These include 1,838 full-time and 81 temporary full-time workers; 278 part-time staff; and 291 casual workers. Just over half (54 per cent) are females; women are well represented in management and senior positions (UN 2023; PSDI 2021b). The average age of public sector employees is 44 and all but 195 are Cook Islands Māori.
- The government is the largest employer of staff that are either on or close to the minimum wage, particularly in the Pa Enea, and hence the impact on the State payroll must be considered when looking at minimum wage increases. Around 27 per cent of government employees were paid wages or salaries close to the 2022 minimum wage, and this figure rose to 76 in the Pa Enea.

### Private services: Tourism and the impact of COVID

The growth of the tourism sector was spurred by the rapidly falling cost of international air travel. Visitor numbers surged from under 10,000 in 1976 and 49,000 in 1998 to nearly 73,000 in 2002 (Mellor 2003). By 2018, there were 186,760 visitors, up 4.4 per cent on the preceding year. Most visitors were from New Zealand (61 per cent) or Australia (13 per cent) or returning Cook Islanders living in these countries (9 per cent). Tourists visit throughout the year, mainly staying on Rarotonga; they may also visit Aitutaki. With increasing numbers of tourists, pressure on accommodation and other infrastructure has been mounting.

Immediately prior to COVID, estimates of the tourism sector's GDP contribution ranged from 66 per cent (PSDI 2021a) to 87 per cent (Movono and Scheyvens 2022), double that of other tourist destinations in the region. Employment in tourism in 2016 was estimated at 2,386 jobs or over a third of the country's total workforce (PSDI 2021a). The

Cook Island borders closed on 21 March 2020 due to the pandemic, until a travel "bubble" was established with New Zealand in May the following year. According to the ADB, the border closure shrank the GDP by nearly 30 per cent in 2021.

In addition to devastating tourism revenues, the pandemic necessitated a massive increase in government expenditure (MWRP 2022). As well as spending all of its current reserves from the Stabilization Account (NZ\$56.7 million), the government borrowed approximately NZ\$114.1 million from the ADB and the Asian Infrastructure Investment Bank to facilitate support packages under the Economic Response Plan and Economic Recovery Roadmap. Grant funding of approximately NZ\$82.7 million was also received during the pandemic. Approximately 3,500 workers received support from the wage subsidy, paid at the then minimum wage of NZ\$8.00 per hour (MWRP 2022). The government forecasts a need for more borrowing in the coming years to cover further shortfalls in financing requirements, especially because of commitments to various large infrastructure projects.

The pandemic also fuelled inflation due to increased freight costs and rising interest rates. High inflation continued as businesses sought to recover COVID losses as well as due to the impact of labour shortages on wage growth. Inflation was around 2 per cent in 2021, following four years of less than 1 per cent price growth which had enabled real growth in the minimum wage. In contrast, inflation reached 13.9 per cent in the December 2022 quarter, with food prices increasing by almost a quarter, according to [CISO](#). By the end of 2024, overall inflation had stabilized at just under 3 per cent though workers and businesses alike reported adverse effects of higher energy, accommodation and grocery prices (Mika 2024).

More positively, the ADB forecasts a strong economic recovery with per capita GDP growth expected to be 11.8 per cent in 2023 and 9.7 per cent in 2024, with inflation falling from a forecast 7.7 per cent by the end of 2023 to 2.3 per cent in 2024 (ADB 2023). Post-COVID tourist numbers have been slowly increasing, though constrained by higher airfares and reduced flight availability. According to [Island Business](#), the July to September 2022 quarter registered 43,244 visitors, compared to 58,744 visitors for the same period of 2019.

Labour supply is also an ongoing challenge for the private sector, especially with emigration. There has been some recruitment from Fiji, Indonesia and the Philippines though work permits are reportedly difficult and expensive for employers to obtain (PSDI 2021a), particularly after changes made in 2023 (RNZ 2023). Employment in the Cook Islands is attractive to overseas workers given relatively higher wages (e.g. the Fijian minimum wage at FJ\$4 equates to NZ\$3).

### Primary sector: Agriculture, fishing and mining

Most land is held by families with customary titles and economic activities is usually facilitated by granting leasehold terms. However, land ownership is highly fragmented and title holders are mainly based overseas (AusAID 2008). The country's topography supports small-scale but not commercial agriculture. Subsistence agriculture is important, especially in the Pa Enua, and defrays what would otherwise be a high cost of living relative to earnings (Connell 2005). In 2000, over a third of households on Rarotonga were involved in agriculture compared to 74 per cent in the Southern islands and almost all in the Northern islands. The 2021 Census reports that 70 per cent of all households were engaged in one or more type of agricultural activity but virtually none (1 per cent) were involved in the sale of produce. New crops, such as maize, pineapple and vanilla, have a potential market at Rarotonga though this is currently inhibited by poor transport links.

Likewise, of the 39 per cent engaged in small-scale fishing, even fewer (0.5 per cent) sold any fish. Commercial sale in ocean fishing was much higher, at 20.2 per cent. The commercial fishing industry grew after the closure of the EEZ to foreign vessels in 2002, generating a tuna export industry servicing the Japanese sashimi market and the cannery in American Samoa. However, illegal fishing is a problem. The other significant primary industry is black pearls farming on Manihiki island. This also allows wider private sector employment on the island.

The three main private industries in the Pa Enua (pearls, fishing, agriculture) employ workers on piece rates which may fall below the current minimum wage (a practice illegal under the current ERA framework). A large number of workers are also

engaged in subsistence work. LFS data indicates that 87.7 per cent of the working-age population in the Cook Islands was engaged in some forms of own-use production work in 2019. Among the 10,056 own-use producers, 1,229 persons were classified as subsistence food producers, corresponding to around 10.7 per cent of the working-age population. Most subsistence food producers were located in the outer islands where the rate was 24.2 per cent.

The economic shock of COVID renewed government interest in seabed mining to help diversification and support infrastructure investment. The Cook Islands Seabed Minerals Authority (SBMA) was established in 2012 and derives its authority from the Seabed Minerals Act 2009. A Sovereign Wealth Fund (the Seabed Mining Fund) was also established to manage future revenues from seabed mining resources. A survey in 2013 suggested that the EEZ contains 10 billion tonnes of nodules containing manganese, nickel, copper, titanium and cobalt (PIFS 2015). Sitting at approximately 5 kilometres below sea level, these resources were previously inaccessible but in recent years a combination of high demand and advances in mining technology is making seabed deposits an attractive and feasible proposition. In 2022, three exploration licences were issued resulting in the mapping of 20,000 square kilometres of seafloor and the collection of biological and geological samples. However, an application for a mineral harvesting licence, which will be controversial on environmental grounds, is not expected for at least several years (Letman 2023).

### 4.1.3. Demographic context

Over the past century, the total number of Cook Islanders increased ten-fold, from below 9,000 in 1911 to around 100,000 by 2013 (Bertram 2018). The actual resident population of the Cook Islands, however, is much lower: it rose to 14,100 by 1945, peaked at 21,000 in the early 1970s, and by 2016 was estimated to have fallen to 17,434 or 2 per cent lower compared to the preceding Census in 2011. The 2016 figures represent a decline of 7.3 per cent for the Southern group islands and 1.1 per cent for the Northern group relative to the 2011 Census. In the 2021 Census, the Southern group population (excluding Rarotonga) was down by 7 per cent compared to the 2016 Census, and there

was a decline of 2 per cent in the Northern group.

There are three broad migration trends discernible in the Cook Islands. The first is emigration to New Zealand which is driven by economic push and pull factors. In 1936 there were only 103 Cook Islanders in New Zealand but by the 1956 Census this had risen to 2,320; the government responded by tightening exit permits to retain its skilled workers (Ward 1961). The next waves of emigration came with the opening of Rarotonga's International Airport in 1974 and then the public sector cuts of 1996/97. Approximately 81,000 Cook Islanders now live in New Zealand and 22,000 in Australia, according to Census reports of those countries.

The second trend is internal migration to Rarotonga which is driven by wage employment opportunities, principally in the tourism and government sectors. Both trends mean that the population in the Pa Enua is ageing. In the 2019 LFS, 39 per cent of Rarotonga's working age population was below the age of 35, compared to 31 per cent of the Pa Enua population. In Rarotonga, 13 per cent of the population was over the age of 65, compared to 20 per cent in the Pa Enua. In 1966, the average age of a Cook Island resident was 20.2 years; in 2011 this increased to 32.6 and by 2021 it was 34.6 (MWRP 2022; 2023). Population ageing also reflects a declining fertility rate which is currently 2.4 (compared to Tonga and Samoa's rates of around 3.5 to 4). As a result, "the Cook Islands workforce lacks younger workers" (MWRP 2023: 10). This contributes to labour shortages, especially in entry-level positions. A survey conducted by the Private Sector Taskforce indicated at least 600 vacancies as of January 2022 (MWRP 2023).

A third and more recent trend is the hiring of migrant workers. Overseas workers are relied upon across the skills spectrum, but especially for entry-level work where they are seen as hard-working and willing to accept lower wages. However, they may still be expensive to employ given upfront costs to do with the immigration process (e.g. visas, medicals, flights) and accommodation support. In the 2016 Census, 3 per cent of the population was from Fiji and 2 per cent from the Philippines. Migrant workers now make up 18 per cent of the resident population, accounting for 27 per cent of jobs in the restaurant and accommodation sector, and 16 per cent in retail (MWRP 2022). There are growing concerns that "low skilled foreign labour is at risk of being exploited through illegal work

practices (such as confiscation of passports or making deductions from minimum rates of pay for the provision of accommodation or uniforms) or provision of minimum wage for roles typically paid at much higher rates (like support services)" (MWRP 2023: 11).

#### 4.1.4. Labour market dynamics

According to the HIES 2019, the labour force comprises around 8,000 people, with an employment-to-population ratio of 69.5 per cent. Employment is highly concentrated in Rarotonga (77.6 per cent), and predominantly in the private sector (69.4 per cent) and services (85.9 per cent). Women are overrepresented in service and clerical occupations, while men dominate trades, agriculture, and machinery-related roles. Public sector employment is particularly significant in the Pa Enua and Northern Group islands. High-skill and medium-skill occupations make up the majority of employment, with elementary occupations—often associated with vulnerable employment—remain relatively low at 12.7 per cent.

Unemployment is low overall (1.3 per cent), but youth unemployment (10.2 per cent) and NEET rates (12.6 per cent) are notable, especially among young women. Informal employment accounts for nearly a quarter (24.7 per cent) of total employment, concentrated in agriculture, fisheries, and craft-related activities. Subsistence work remains widespread, especially in the outer islands, though most is for home consumption rather than commercial sale.

Wages vary by region, sector, and gender. The average monthly wage in 2019 was NZ\$1,531—well above the minimum wage at the time—though significantly lower in the Pa Enua (NZ\$1,105). Women earn 95 per cent of what men earn, and the gender pay gap persists in most occupations, except for professionals, managers, and some agricultural roles. The gender pay gap is especially high among self-employed and low-skill occupations.

Wages and salaries constitute the primary income source, complemented by pensions and targeted social benefits. Income inequality is moderate, with a Gini coefficient of 0.33 in Rarotonga and 0.39 in the Pa Enua (MWRP, 2022). These demographic and labour market features—shaped by migration, ageing, and sectoral concentration—highlight the

need for wage-setting mechanisms that balance protection, inclusion, and regional disparities in employment conditions.

#### 4.1.5. Policy and regulatory context

##### ILO Conventions

On becoming an ILO Member in 2015, the Cook Islands committed to continue to uphold and report on Conventions previously ratified by New Zealand and declared applicable on its behalf. These comprise: Right of Association (Agriculture), 1921 (No. 11); Weekly Rest (Industry), 1921 (No. 14); Forced Labour, 1930 (No. 29); Minimum Wage Fixing Machinery (Agriculture), 1951 (No. 99); and Abolition of Forced Labour, 1957 (No. 105). The government has since also ratified the Fundamental Convention on Worst Forms of Child Labour, 1999 (No. 182), the Priority Convention on Tripartite Consultation (International Labour Standards), 1976 (No. 144), both in 2018, and the Maritime Labour Convention, 2006 (No. 186) in 2019.

The Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99) commits signatories to establish or maintain “adequate machinery” to fix minimum wages for workers employed in agricultural undertakings and related occupations, based on full consultation with relevant social partners. Minimum wages may include part payment in kind in this sector. The Convention also addresses measures for education, inspection and sanctions, and sets out requirements for annual reporting on the operation and impact of the minimum wage machinery. This does not appear to have been implemented, which may reflect the limited development of the agriculture sector. The Minimum Wage Fixing Convention, 1970 (No. 131) has not yet been ratified.

##### Decent Work Country Programme

The government and the ILO signed a Memorandum of Understanding (MoU) in 2019 to advance decent work in the Cook Islands. The Decent Work Country Programme (DWCP) is a multi-year action plan. The DWCP for the Cook Islands [2019–2022](#) was aligned to the National Sustainable Development Plan (NSDP) 2016–20, the United Nations Pacific Strategy 2018–22 and the 2030 Global SDGs. Its

priorities were set in consultation with the tripartite partners, i.e. the Chamber of Commerce (CoC) as the employers’ representative and the Cook Islands Workers Association (CIWA) as the employees’ representative. Priority 1 is to advance labour law reform and improve labour administration in line with international labour standards; Priority 2 is to enhance labour force development and opportunities for inclusive growth and improved employment prospects, with special attention given to youth, women and persons with disabilities; and Priority 3 is to promote social dialogue, tripartism and strong representative employers’ and workers’ organizations.

##### National Sustainable Development Plan

The NSDP 2016–20 included an indicator measure (Indicator 1.1) on the proportion of the population who find it difficult to pay for basic needs. The 2017 NSDP Indicator report estimated a minimum liveable income (for 2016) of NZ\$20,561 per person, or NZ\$41,122 per household of two adults and two children. The current NSDP covers 2021–26 and is linked to NSDA 2020+, a long-term (25-year) strategy in which wellbeing is a central pillar. The five-year [scorecard](#) has as Goal 2 “welfare and equity” which includes targets and indicators to “alleviate economic hardship” (for the proportion “struggling to pay for basic needs”), “improve the distribution of wealth” (introduce a Gini coefficient measure) and “promote economic equity” (evaluate impact of real economic growth on the lowest quintile). Linked to this is a new [Population Policy 2022–32](#) which includes proposals to retain people of working age, such as higher minimum or living wages and tax exemptions, especially for those on the Pa Enuā.

##### National Policy on Gender Equality

The first National Policy on Women was developed in 1995. The most recent iteration is the National Policy on Gender Equality and Women’s Empowerment 2019–24. The five key priority areas are: a gender-responsive government; gender equity in leadership and governance; women engaged in economic development; healthy women and girls; and eliminating violence against women. Strategic actions relating to gender equality at work include:

- ▶ establishing a National Employment Dispute Resolution Mechanism to address or investigate employee grievances such as leave entitlements and pay disputes;
- ▶ strengthening the collection of sex- and age-disaggregated business data and statistics for improved gender-responsive monitoring and informed decision-making about labour and employment policies and economic development;
- ▶ establishing regulations, policies and other relevant protection measures that eliminate discrimination in the workplace and protect the rights of all workers, including migrant workers.

### Tripartism

Formal tripartite arrangements were expedited in the Cook Islands following membership of the ILO in 2015. A National Labour Advisory Council was constituted by the Cabinet decision CM (16) 312 of 23 August 2016 to include representatives of workers, employers and government in an advisory body on all matters related to labour. Its inaugural meeting was held on 15 December 2016, with quarterly meetings to follow. The Council participates in tripartite processes for annual minimum wage review, legislative compliance review, and occupational health and safety review, and consultations on the DWCP.

The Council became the National Labour Advisory Board following ratification of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) in 2018. It comprises six government department representatives (including MIA, PSC, MFAI, MFEM), three workers' association representatives (CIWA and a representative from the Fiji community) and three employer representatives (all from the CoC given its encompassing representative scope). The MIA manages the secretariat as well as chairs the meetings.

The NLAB meets every quarter to discuss any matters related to labour policies and international labour standards. It has also held extraordinary meetings to discuss certain issues, such as the COVID-19 response, migrant workers and the Maritime Labour Convention (MLC); a Maritime Labour Convention Tripartite Committee is in the

process of being established. However, there was no consultation around the Regulations introduced in early 2023 under the Immigration Act 2021, which attracted criticism from business. The NLAB was subsequently involved in their review.

The CIWA is the largest union with around 500 members, though this fluctuates due to labour turnover and migration (Etches 2021). Members are mainly from the public sector. The union was established in 1997 following the restructuring reforms, amidst concerns around job security. It conducts a range of services for members but faces resource and capacity constraints given the diversity of its membership and its voluntary basis. There is no formal collective bargaining. Migrant workers generally fall outside the purview of unionization. The CIWA is affiliated to the Public Services International (PSI) and ITUC which offer some support. It is part of the Cook Islands Superannuation Board, the Minimum Wage Panel and the Judiciary Advisory Board. Other labour associations include the Cook Islands Teachers Union, the Cook Islands Nurses Association, the Cook Islands Police Service Association and the Filipino Community Cook Islands.

Private sector interests are represented by the Cook Islands CoC, a voluntary organization of individuals and businesses aimed at advancing the commercial, financial and industrial interests of the Cook Islands. The CoC operated informally from the 1970s until incorporation in 1993 and currently has over 160 members. As some of these are associations in their own right (e.g. the Bankers Association, Tourism Industry Council), its representative base is high across the private sector. Just over a third (35 per cent) of the members are sole traders or small enterprises employing no more than four workers. The CoC is a member of the Pacific Islands Private Sector Organization (PIPSO).

### Legislation

The Employment Relations Act 2012 replaced the Industrial and Labour Ordinance 1964. It was developed with ILO support and engagement of the CoC and CIWA, which secured funding through the PSI Asia Pacific Fund to conduct wider community consultation. The ERA provides enhanced protection in matters such as freedom of association, collective and individual agreements,

discrimination, sexual and racial harassment, dispute resolution, termination and redundancy. Some of these protections are at a basic level. For example, termination may be made for reasons of redundancy, misconduct or where the employee is unable to carry out their duties. Notice is limited to one week and there is no statutory right to severance pay. The Act also makes provision for universal minimum wages, which have been reviewed through a tripartite process since 2014 (see below). The ERA is undergoing review in 2023/2024. Recent employment law changes have focused on immigration settings (Immigration Act 2021 and Regulations 2023) and developing an OSH Bill, including workers' compensation, which has been underway since 2018. Broader initiatives include the development of a National Employment Policy.

#### 4.1.6. Minimum wage regulatory framework

The Cook Islands currently stands out among the 11 PICs in having a universal minimum wage that is subject to annual review. The rate is also the highest.

#### Regulation

Minimum Wage Orders were first introduced by the Industrial and Labour Ordinance 1964 (section 32), which also provided for registration of unions and industrial agreements and the regulation of disputes. Regulations introduced a minimum wage according to "such rates as may from time to time be determined by the High Commissioner [from 1978, Minister of Labour and Commerce] upon the recommendation of the Industrial Relations Officer, and published in the Gazette".

The 1964 Ordinance was repealed by the ERA 2012. The ERA covers both public and private sector employees and offers stronger protections relating to freedom of association; collective and individual agreements; discrimination and racial harassment; termination and redundancy; working time and overtime pay (one and a half times for hourly paid workers over 40 hours per week); and dispute resolution. It also extended government-funded paid maternity leave from the public to the private sector (based on the minimum wage for 6 weeks). Sections 33 and 34 cover minimum wages and stipulate that the minimum wage must be reviewed by the appropriate Minister on an annual basis and apply to all employees (box 4.1.1).

##### ► Box 4.1.1. Minimum wage provisions of the Employment Relations Act 2012, Cook Islands

#### S33. Minimum rate of pay

An employee is entitled to be paid at a fair and reasonable rate, not less than the minimum rate or rates of pay prescribed by the Regulations, that is commensurate with:

- (a) the rate normally paid to workers for the same or similar work;
- (b) the duties required of the employee;
- (c) the employee's experience and capabilities.

#### S34. Review and amendment of minimum rate of pay

The Minister must review the minimum rate or rates of pay, prescribed by the Regulations, on an annual basis.

Under the ERA, redress is to be pursued through personal grievance procedures and mediation. If the dispute is not settled by mediation, either party may refer the dispute for arbitration by an arbitral tribunal under the Arbitration Act 2009. The outcome may be reimbursement and/or compensation. The Act does not refer to additional or specific sanctions for non-compliance with the minimum wage, though there are penalties in the form of fines for the obstruction of an inspector (sections 76–82).

Changes to the minimum wage rate may be introduced by Regulations. But there is no mandate to do so; no Minimum Wage Regulations were issued in 2016 or 2020.

### Rates

The minimum wage rate was adjusted on an ad hoc basis until 1981 when the government linked both the minimum wage and increases in public service remuneration to changes in the cost-of-living index. Following a change of government in 1987, the rate was subject to annual review but was revised only intermittently. A 1992 Order introduced new rates set according to age, from NZ\$2.53 for persons aged 18 and over, NZ\$2.45 for those aged 16–18 and NZ\$2.26 for those under 16. In addition, a Schedule to the Order set out apprentice rates as a proportion of stipulated wage rates in eight sectors or trades.

The minimum wage saw no further changes until 2000 when the adult rate increased from NZ\$2.53 to NZ\$4.00 per hour. It was noted in the Cabinet that the rate be adjusted upwards incrementally to a target of NZ\$7.00 per hour over the following three years (a figure based on the youth wage rate in New Zealand). However, the next change was not until 2006 when NZ\$5.00 per hour was set by the government, followed by an increase to NZ\$6.00 in 2014. This was the first increase following the ERA and was a universal rate applied regardless of age or any other factor.

The next minimum wage review, conducted in 2015, raised the minimum wage to NZ\$6.25 with the recommendation of a NZ\$0.25 gradual increase annually. However, due to a lack of internal resources in the MIA, the review for 2016 was not completed, leaving the rate unchanged. Subsequent reviews resulted in annual increases until 2021, which occurred during COVID. The rate was maintained at NZ\$8.00 given the impact of the pandemic on business and government finances.

The 2022 review unusually presented two options to the Minister, to maintain the NZ\$8 rate or increase it to NZ\$8.50, the latter of which was accepted. The 2023 review also departed from the norm by recommending NZ\$9 for 2023 and that this be raised to NZ\$9.30 in 2024 (the Ministry of Finance had already conducted an impact assessment for that rate). In the event, the 2024 rate was set at NZ\$9.50. On 15 April 2025, new regulations confirmed a 50-cent increase in the minimum wage to NZ\$10.00 per hour, effective 1 July 2025 — a milestone in Cook Islands' wage policy. These changes to the main minimum wage rate are summarized in table 4.1.2.

► **Table 4.1.2. Minimum wage rates, Cook Islands, 1992–2025**

Year (1 July)	MW rate (NZ\$)
1992	2.53
2000	4.00
2006	5.00
2014	6.00
2015	6.25
2016	6.25
2017	7.00
2018	7.25
2019	7.60
2020	8.00
2021	8.00
2022	8.50
2023	9.00
2024	9.50
2025	10.00

## Review process

The current arrangements were established by the Employment Relations (Review of Minimum Rate of Pay) Regulations 2013 (see box 4.1.2); since then, the minimum wage review process has been governed by tripartite arrangements. Section 4 allows the Minister to appoint a Review Panel for

the purpose of reviewing the minimum rate of pay and sets out membership terms, requirements for guidelines to be supplied by the Ministry and the timeline for the Panel. Section 5 stipulates that the Panel issue a publicly available report to advise the Minister on whether to change or maintain the minimum rate.

### ► Box 4.1.2. Employment Relations (Review of Minimum Rate of Pay) Regulations 2013 (sections 4–5), Cook Islands

#### Employment Relations (Review of Minimum rate of Pay) Regulations 2013

Secretary means the Head of Ministry responsible for the administration of the Employment Relations act 2012

#### 4. Appointment of the Review Panel

- (1) The Minister may appoint a Review Panel for the purpose of reviewing the minimum rate of pay under section 34 of the Act,
- (2) Subject to subsection (1) the panel must be appointed no later than 31<sup>st</sup> January of the respective year and that panel must be convened no later than 14<sup>th</sup> February of the same year.
- (3) The panel members must consist of the following:
  - (a) A representative from the Ministry responsible for the administration of the employment Relations Act 2012, who will be chair of the panel; and
  - (b) A representative from the Ministry of Finance and Economic Management and
  - (c) A representative from an association of employers; and
  - (d) A representative from an association of employees; and
  - (e) One other person appointed at the Minister's discretion
- (4) The appointments to the panel under subsection(1) expire on 1st of March of the respective year in which they are appointed.
- (5) The Secretary with approval of the Minister must publish guidelines as to the procedure of the panel.
- (6) The guidelines may include any relevant factors that the panel must take into account when reviewing the minimum rate of pay.

#### 5. Changes to minimum rate of pay

- (1) The panel must submit a written report of findings and recommendations to the Minister no later than 1st March of the respective year.
- (2) Upon receiving the report from the panel the Minister may increase, decrease or maintain the prescribed minimum hourly rate of pay in accordance with Section 88(1)(a) of the Act.
- (3) The written report must be made available to the public by the Secretary..

The Review Panel normally consists of five members including representatives of the Ministry responsible for the administration of the Employment Relations Act 2012 (currently Internal Affairs), acting as Chair; the Ministry of Finance and Economic Management; an association of employers (CoC); an association of employees (CIWA); and one other person representing the community as appointed by the Minister. The panel is appointed no later than January each year and must complete its review by 1 March.

The Panel Guidelines refer to five general criteria for determining the minimum rate of pay: the

prevailing economic conditions in the Cook Islands; income distribution in the community; the need for protection of low earners; work incentives; and public submissions. Concerning the prevailing economic conditions, the *Minimum Wage Rate Review Report* normally takes into consideration trends in GDP; average or medium income; the unemployment rate; economic contribution of a particular sector; international comparisons or international economic trends; and fiscal and economic risks to the Cook Islands. In practice, the impact on government expenditure is a key consideration in the evaluation.

Public consultation and submissions are based on an Issues Paper that includes general questions and sections specifically relating to workers, employers and government. Direct consultation also occurs via radio talk-back, surveys and public (Vaka) meetings. The Awareness Program involves media coverage (TV, radio, print and social media), public meetings, an “e-blast” (through email lists) and the social partners’ own networks and outreach.

Overall, though, there seems to be limited uptake of the opportunities provided for public consultation. For example, in 2023 there were only three written submissions, five callers to the radio phone-in and 18 attendees at the public meeting (MWRP 2023 and personal correspondence). The year 2022 saw 15 radio calls, one written submission from the public and the five public meeting attendees (MWRP 2022). In 2018, 30 minutes of radio talk-back time received 25 callers (all but two from Rarotonga) and there were six attendees at the public meeting; four written submissions were received by email and one by phone (MWRP 2018). There was a more concerted attempt at public engagement in 2015 including a questionnaire distributed throughout the Pa Enea (MWRP 2015). This received 162 completed responses compared to just 11 in 2014, though 118 worked for government and only 39 in the private sector.

The social partners also consult their constituents. The CoC conducts an online member survey and usually receives around 30–40 replies, mostly from those employing over 20 workers. In 2023, 14 businesses replied. Although most respondents (77 per cent) do not employ a significant number of workers at or near the minimum wage (within one dollar), they tend to favour modest increases, concerned that anything too high could impact wage differentials (especially in the accommodation sector). This is also an issue for the public sector. Affordability has also become a more pressing concern for employers given high inflation, the removal of COVID support measures, and a slow tourism recovery linked to flight costs and cost of living pressures overseas in a competitive regional tourist market.

The CIWA also conducts survey among workers across the public and private sectors. In 2021, 300 responses were received pointing to concerns with the rising cost of living, especially in the Pa Enea where goods and services are much more

expensive. In response the CIWA suggested a tiered minimum wage rate in 2023, from NZ\$7 for students; a NZ\$10 general rate; NZ\$12 for second year trades apprentices; and NZ\$15 for qualified trades people (e.g. electrician, plumber, building trades, mechanics, beauticians). (However, as the legislation and current regulations refer to a universal standard minimum rate, a lower student rate would be precluded.)

On completion of the review, the Panel presents its findings and recommendation to the Minister. The Review Panel works in accordance with the Terms of Reference which stipulate a minimum of two meetings; the requirements for attendance (all must now be present for a meeting to proceed, whereas previously a quorum was three); and that decisions will be made by consensus (if not possible, the Chair will make the final decision).

### Impact

Wages in the private sector tend to be above the minimum wage because of labour retention pressures and in response to the high and rising cost of living. The minimum wage is most likely to be applied to new employees and part-time workers. Otherwise, minimum waged employees in the private sector are largely foreign workers (notably from Fiji and the Philippines) and young workers (MWRP 2015).

The impact of any increase to the minimum wage is more likely to be felt in the public sector, especially in the Pa Enea. The impact assessment for the 2023 minimum wage review calculated that the NZ\$0.50 increase to NZ\$9 would directly add NZ\$0.35–0.48 million to government payroll costs of which NZ\$0.275–\$0.415 million would be the island government component (MWRP 2023). A previous major hike of 20 per cent in 2014 was accompanied by an increase in VAT to increase state revenues. The bulk of the impact falls on the Island Administrations and it is possible that any significant increase in the minimum wage could lead to an overall reduction in the working hours of public sector employees in the Pa Enea. This is because “the employment strategy of many Island Governments has been to supplement subsistence living by employing larger numbers of workers at lower pay rates, rather than employing fewer workers at higher pay rates” (MWRP 2023: 19). Any differential impact could be difficult to offset

by tailored funding increases given the budget formulae imposed for the outer islands by the Pa Enea Funding Model (MFED 2024).

There is occasionally debate on the need for different minimum wage rates for Rarotonga and the outer islands, because of the higher shipping costs for consumer products and fuel in the latter. In its 2018 submission the CIWA favoured a higher minimum wage rate for the Pa Enea for these reasons, and also proposed the minimum wage review align with changes to tax policies.

#### 4.1.7. Stakeholder evaluation

This section is primarily based on three Zoom interviews in November 2023: two meetings with representatives of L&C Services (four officials in total) and one with a representative of the CoC; the workers' representative responded to questions by email in March 2024 (due to travel commitments). In addition, respondents replied to advance and follow-up questions by email and supplied additional documents.

##### Review Panel

Responsibility for servicing the Panel lies with the L&C Services Division within the MIA. There is no separate budget allocated for this. L&C is one of five MIA divisions and has a small complement of staff operationally consisting of a Chief Inspector and four Inspectors to cover over 400 businesses in the country (appendix 4.1). However, for the past few years the unit has been short-staffed and currently consists of only two Inspectors (both based on Rarotonga) in addition to the Chief Inspector. This is partly a legacy of COVID, as no inspections were pursued during 2020–22 and those who left the service were not replaced. The shortfall endured as it was difficult to find suitably qualified recruits, and now seems to be systemic as the Budget Support Group has declined additional funding as priorities for public sector staffing lie elsewhere such as in education and health.

The remit of the inspection team covers the ERA plus workplace health and safety (WHS) legislation, workers' compensation legislation, the Consumer Guarantees Act 2008 and the Fair Trading Act 2008. It is unlikely that a routine inspection could cover all these issues: wages alone can be complex to investigate (concerning not simply direct violation

of the hourly MW, but possible unlawful deductions, non-payment of PAYE or Superannuation, breaches of entitlements such as holiday leave, or public holidays or overtime not paid). Supporting the Panel thus has a significant impact on the other activities as well as financial resources of the unit.

The need to closely monitor costs has also curtailed some outreach activities (e.g. paid press advertisements have been dropped). The L&C Division is stretched at the strategic as well as operational level, due to its activities are required to feed into employment policies and legislative development and review (e.g. ERA, OSH, workers' compensation). These commitments also make demands of the social partners because of their involvement through the NLAB.

The Panel is appointed in January and begins work in February. The timeline is tight, considering that any recommended change (following Cabinet approval) needs to be with the King's Representative by 1 April for signing prior to implementation on 1 July. Government budget processing is completed by December though the financial year is 1 July to 30 June.

Normally three meetings are held, with the first used to identify issues and agree the timeline given the need to consult relevant constituencies. In the meantime, L&C organizes dissemination of the Issues Paper and public consultation involving the Panel (TV, radio and public meeting). The public meeting and radio session are referred to the second Panel meeting, which reviews the feedback. There is limited consultation across the Pa Enea, but information is distributed and feedback sought through the Ministry's network of welfare consultants. In 2023, the consultation process covered three weeks between the first and second meeting. The public consultation results normally have little bearing on decision-making and may be seen as ritualistic, though it contributes to general awareness raising around minimum wages. The third meeting finalizes the report and recommendations which are expected to be drafted by the beginning of March. In 2023 the process was delayed due to non-availability of the Panel members and could not be concluded until May. The process culminates with publicity activities around the minimum wages, from June.

The inclusion of a Community Representative on the tripartite panel is a novel approach. The

original reasoning was to provide better overall balance. First, it extends involvement to workers and their families across the community and not just through the union representative. Second, it was anticipated that the Chamber and MFEM might align in a conservative view of the minimum wage rate on the grounds of short-term affordability, notwithstanding the need to pay competitively to recruit, retain and motivate staff in the context of migration. Even migrant workers to the Cook Islands have options to springboard to New Zealand and Australia given their softening of visa requirements. Community representatives might be expected to advocate for higher minimum wage rates for their people. However, there are no criteria attached to the role, and without clear expectations and accountabilities the contribution varies with each appointment.

The Community Representative is appointed by the Minister on advisement of the Ministry to reduce the chance of a political or networked appointment. The 2023 representative came via the Council of Churches. While seeking people with the necessary skills and availability, the Ministry also aims for representation to be drawn from different villages across Rarotonga.

Crucially, there is no budget for sitting fees nor expenses for Panel members which may present a barrier to participation. The time commitment involved in the Panel (including public and media consultations) is significant, and this may be a particular issue for the CIWA representatives given they are full-time employees. The CIWA representative confirmed that there are no funds available to support any research or information gathering from social partner members, which is also a demand on voluntary time and resources.

The Panel relies on the Ministry of Finance to provide relevant economic and labour market data. The discussion is framed in terms of affordability versus social protection, but not around productivity as there is little data in this regard. The CIWA representative noted that high inflation in recent years had rapidly increased living costs and especially impacted groups such as migrant workers due to rising accommodation costs. However, there was a reluctance to maintain the real minimum wage in this context given fears that large increases in the rate would result in loss of hours or jobs as many businesses would struggle to cope alongside other cost increases.

There was a general view that the Cook Islands Statistics Office (CISO) is under-resourced and issues were reported around the provision and analysis of statistics. There is a case for focused wage surveys to be conducted regularly between the LFSs, resources permitting.

### Awareness and enforcement

The L&C Services team places a lot of emphasis on education and awareness. One example is a [factsheet](#) on minimum wages which offers practical guidance to both employers and workers, underscoring their rights and obligations. The document serves as a guide, explaining the legal obligation to pay a minimum rate and providing examples that illustrate how to calculate compliance for both hourly and salaried employees. Other information is available through the website, such as the need to provide a detailed [wage slip](#) to employees. These examples clarify complex concepts in a straightforward manner, making it easier for employers and workers to understand their rights and responsibilities. However, it is important to keep updating such guidelines (the factsheet is from 2014) and incorporate answers to questions that emerge in order to promote effective enforcement and compliance with minimum wage laws.

The unit has dedicated considerable time to raising awareness around minimum wages, particularly since COVID, so far as its resources allow. This is focused from January, when the Panel is set up, until July when any new rate takes effect. In addition to organizing the TV, radio, public consultations and press releases, there is the use of e-blasts and social media to ensure that employers and workers not only know when the rate changes but also who to approach with any queries or complaints. According to CIWA, “the Ministry is very active when it comes to enforcing and promoting the MW”.

From July until November 2023 the unit received 16 email or phone queries to do with minimum wages, mostly simple ones about the existing rate and provision for back pay. The latter queries usually come from new businesses set up in the previous year. Currently, there is no requirement for new businesses to inform L&C, so they are unlikely to have gone through the Workplace Induction Workshop and the MAKO Workplace Health and Safety Workshop.

The L&C team conducts routine initial and follow-up inspections on Tuesdays and Thursdays, which involve checking business compliance across the board. The general inspection is primarily a matter of checking the pay slip to verify payment at or above minimum wage. There is also provision for specific inspections to check compliance with the minimum wage regulations, but these have not been undertaken since 2020 because of COVID and staff shortages.

There are limited powers for Inspectors. However, the ERA is currently under review, and the updated ERA is likely to enhance these powers (even though the ERA review is not considering minimum wage related sections in its scope). There are no specific penalties that can be applied for non-compliance around the minimum wage and redress is normally a matter of advocating for back pay. The current system requires that workers pursue legal processes should they fail to convince the employers to pay them back via mediation, which is a voluntary process led by the Inspectorate. Workers (usually migrants) are unlikely to get redress in the face of an obdurate employer even in the unlikely event that they raise a complaint.

### Compliance

Compliance is less of an issue in the Cook Islands because of the awareness efforts and since only a small number of private sector employers pay at or around this rate. However, some employers use the minimum wage as a guide for wage bands, generally paying entry points 15 per cent above the minimum wage, so there are some cost implications including potential issues around wage compression.

Education and peer pressure from employers and workers are also relevant given the small size of the business community (“eventually the employer will correct things as a result of pressure from other employers who are compliant and it’s a small community [so] everyone will know if you are not being treated properly and report it to Immigration [for migrant workers] or us” – Chief Inspector). Potentially vulnerable groups such as migrant workers are also protected in that an employer must submit a compliant employment agreement when making a work permit application to the Ministry of Foreign Affairs (Immigration).

COVID did introduce or highlight some problems for migrant workers, as they were unable to leave the country and some positions became untenable. During the pandemic, Immigration allowed for the transfer of migrant workers to another employer if their original employer could not afford to keep the worker in the contractual position. Some employers preferred to transfer their workers into different roles within the business. Because this was facilitated through L&C, several issues were discovered including failure to implement annual increases to the minimum wage, unlawful wage deductions, and not paying overtime and holiday pay. The issue of not raising pay alongside the minimum wage was a particular problem for Filipino workers because amending their employment contract would involve an employer paying additional fees to the Philippine Overseas Employment Administration (now Department of Migrant Workers) and Philippine Overseas Labor Office for courier and apostille services. Some employers instead left the contract unchanged and continued to pay the worker the original rate at which they were brought in.

A Migrant Workers Committee was set up to investigate transfers and related issues on a case-by-case basis and processed around 40 workers. However, some negligent employers were subsequently able to bring in new migrant workers owing to the lack of communication between Immigration and the MIA. The episode also highlighted that many small employers were unaware of relevant rules or legislation. As a result, new measures were introduced to ensure that migrant workers’ employment conditions are maintained according to their employment agreement and the law, and to educate employers. This involves better outreach to migrant workers and their employers alongside improved liaison between Immigration and L&C, including a new MoU.

There are currently 1,472 migrant worker permit holders in the country, most of whom work in the tourism sector. According to the CoC, migrant workers are now 30 per cent of the workforce (and are unrepresented by the CIWA). The process for new migrant workers now involves Immigration first checking that the employment agreement is compliant with the minimum terms and conditions of Parts 3 and 4 of the ERA 2012. They then pass on

a list of new migrant workers and their employers to L&C (currently on a weekly basis), who contact both parties to attend a Workplace Induction Workshop where the rights and obligations of both workers and employers are explained. Employers and workers are issued a certificate on completion and make a pledge to uphold the employment agreement, policies, procedures and laws of the company and the country.

Finally, in terms of informal work, there is anecdotal evidence that the minimum wage sets a benchmark because of widespread knowledge of the rate. However, there is no resource to research this nor conduct inspections.

#### 4.1.8. Conclusion

The employment situation in the Cook Islands is unique in the Pacific given the country's large tourism industry combined with its Realm status which enables free movement to New Zealand and Australia. The current minimum wage rate, though relatively high, has limited direct impact in the private sector given the tight labour market. Most workers paid at the minimum rate are government employees.

The tripartite Review Panel generally works well in arriving at a consensus decision on the minimum wage rate though there is little clear direction in terms of mission (what the minimum wage is trying to achieve) or direction (the criteria and indicators to be used). The five guiding principles are fairly generic and in practice the prospective impact on government budget seems to have a disproportionate influence. Considerations relating to the cost of living, wage movements or business impact assessments need to be more systematically embedded into the process. More robust use of evidence-based indicators could enhance transparency and predictability. The final decision is ultimately made by the Minister and Cabinet.

A Minimum Wage Policy would help formalize the goals and data to be used. There are also practical measures that could be taken to further enhance the effectiveness of the Panel, including in terms of timing, support and resourcing.

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▶ **4.2. Republic of Fiji –  
Matanitu ko Viti**

### 4.2.1. Introduction

The Republic of Fiji is an island country in Melanesia comprising an archipelago of more than 330 islands (of which 110 are permanently inhabited) and more than 500 islets, amounting to a total land area of about 18,300 square kilometres. Nearly nine out of 10 people in a population of 929,766 (World Bank 2022) live on the two major islands, Viti Levu and Vanua Levu. Most of Fiji's terrain consists of mountains of volcanic origin, and about three-quarters of Fijians live on Viti Levu's coasts, either in the capital city of Suva, or in small urban centres such as Nadi. Fiji's population has experienced consistent growth despite high rates of net outmigration (World Bank 2021). The official languages of Fiji are English, Fijian and Fiji Hindi. Indigenous Fijians, or iTaukei, comprise around 56.7 per cent of the population and Indians, or Indo-Fijians, 37.5 per cent.

The country's political context is important in terms of migration and employment regulation. In 1987, a military government that had taken power declared it a republic. In a 2006 coup, Commodore Frank Bainimarama seized power, and in 2009, the Fijian High Court ruled that the military leadership was unlawful. At that time, President Ratu Iloilo formally abrogated the 1997 Constitution and reappointed Bainimarama as interim Prime Minister. In 2009, Ratu Nailatikau succeeded Iloilo as President. After years of delay, in September 2014 a democratic election took place and Bainimarama's FijiFirst party won the vote. A general election held in December 2022 resulted in a coalition government with the newly formed People's Alliance (led by Sitiveni Rabuka) and the National Federation Party.

With its well-developed infrastructure, Fiji has become a hub for the Pacific, hosting the Pacific Islands Forum Secretariat (PIFS) and the main campus of the University of the South Pacific (USP). The country's Nadi International Airport is by far the busiest PIC airport as well as being a centre for Pacific tourism (CIA 2023a). Fiji has one of the most developed economies in the region (Fiji High Commission 2011). Major sources of foreign exchange are sugar exports, remittances from Fijians working abroad and, increasingly, the tourist industry. Coconuts, ginger and copra are also significant exports. Fiji is endowed with forest, mineral and fish resources.

The OECD (2022) reports that among low- and middle-income countries, Fiji has one of the lowest poverty levels (with less than 0.5 per cent of the population experiencing severe poverty). According to the Fiji 2019/20 HIES, the country's poverty rate for 2019/20 was 24.1 per cent, compared to 29.9 per cent previously (World Bank 2020). The survey showed three quarters of Fiji's poorest people are indigenous Fijians (Rovoi 2021). It was the first time ethnicity featured in data published in the annual survey.

Fiji is highly susceptible to the impacts of climate change, with rising sea levels resulting in increased coastal flooding during storm surges. The Fijian islands also experience landslides and the direct or indirect effects of cyclones, causing significant damage which has hindered economic growth. Indeed, Fiji is one of the world's most vulnerable nations to climate change and climate-related disasters (World Bank 2021).

Fiji's first national minimum wage was introduced in 2014 at FJ\$2 per hour for unskilled workers. While delivering the 2021/22 revised budget, the Ministry for Economy announced incremental minimum wage increases through the year: from the 2017 level to FJ\$3.01 an hour from 1 April 2022, then to FJ\$3.34 per hour on 1 July 2022, then to FJ\$3.67 on 1 October 2022, and finally to FJ\$4 per hour by 1 January 2023 (Kumar 2022).

In 2024, Fiji undertook further revisions to its national minimum wage, formalized through the Employment Relations (National Minimum Wage) (Amendment) Regulations 2024, as part of a phased approach to improving wage levels across the country. The new national minimum wage rate increased to FJ\$4.50 on August 1, 2024, and a second scheduled increase was set for April 1, 2025, raising the hourly rate to FJ\$5.00. These adjustments reflect efforts to align wages with the rising cost of living.

Alongside the national minimum wage, the regulations also introduced revisions to industry-specific minimum wages through the wages councils. These increases took effect on the same implementation dates.

### 4.2.2. Economy

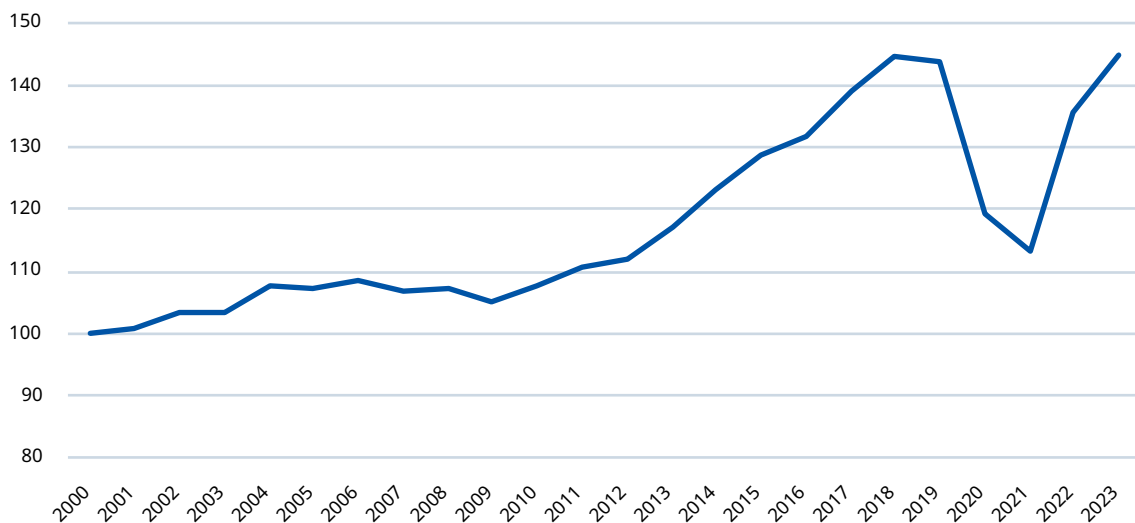
Fiji is one of the most developed and diversified of the PIC economies. Its economy is largely service based, with the services sector accounting for 69.1 per cent of GDP in 2017. Its high dependence on tourism exacerbates susceptibility to climate challenges though there have been key energy and infrastructure investments. Industry contributes 17.4 per cent of GDP and the agricultural sector 13.5 per cent (both 2017 estimates – CIA 2023b). The country also receives significant remittance income from workers abroad. Its budget revenues in 2020 were estimated at US\$885 million while expenditure was US\$1.5 billion (CIA 2023b).

Fiji is the second largest economy in the Pacific, accounting for 12.4 per cent of the regional GDP (Dayant et al. 2023). It had an annual GDP of around US\$5.51 billion, per capita GDP of US\$6,020 and a real GDP growth rate of 7.5 per cent in 2023 (IMF 2023a). In 2022, government revenue was 21.4 per cent of GDP while expenditure was 33.5 per cent. General government gross debt rose from 43.4 per cent of GDP in 2017 to 91 per cent in 2022, receding slightly to 83.6 per cent in 2023 (IMF 2023a). Fiji’s external debt was US\$2 billion in 2021, a 33.6 per cent increase from 2020 (Macrotrends 2023) and continuing an upward trend since 1998.

The country’s industrial production growth rate declined by 2.1 per cent in the second quarter of 2023 over the same quarter in the previous year. This rate has averaged 0.47 per cent from 2012/23, reaching an all-time high of 14.8 per cent in the first quarter of 2015 and a record low of -13.7 per cent in the second quarter of 2020 due to COVID (Trading Economics 2023a). The country’s industrial production growth rate of -8.34 per cent in 2021 placed it 197th out of 208 countries (CIA 2023b), positioned between the Solomon Islands (183th) and Papua New Guinea (194th) on the one hand, and Samoa (199th) and Tuvalu (208th) on the other.

Based on GDP per capita figures (figure 4.2.1), Fiji’s growth path was steady through the 2000s, with incremental gains supported by tourism, remittances, and a diversified services sector. The economy peaked in 2019, benefiting from record tourist arrivals and investment. The collapse in 2020–2021 reflects the closure of borders and the effective suspension of the tourism industry during COVID-19, which directly accounts for around 40% of GDP. While government stimulus and remittances helped cushion the shock, per capita GDP dropped by almost one-fifth. From 2022 onward, a robust recovery was driven by the resumption of international travel, and by 2024 per capita incomes had exceeded pre-pandemic levels.

► Figure 4.2.1. Index of GDP per capita in constant prices (2000 = 100), Fiji, 2000–24



Source: Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

Land use in Fiji is dominated by forestry (55.7 per cent in 2018, though in revenue terms just 0.59 per cent of GDP comes from forest resources), followed by agricultural land (23.8 per cent); others (21 per cent); permanent pasture (9.6 per cent); arable land (9 per cent); and permanent crops (4.7 per cent) (CIA 2023b). Fiji's land is fertile and suitable for growing a range of tropical fruits, vegetables and root crops. The majority of its population relies on subsistence agriculture and fishing as their economic mainstay (Fiji High Commission 2011; Georgeou et al. 2022).

Within Fiji's service-oriented economy, tourism is expected to continue as the main driver of growth, with the Government of Fiji allocating higher spending in key infrastructure such as road transport and hospitals. Post-COVID economic performance in other sectors has been more mixed. In industry, construction improved despite high building material costs; gold production declined due to low-quality ore; and timber output was affected by supply issues (ADB 2023). Exports of non-sugar agriculture increased in the first half of 2023 and exports of taro and spices rose significantly.

The agriculture sector remains important to Fiji's economy for income generation and food security. Accounting for 7 per cent of the GDP, it supports the livelihoods of 27 per cent of Fiji's population and is the main source of work for more than 83 per cent of Fiji's rural population (ITA 2023). While sugar is the third largest export commodity, the government's Fiji 2020 Agriculture Sector Policy Agenda has aimed to support commercial-scale agriculture and to raise non-sugar exports (e.g. kava, fruit and vegetables including root crops). Most agriculture is small scale. For example, 65 per cent of farmers are smallholder operators with land of one hectare or less (Climate Resilient Food Systems Alliance 2022).

Government expenditure rose dramatically due to COVID. In 2021/22, the government, via the Reserve Bank of Fiji, provided US\$200 million to help businesses meet their working capital needs, including payment of wages and salaries (Ministry

of Economy 2022). For many years, Fiji had one of the lowest Official Development Assistance (ODA) to Gross National Income (GNI) ratios in the Pacific Island regions, with aid accounting for only 2.5 per cent of national income during 2008–20. However, "in the wake of the Covid-19 pandemic, its share of aid to national income spiked significantly to 15 per cent. In a global context, Fiji is now among the most aid-dependent countries in the world, ranking 15th out of 134 developing countries for its ODA/GNI ratio" (Dayant et al. 2023: 15).

Fiji's economy is forecast to return to pre-pandemic trends soon. The Reserve Bank of Fiji (2023) reports:

[T]his year, the Fijian economy is projected to expand by 8.2 per cent ... The upward revision reflects the exceptional recovery in the tourism industry ... The spillover of high tourist arrivals increased consumption spending and boosted aggregate demand. Investment spending has also been rising, although at a relatively gradual pace. In contrast, the natural resource sectors continue to show dismal performance and have been a drag on growth. ... [Over the medium term] economic growth is expected to return to trend ... [and] the economy is projected to grow by 3.4 per cent in 2024 and a further 3.0 per cent in 2025–26. The services and industrial sectors are expected to be the leading drivers of growth while the primary sector is expected to remain broadly flat.

It also noted that over the medium- to long-term, higher growth is needed to compensate for the lost economic outputs in 2020/21 and to rebuild fiscal buffers for future economic shocks.

### 4.2.3. Labour market dynamics

Fiji's labour market reflects both structural strengths and persistent challenges, shaped by gender disparities, informality, and high levels of migration. In 2020<sup>7</sup>, the total labour force stood at 357,825, representing 64.2 per cent of the working age population, aged 15–64. Labour force participation remains highly gendered, with a gap of nearly 40 percentage points between male (82.6 per cent) and female (45.5 per cent) participation.

7 For international comparability, in Chapter 2 we used data from Fiji's 2016 Labour Force Survey (LFS), which has been harmonized by the ILO and included in the ILOSTAT database. However, to provide more recent insights, the 2019–20 Household Income and Expenditure Survey (HIES) is also referenced. While the HIES includes a labour module, it has not been harmonized by the ILO, and its microdata are not currently part of ILOSTAT. As such, caution is advised when comparing HIES-based indicators with those from harmonized LFS datasets.

Employment is predominantly wage-based, with 61.2 per cent of workers in paid employment in 2020. This is prominent in urban areas with 4 out of 5 workers are wage earners, compared to only two out of five in rural areas. However, more than half of the rural working population are either self-employed or subsistence farmers. The gender divide shows that more women reported wage or salaried jobs, while more men were self-employed. Informality persists, with an estimated 43.6 per cent of workers engaged in informal employment, and many, particularly women, still undertaking unpaid household labour, which accounted for over half of all hours worked in 2015/16.

Despite a decline in unemployment to 4.3 per cent in 2022, it rose further to 5.5 per cent in 2023, highlighting that decent job creation remains a concern. Youth unemployment remains elevated (14.9 per cent in 2022), and many workers, especially women, continue to earn low incomes and accumulate less wealth. The gender wage gap persists, with women earning about 10 per cent less than men on an average, and women's share in the national provident fund touching only 35 per cent in 2021.

The public sector employs roughly one in five paid workers and commands a significant share of the national wage bill, around 30 per cent of the annual budget, though concerns remain about sustainability, transparency, and its crowding-out effects on the private sector. There is currently no formal institutional framework for adjusting public sector base pay.

Fiji faces acute skills shortages, exacerbated by a growing wave of labour emigration. As of 2020, over 230,000 Fijians lived overseas, with remittances contributing 7.2 per cent to GDP. In just 18 months up to October 2023, around 10 per cent of the formal workforce reportedly emigrated for work, often through labour mobility schemes such as New Zealand's RSE and Australia's PALM. While these programmes offer income opportunities, they also risk depleting Fiji's domestic skill base, particularly in sectors like hospitality, retail, and manufacturing.

Addressing these structural pressures—including gender disparities, informality, and emigration-induced skill shortages—requires coordinated responses through labour market policy, wage-setting, and TVET. These efforts are essential

to promoting decent work, inclusive growth, and a resilient economy in the face of growing demographic and economic shifts.

#### 4.2.4. Policy and regulatory context

##### ILO Conventions

Fiji became a member of the ILO in 1974, four years after independence in 1970. It has ratified 39 ILO Conventions and one protocol. These include all four of the Governance (Priority) Conventions and nine of the Fundamental Conventions: Forced Labour, 1930 (No. 29); Freedom of Association and Protection of the Right to Organise, 1948 (No. 87); Right to Organise and Collective Bargaining, 1949 (No. 98); Equal Remuneration, 1951 (No. 100); Abolition of Forced Labour, 1957 (No. 105); Discrimination (Employment and Occupation), 1958 (No. 11); Minimum Age, 1973 (No. 138); OSH, 1981 (No. 155); and Worst Forms of Child Labour, 1999 (No. 182). Fiji's Constitution also prohibits forced or compulsory labour, including that undertaken by children. Other (Technical) Conventions ratified by Fiji include Right of Association (Agriculture), 1921 (No. 11); Workmen's Compensation (Agriculture), 1921 (No. C12); Minimum Wage Fixing Machinery (Agriculture), 1928 (No. 26); and Underground Work (Women), 1935 (No. 45).

However, Fiji has incurred automatic denunciation of several Conventions (Minimum Age (Industry), 1919 (No. 5); Minimum Age (Sea), 1936 (No. 58); and Minimum Age (Industry), 1937 (No. 59). It has also abrogated a range of other Conventions: Unemployment Indemnity (Shipwreck), 1920 (No. 8); Recruiting of Indigenous Workers, 1936 (No. 50); Contracts of Employment (Indigenous Workers), 1939 (No. 64); Penal Sanctions (Indigenous Workers), 1939 (No. 65); and Contracts of Employment (Indigenous Workers), 1947 (No. 86).

Fiji has not yet ratified the Minimum Wage Fixing Machinery (Agriculture), 1951 (No. 99); and Minimum Wage Fixing Convention, 1970 (No. 131).

##### Tripartism

The tripartite entities involved in labour and employment relations matters at the national level are the Ministry for Employment, Productivity and Industrial Relations (MEPIR), Fiji Commerce and

Employers Federation (FCEF) and Fiji Trade Union Congress (FTUC). The FCEF was registered as a private company in 1960 by a special disposition of the Governor-in-Council (at that time, Fiji was a British colony); it was then called the Fiji Employers Consultative Association. It changed its Memorandum and Articles of Association and its name to Fiji Employers Federation (FEF) in 1991, then to FCEF in 2010 to recognize its broader focus. The FTUC was founded in 1952 as the Fiji Industrial Workers Congress. By 1975 its membership was 25,000 and this rose to 32,000 by 2008. The FTUC is affiliated to the ITUC and closely aligns with the Fiji Labour Party. Its 30 affiliates cover both the public and private sectors, with major unions including the Fiji Public Service Association, Fiji Teachers' Union, and the Fiji Sugar and General Workers' Union.

Fiji has a long history of tripartism, dating back to the establishment of a Labour Advisory Board by the Employment Act 1965, a broader apex-level Tripartite Forum introduced in 1977 and an Employment Relations Advisory Board (ERAB) constituted by the ERA 2007 (Prasad et al. 2003). However, this was interrupted under the Prime Ministership of Frank Bainimarama during 2007–22. There was a concern raised against Fiji before the ILO Governing Body in 2015 for alleged breaches of the ILO Convention 87 on the Freedom of Association. A Tripartite Agreement was signed in 2015, under which the parties agreed to a review of labour laws covered under the ERAB mechanism to ensure compliance with core ILO Conventions (ILO 2015). However, few ERAB meetings were held and the unions complained in 2020 that the government was “not playing fair in tripartite talks”.

Following the election of a new government in December 2022, the ERAB was reconstituted in [February 2023](#). The new Minister for Employment, Productivity, and Industrial Relations, Agni Deo Singh, said that the first item on their agenda was the need to review labour laws. He noted that revitalizing all tripartite boards including the ERAB was essential to ensure the employment-related policies and procedures are equitable and inclusive. The Minister observed that even before the ERAB had fallen into abeyance, government consultation was often not sufficient and unions in particular were marginalized.

## Decent Work Country Programme

The development of Fiji's Decent Work Country Programme involved tripartite consultations in 2009–2010 with the FTUC, the Fiji Employers' Federation, and the Ministry of Labour, Industrial Relations and Employment (MLIRE, the forerunner of the MEPIR). The multi-year action plan (2010–14) had the following priorities:

- Priority 1 was to review and implement the Employment Relations Promulgation and related legislation.
- Priority 2 was to promote decent employment opportunities.
- Priority 3 concerned the extension of social protection.
- Priority 4 centred on the capacity building of tripartite partners and strengthening of tripartism.

The priorities were aligned with Fiji's Strategic Development Plan 2007–11; the Pacific Plan (adopted in 2005 by Pacific leaders); Millennium Development Goals to be achieved by 2015; the United Nations Development Assistance Framework (UNDAF) 2008–12; and the Pacific Action Plan 2010–15. However, at the time, it was recognized that “Fiji's volatile political and economic situation may compromise the capacity of the tripartite partners to collaborate effectively and to work towards the DWCP priorities” (ILO 2010: 13). The DWCP was subsequently renewed, the most recent one covering 2018–22.

Fiji launched its first National Employment Policy (NEP) in 2018 following extensive tripartite consultations. While the policy made limited reference to minimum wages, it identified as a strategic action the need “to strengthen the monitoring capacity of the labour inspectorate through the provision of adequate resources” (p. 35). It also acknowledged recommendations from the ADB/ILO (2015) report, including “greater government support for a more robust minimum wage-setting process and extending the effective coverage of social security” (p. 35). Fiji is currently in the final stages of developing its second NEP, building on lessons from the first and responding to evolving labour market needs.

## National Development Plans

Fiji's long-term development vision is guided by *Vision 2050*, which outlines strategic goals for creating a dynamic, inclusive, and resilient economy. This vision is operationalized through rolling five- and twenty-year national development plans (NDPs). At one point, two overlapping plans were in place: a 20-year plan (2017–2036) and a five-year plan (2017–2021), with sectoral strategies implemented over five-year cycles. The current National Development Plan covers the period 2025–2029.

While earlier plans did not explicitly refer to the Decent Work Country Programme (DWCP), they addressed several issues aligned with its priorities:

- Reviewing the seafarers' minimum wage rate under the MLC 2006 to support the domestic shipping industry.
- Promoting gender equality in formal employment, including through wage equity reviews.
- Supporting low-income households through free water and medicine schemes and access to affordable housing.
- Strengthening sustainable livelihoods in rural and informal areas through infrastructure, land security, and income-generating initiatives.
- Enhancing rural development via support for agriculture, Micro, Small, and Medium Enterprises (MSMEs), and public utilities.
- Improving financial inclusion and literacy for low-income groups (Ministry of Economy, 2017).

## National policy on gender equality

Fiji's Gender Equity and Social Inclusion Policy 2021–24 and Action Plan 2021–22 formalize commitments to gender equity and social inclusion in alignment with the government's international and national obligations. Wages are not explicitly referenced but the policy states that:

[S]ignificant gains have been made in gender equity and social inclusion, while also acknowledging that patriarchal attitudes are still dominant in

many aspects of Fiji society; that men often have a high degree of control over women, including in their ability to access information and services, participate in income-generating activities and assume leadership positions; that women perform the vast majority of unpaid reproductive and domestic work and are primarily responsible for care of children, the ill and elderly; and that gender-based violence remains a serious and widespread problem that hinders the social and economic development of the nation (Ministry of Economy 2021: 6–7).

## 4.2.5. Employment and minimum wage legislation

Labour law in Fiji is regulated mainly by the Employment Relations Act of 2007 (as amended) and associated Regulations. The ERA governs the terms and conditions of employment such as working hours, holidays, rest periods, wages, overtime, leave and termination of employment. Subsidiary legislation to the ERA 2007 includes the Employment Relations (Labour Management Consultation and Cooperation Committees) Regulations 2008, which require employers with more than 20 workers to set up consultation committees.

In an important recent development for trade unions, Parliament passed the Employment Relations (Amendment) Bill in November 2023 to redefine essential services and increase time given to employees to file grievances. This means that workers in the financial, telecommunications, civil aviation, public utility sectors and the public service (which includes central and local government, statutory government authorities and government commercial companies) now have freedom of association rights in line with other workers. The ILO (2023) observed that the reform "is part of realising a 2016 resolution, in which the Fiji Government and social partners committed to work towards ensuring legislative compliance with ratified International Labour Organization (ILO) Conventions". In 2020, the ILO's Committee of Experts on the Application of Conventions and Recommendations had identified the Essential National Industries (Employment) Decree 2011 as an impediment to freedom of association, due to restrictions on workers' rights to freely organize. This Decree included several industries which are not generally considered essential. The ILO

supported the Bill of 2023 “to ensure continued progress towards realizing decent work for all” and acknowledged that “these changes indicate the Government’s commitment to making further reforms”, a reform process that the ILO will continue to support (ILO 2023).

Sections 50–56 of the ERA set out provisions for Wages Councils to advise the Minister on setting rates concerning “any class of workers engaged in or working at any trade, industry or occupation, either for the whole or part of Fiji”. No criteria are provided to inform decision-making on the rates. Restitution is solely recovery of lost earnings over any period three years preceding the date of offence. The Employment Relations (Administrative) Regulations of 2008 set out details for processes relating to issues covered by the ERA. In terms of wages, it states that Wages Councils should meet at least once each year to make proposals to the Minister. National and sectoral minimum wages are also set by Regulations under the 2007 Act.

### Minimum wage regulatory framework

Minimum wages have long been established by a combination of collective bargaining and 10 sectoral Wages Council Orders. However, Fiji’s first *national* minimum wage was introduced in 2014 for workers outside that framework, set at FJ\$2 per hour. This was intended to cover workers outside the major formal sectors. In 2020, the Assistant Minister for Employment, Productivity and Industrial Relations, Alvick Maharaj, noted “a lot of misunderstanding” about the minimum wage figure of FJ\$2.68, indicating that it was not the only minimum wage set for all of the economy but rather “basically for those people who are actually treated as informal sector such as labourers and house girls and people who come to your house to clean the drain. People who are in formal sectors, their rate are above FJ\$3. The minimum wage rate increase as our economy is growing” (Nai 2020).

In March 2022, as noted above, the government announced that it would incrementally raise the national minimum wage from FJ\$2.68 (the level set in 2017) to FJ\$4 an hour by 1 January 2023. The Employment Relations (National Minimum Wage) (Amendment) Regulations 2022 duly stipulated four

incremental steps taking the minimum wage to FJ\$4 by January 2023. Hence, there was an overall increase to the national minimum wage of nearly 50 per cent in under a year. However, this was below the FJ\$5 rate that the FTUC had called for, citing Fiji Bureau of Statistics (FBS) figures that indicated around 30 per cent of the population lived below the poverty line.

Relevant to note in the context of poorer households is that with a tax-free threshold of FJ\$30,000, low-paid workers do not pay income tax. The VAT increased to 15 per cent including on most food items in the 2023 budget as part of measures to address COVID related government debt. However, the Family Assistance Scheme budget also increased from FJ\$11.5m to FJ\$45.6m, covering 26,000 households.

The 10 sectoral minimum wage scales – comprising 142 different rates – were also increased in steps over the same period under their specific Wages Regulations in 2022. The sectors (and number of rates for different occupations or job classes) are:

- Building and Civil and Electrical Engineering Trades (13)
- Hotel and Catering Trades (12)
- Manufacturing Industry (2)
- Mining and Quarrying (10)
- Printing Trades (8, with 5 “learner” rates)
- Sawmilling and Logging Industry (46)
- Security Services (2)
- Wholesale and Retail Trades (13)
- Garment Industry (2, including one “trainee” rate)
- Road Transport (34 including 6 “learner” rates)

Prior to the 2022 changes, sector rates had been revised following Wage Orders in 2008, 2011, 2015 and 2017. Although overdue, the scale of the recent adjustments may have been challenging for some businesses in the post-COVID economic climate.

A large law firm (Munro Leys 2022) also noted a lack of due process, a criticism made by the FTUC leader, Felix Anthony, as well (Narayan 2022):

(t)he new Regulations were purportedly made under the Minister’s general power in section 264 of the Employment Relations Act 2007 to make regulations on the advice of the [ERAB] governing a range of matters ... However, in our view section 264 does not give the Minister power to set new statutory wage rates. These powers are contained in Division 2 of Part 6 of the Act. But these powers also require the Minister to make Wages Regulation Orders **only on the recommendation of a tripartite sector-specific Wages Council** after a compulsory wide public consultation process. While the Minister has not used the Wage Councils systems since 2016, the Act still provides for them. (Emphasis in original)

In [February 2024](#) the Employment Minister Agni Deo Singh outlined the government’s commitment to labour law reforms and protecting workers’ rights at a two-day workshop organized by the FTUC and ITUC. The Minister expressed gratitude to the ILO for their assistance and reiterated the government’s commitment to meeting target dates for the labour law review. Proposed changes include amendments to section 85 of the ERA 2007, reinstating Wages Councils and reviewing the national minimum wage.<sup>8</sup> The sector-based Wages Councils will be sub-committees of the ERAB and have equal social partner representation.

#### 4.2.6. Stakeholder insights

The following content draws on views, commentary and documentation provided by senior officials at the Ministry of Employment, Productivity and Workplace Relations (MEPWR). It was indicated that the formal minimum wage process involves the Ministry conducting and analysing data from a national survey, in collaboration with the FBS and independent consultants. Worker and employer representatives are provided access to relevant data and analysis used for minimum wage determination through ERAB papers. The Ministry then gives employers and workers (FCEF representing the employers and FTUC representing workers) an

opportunity to submit written proposals and make direct representations during the consultation process.

Information commonly used for minimum wage setting includes the total number of the workforce in Fiji who are affected by minimum wages; the inflation rate since the last minimum wage increase; and economic conditions (which may include issues such as rural to urban migration). It was reported that employers generally perceived that the criteria used to set the minimum wage accurately reflect economic realities and business conditions though formerly they had expressed some reservations, particularly about when productivity data may be used. Some industries such as manufacturing and garment were more likely to raise concerns about ability to pay but, overall, “employers have supported the minimum wages process”, in the words of a senior Ministry official. Informants indicated that the minimum wage process is more inclusive now than in the past, and that “workers and employers are freely able to express their views on minimum wages consultation”. However, respondents also concurred that the increase in minimum wages implemented from April 2022 lacked comprehensive ERAB consultation as worker representatives did not fully participate in the process.

Further issues raised related to the need to support the incomes of informal and gig workers; better industry-based evidence and evaluation, including industry-based research and data (such as productivity measures) in setting and evaluating sector and occupational rates; the need for wider public consultation; better awareness raising using mass media; and more robust inspection and enforcement mechanisms. Informants advised that the Ministry was “working towards” the regulations on Wages Councils in accordance with the ERA 2007 (which provides the criteria for Wages Councils) and the ILO’s Tripartite Consultation Convention No. 144, Minimum Wages Fixing Convention No. 131, and Recommendation No. 135 on Minimum Wage Fixing. They confirmed that the national minimum wage encompasses all informal sectors of the economy, including the gig sector.

<sup>8</sup> The government announced that the national minimum wage, would be reviewed through a tripartite process through the Labour Advisory Board. Cabinet approved the review to be carried out by local consultants, with results to be considered before a new rate is announced in the 2024–2025 national budget.

Some of the issues noted in the feedback are longstanding. For example, a tripartite workshop convened by the ILO in 2011 (ILO 2012) highlighted the following:

- ▶ the need to better define Wages Council processes and objectives, including regularity of meetings and criteria used;
- ▶ the need for more consistent and better-quality data;
- ▶ private lobbying of the Minister;
- ▶ lack of enforcement and risk of corruption within Inspectorate;
- ▶ the need for training of participants in the process (including an understanding of key concepts and data, such as the composition of the Basic National Poverty Line).

There was limited information provided on the effectiveness of enforcement. According to respondents, once the minimum wages are set, the Ministry advocates for large-scale media

awareness campaigns to ensure that all employers are informed of the changes, and for compliance officers to visit employers to ensure that they are aware of the adjustments. However, whether there was dissemination of information to employees was not articulated.

In terms of monitoring of minimum wages, Labour Inspectors and Labour Officers carry out inspections and investigations at workplaces to ensure that employers comply. If an employer fails to do so, then the matter is taken to the Employment Relations Tribunal. A compliance team deals with all non-compliance issues while a mediation team handles employment grievances on dismissal, disadvantage, duress, discrimination and sexual harassment.

Trade unions can also play an active role in enforcement in the larger firms and sectors (e.g. hotels, civil service, manufacturing, building, civil mining). However, this may not be possible in smaller firms because of the limited presence of trade unions in such establishments.



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## 4.3. Kiribati

### 4.3.1. National economy

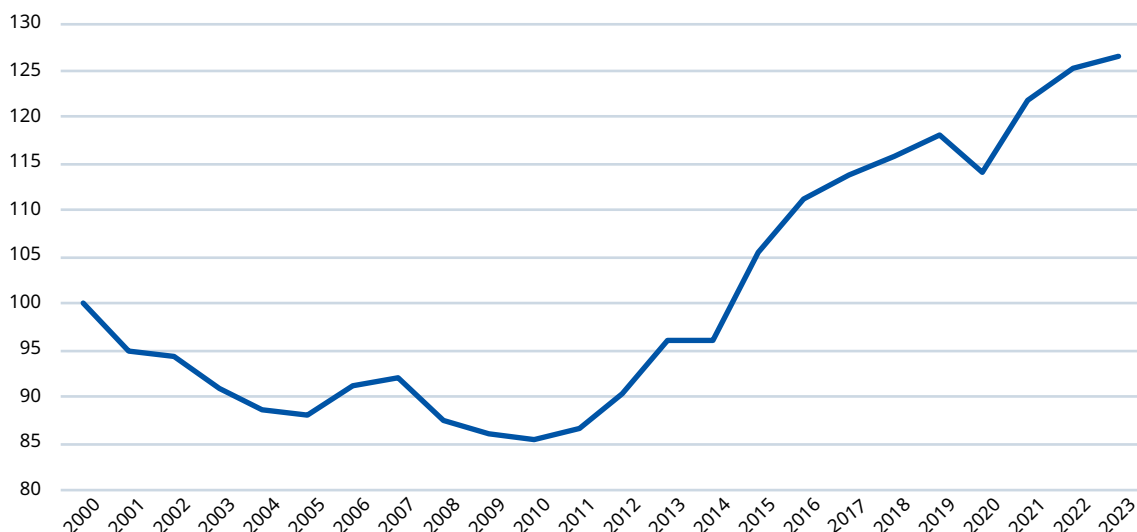
Kiribati is a small island country located in the central Pacific Ocean. It comprises 33 islands (20 inhabited) across three island groups: Gilbert, Line and Phoenix (KNTO 2023). The country has a total land area of 811 square kilometres with 3.5 million square kilometres of exclusive economic zone (EEZ). Kiribati has a total population of 118,480 persons mostly living in the urban areas of the islands of South Tawara and Kiritimati (also known as Christmas Island) (KNSO 2022). South Tarawa is the capital city and is the hub of administrative and economic activities, with a population density among the highest in the world (with 63,140 people living in an area of 15 square kilometres).

Kiribati gained independence from the United Kingdom (UK) in 1979 and became an independent Republic within the Commonwealth. It is a full member of the ILO, IMF, World Bank and UN. The country is governed under the Constitution (1979) through a presidential system with a governance structure divided into three branches: executive, legislative and judicial. The legal system is based on English law supported by customary law.

The Kiribati economy was growing at an average annual rate of 6 per cent before the pandemic. GDP growth was 7.9 per cent in 2021 but fell to 1.6 per cent in 2022 (World Bank 2023a). This economic growth was mainly driven by direct government spending, and GDP per capita remains relatively low at US\$2,107 in 2022 (World Bank 2023b).

Kiribati's growth reflected in GDP per capita (figure 4.3.1) has been gradual and uneven, constrained by geographic isolation, limited productive capacity, and dependence on fisheries revenues and donor support. After weak performance in the early 2000s, improvements became visible after 2014 with better fiscal management and higher fishing license revenues. COVID-19 had little direct impact on GDP given Kiribati's minimal reliance on tourism. However, the economy still slowed in 2019–2020 due to logistical disruptions, including interruptions in shipping, higher freight costs, and delays in the delivery of essential goods and services, which affected trade and domestic supply chains. Since 2021, moderate but steady growth has resumed, reflecting resilience, though structural vulnerabilities—such as exposure to climate impacts and heavy dependence on external revenue persist.

► Figure 4.3.1. Index of GDP per capita in constant prices (2000 = 100), Kiribati, 2000–24



Source: Authors' calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

South Tarawa is the major administrative and economic centre with significantly more opportunities for employment and business compared to other areas. The outer islands have a subsistence economy and are less developed because of geographic remoteness and lack of resources (MELAD 2020).

Kiribati has traditionally relied on limited income sources and sectors which led to an extremely low level of economic diversity. Before independence from the UK, phosphate mining on Banaba Island was the primary source of export revenue until the mines were exhausted in 1979 (Mallin 2018). A sovereign wealth fund, the Revenue Equalization Reserve Fund (RERF), was created in 1956 to save the proceeds from phosphate mining. When the economy plunged after the loss of phosphate income in 1979, the government had to rely heavily on the RERF to maintain economic growth and fund budget deficits. Kiribati's next phase of economic activity is linked to marine resources in the 3.5 million square kilometre EEZ. Fishing license fees and foreign remittances sent by I-Kiribati employed on foreign vessels have become the major sources of revenue.

Similar to other small island countries, Kiribati faces a negative balance of trade. In 2021, AU\$201.984 million worth of goods were imported, including food products, beverages, tobacco, oils, fats, fuel, machinery and transportation equipment, and manufactured goods. In the same period, Kiribati exported just three products (fish, coconut oil and copra) with a total worth of AU\$10.754 million (CIA 2023). The export base is limited due to the lack of modern industry, low-skilled labour, geographical isolation and traditional agriculture practices. Kiribati had only five export partners in 2021 (Thailand, Indonesia, Philippines, Japan and South Korea). The difference in the balance

of trade is also linked to increased local demand, reflecting some income generation from fish license revenue through an enhanced copra subsidy and higher wages in the public sector (Webb 2020).

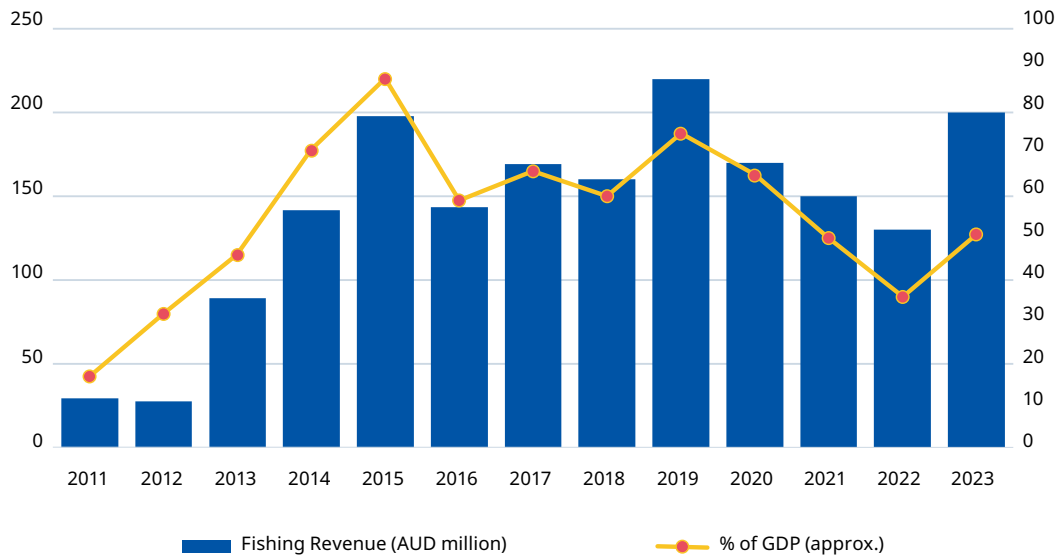
The current economic structure is therefore primarily based on fishing and government consumption, which is quite different from neighbouring countries like Vanuatu and Samoa. In 2016, fishing revenue accounted for 26.1 per cent and government consumption contributed 25.2 per cent to the economy (Webb 2019).

Kiribati was recognized as an LDC in 1986 by the United Nations. The LDC status brought trade preferences, strategic and technical support, and development finances. Kiribati is now set to graduate from LDC and is likely to lose preferential benefits linked with this status (Monaco and Abe 2023).

### Fishing licenses

A substantial increase in fish license revenue after the implementation of the Vessel Day Scheme (VDS) gave the government the fiscal space for infrastructure projects, agriculture subsidies and public sector wage increases (Webb 2020). The VDS was implemented by eight Pacific Island countries in 2007 (Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands and Tuvalu) to manage fishing days and control tuna resources in their waters (Havice 2013). Fishing license revenue is now the biggest contributor to the Kiribati economy; it roughly accounted for 60–90 per cent of the economy before COVID-19 (figure 4.3.2). The government issues licenses to international fishing companies to fish in its EEZ and approximately 700,000 tons of tuna are caught each year in this zone (Carreon 2021).

► Figure 4.3.2. Fish license revenue, Kiribati, 2011–23



**Source:** 2011–2017 data from James Webb, “Kiribati’s Unique Economic Structure,” Devpolicy Blog, 12 June 2019. DevPolicy.org

2018–2023 data estimated by visual analysis of Figure 28 in IMF, Kiribati 2024 Article IV Consultation Report, IMF Country Report No. 24/103. IMF e Library.

The government has taken multiple steps to redistribute this income within different sectors of the economy. In 2016, the copra subsidy was doubled from AU\$1/kg to AU\$2/kg, which helped provide extra income to farmers living in the outer islands of Kiribati. Public sector wages increased by 30 per cent across the board in 2018 to help people improve living standards and cope with inflation (the government is the leading employer in the country). In addition, two large capital projects were undertaken to improve physical infrastructure (roads and airport) in highly populated South Tarawa (Webb 2020).

Nevertheless, dependence on license revenues could be risky in the long term. There is a lack of focus on value-adding activities (e.g. increasing tuna export capability) and development of maritime infrastructure. There is also the threat of fish stock sustainability and environmental challenges which could lead to fish migration in coming years (Lam et al. 2020). Declining fish license revenue could lead to economic problems including an unsustainable public service wage bill (7.4 per cent of 2017 GDP).

## Services

The services sector in Kiribati is a major contributor to the economy, with private services accounting for around a third of GDP in 2023. According to the Kiribati [National Statistics Office](#), agriculture and fishing provide a quarter of GDP; public administration accounts for 15 per cent, and education and health around 11 per cent. The main private service sectors are business services (15 per cent of GDP) and wholesale and retail (13 per cent of GDP). The public sector also includes SOEs such as the Kiribati Ports Authority, Communication Commission of Kiribati, Air Kiribati Limited, Kiribati National Shipping Line, Broadcasting and Publication Authority, BwebwerikiNet Limited, Airport Kiribati Authority, Kiribati Land Transport Authority and Civil Aviation Authority of Kiribati (MICT 2023).

Service businesses are concentrated in South Tarawa and Christmas Island. Kiribati was ranked 164 among 190 countries on the list of ease of doing business (World Bank 2023c). In particular, MSMEs were reported as facing challenges such as lack of business finance and insurance, low-skilled labour, limited local inputs, lack of e-payment mechanism, high taxes and bureaucracy. Unlike neighbouring island countries, the tourism industry in Kiribati is limited by unreliable air and sea transport links in the already crowded Pacific tourism market.

Kiribati is in first place on the list of the world's least-visited countries with 2,000 visitors in 2022 (World Population Review 2025). The Kiribati 20-Year Vision (KV20) aspires to develop the tourism sector, including in the outer islands, through investments in infrastructure projects and tertiary-level professional training.

### Agriculture

The agricultural sector is unable to flourish in Kiribati due to inarable land, poor soil quality and ineffective traditional cultivation methods. Copra, taro, vegetables and sweet potatoes are the main produce along with banana, breadfruit, papaya and screw pine (MELAD 2020). Agricultural produce is mainly used for subsistence consumption; the exception is copra, which remains a major commodity in exports. A large proportion of the population is engaged in subsistence agriculture; 17 per cent of the workforce was involved in agriculture alongside fishing (KNSO 2022). This is especially true for the outer islands which have fewer opportunities for cash employment compared to South Tarawa and Kiritimati islands.

Recently, the government with the help of the United Nations Development Programme (UNDP) opened a virgin coconut oil facility in the Tab-South Island to pursue value addition in coconut oil export (UNDP 2023). The government through its KV20 and Kiribati Agriculture Strategy 2020–30 aims to develop the agriculture sector in a sustainable way, along with fisheries, including by disseminating processing and value-added knowledge across the outer islands.

#### 4.3.2. Labour market dynamics

Kiribati's labour market is shaped by a unique combination of structural constraints, including limited formal employment opportunities, geographical dispersion, and reliance on overseas work. Despite recent improvements, challenges such as labour underutilization, high informality, and persistent gender disparities, low labour force participation and high NEET among youth remain as pressing concerns.

As of 2023/2024, labour force participation has significantly increased to 52.4 per cent of the working-age population, up from just 35.8 per cent in 2019/2020. However, it remains below the

Pacific regional average of 62.7 per cent. Women continue to face lower participation rates (46.1 per cent vs. 59.4 per cent for men), largely due to unpaid care responsibilities. Youth are particularly vulnerable, with only 29.3 per cent participating in the labour force and nearly 38 per cent classified as NEET, one of the highest rates in the region.

Employment in Kiribati has become increasingly diversified. Services continue to dominate, employing two-thirds of the workforce—primarily in wholesale and retail trade (25.9 per cent) and public administration (12.9 per cent). However, between 2020 and 2024, there has been a noticeable shift: employment in services declined by 10.5 percentage points, while jobs in manufacturing and agriculture have gained ground, reflecting evolving labour demand and possibly renewed focus on domestic production.

Employment remains heavily concentrated in South Tarawa (over 60 per cent), though modest job growth is now evident in the outer island groups. Notably, the number of wage and salaried workers rose by 26.6 per cent—from 16,922 in 2019/2020 to 21,427 in 2023/2024—indicating a partial shift toward formal wage employment. Women experienced a sharper increase in wage employment, signalling a tentative narrowing of gender gaps, although men still dominate in overall numbers.

Informality is on the rise. By 2023/2024, 37.1 per cent of employed persons were in the informal sector, up sharply from 17.7 per cent in 2019/2020. Informal employment (which includes workers in both formal and informal enterprises without legal protections) now encompasses nearly 60 per cent of the workforce, with especially high rates in agriculture (93.1 per cent) and industry (84.3 per cent). Informality is more pronounced in the Northern, Southern, and Central islands.

Labour migration remains central to Kiribati's employment landscape. Faced with limited domestic opportunities, I-Kiribati workers participate in a range of migration schemes, notably as seafarers, and under New Zealand's RSE and PAC visa schemes and Australia's PALM programme. Remittances from abroad, amounting to US\$28 million in 2022, play a critical role in household income and national development. The government actively promotes overseas employment through the Migration with Dignity Policy and supports training institutions

such as the Marine and Fisheries Training Centres to equip workers with skills for international labour markets.

Wages have increased modestly, with the average monthly wage rising from AU\$498 in 2019/20 to AU\$539 in 2023/24. Median wages grew more sharply, by 22 per cent -from AU\$352 to AU\$430. This suggests improvements at the lower end of the wage distribution. The gender wage gap, once steep (24 per cent), has now reversed, with women earning slightly more on average (AU\$553 vs. AU\$529 for men).

These structural dynamics—low participation, high informality, persistent gender gaps, low participation of youth and reliance on migration—underscore the need for inclusive labour market policies and wage-setting mechanisms that promote equity and strengthen links between domestic employment and international mobility opportunities.

### 4.3.3. Policy and regulatory context

#### ILO Conventions

Kiribati became a UN member in 1999 and joined the ILO in 2000. It has shown a commitment to aligning its labour laws and policies with ILO's Fundamental, Governance and Technical Conventions (ILO 2011). To date, the country has ratified 11 ILO Conventions (table 4.3.1). Some of the major ILO Conventions yet to be ratified include the Minimum Wage Fixing Convention, 1970 (No. 131), Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99), Occupational Safety and Health Convention, 1981 (No. 155), Employment Policy Convention, 1964 (No. 122), Protection of Wages Convention, 1949 (No. 95), Human Resources Development Convention, 1975 (No. 142), Labour Statistics Convention, 1985 (No. 160), Maternity Protection Convention, 2000 (No. 183), Domestic Workers Convention, 2011 (No. 189), and Violence and Harassment Convention, 2019 (No. 190).

► **Table 4.3.1. ILO Conventions ratified by Kiribati**

Number	Convention	Date Ratified
<i>Fundamental Conventions</i>		
C029	Forced Labour 1930	03 Feb 2000
C087	Freedom of Association and Protection of the Right to Organise 1948	03 Feb 2000
C098	Right to Organise and Collective Bargaining 1949	03 Feb 2000
C105	Abolition of Forced Labour 1957	03 Feb 2000
C100	Equal Remuneration 1951	17 Jun 2009
C111	Discrimination (Employment and Occupation) 1958	17 Jun 2009
C138	Minimum Age 1973	17 Jun 2009
C182	Worst Forms of Child Labour 1999	17 Jun 2009
<i>Governance Conventions</i>		
C144	Tripartite Consultation (International Labour Standards) 1976	26 Jun 2019
<i>Technical Conventions</i>		
C185	Seafarers' Identity Documents (Revised) 2003	06 Jun 2014
C186	Maritime Labour 2006	24 Oct 2011

## Decent Work Country Programme

After ratifying the ILO Convention No. 144, the country is utilizing tripartite processes with technical help from the ILO to develop its labour laws and regulations. The DWCP 2009–12 for Kiribati was developed in collaboration with tripartite constituents (ILO 2010). In line with the Kiribati Development Plan (KDP), Pacific Plan and UNDAF, the DWCP provided policies, strategies and action areas needed for progress towards decent work for all I-Kiribati (both locally and internationally). The most recent DWCP was signed in 2019 to cover the period until 2023. The core priorities of the DWCP are:

- *Priority 1.* Promotion of decent employment opportunities, including for young women and men;
- *Priority 2.* Application of the international labour standards (ILS) and development of Kiribati's labour laws;
- *Priority 3.* Capacity building of tripartite partners.

With special reference to DWCP priority 1, the Ministry of Employment and Human Resource (MEHR) developed the Kiribati National Labour Migration Policy in 2015 with technical assistance from the ILO (MEHR 2015). The Kiribati National Labour Migration Policy aims to increase overseas employment opportunities with dignity for I-Kiribati, providing decent working conditions and income. The key strategic areas of Kiribati National Labour Migration Policy are: establishing intra-government partnership arrangements; increasing the demand for I-Kiribati workers in seafaring and fishery industries; exploring and enhancing employment opportunities in hospitality and seasonal work sectors; strengthening the link between local education/training and skills required in overseas employment; marketing I-Kiribati workers in overseas markets; enhancing access to labour migration by disadvantaged groups (e.g. females and students); ensuring workers' wellbeing in overseas markets; and leveraging remittances for development.

## Kiribati 20-Year Vision and Kiribati Development Plan

The agenda of decent work is well aligned with the national development frameworks including the KV20 2016–36 and KDP 2020–23. The KV20 has a number of employment and work-related goals around four development pillars: creating wealth; establishing and maintaining peace and security; improving infrastructure for economic and social development; and improving governance. Human capital development is recognized as a key factor in creating national wealth, and it includes a focus on educating and skilling the population, developing a qualified, skilled and efficient workforce, and increasing employment opportunities for I-Kiribati (e.g. a 100 per cent increase in participation in overseas seasonal (temporary migrant) work by 2036). Moreover, developing and applying national/sectoral labour laws and aligning with international labour standards are key focus areas under the pillar of improved governance. The KV20 also highlights the importance of providing decent workplace experience in the country, and reducing labour welfare complaints through labour law enforcement and establishing a climate for good contract negotiations. Providing equal work opportunities and equal remuneration to currently disadvantaged groups (i.e. females and youth) is also a commitment of the KV20.

The long-term goals of the KV20 will be realized through priorities and strategies set in four different development plans. The KDP 2020–23 is the second of this series and has several employment-related targets for the economic and social development of the people of Kiribati. For example, two key priority areas outline strategies for workforce development (general and profession-specific education/training), worker capacity and productivity enhancement, and inclusive economic development for different groups (female and young population) and regions (urban and rural islands). A recent policy on gender equality (National Policy on Gender Equality and Women's Empowerment 2019–2022) also reiterated the decent work agenda for equal employment, remuneration and career progression.

## Tripartism

In Kiribati, the first significant tripartite arrangement and social dialogue process was related to the formulation of the first DWCP 2009–12. The social partners are the KTUC, Kiribati Major Employers' Organisation (KIMEO), and Kiribati Chamber of Commerce and Industry (KCCI). Labour issues are the responsibility of the Ministry of Employment and Human Resource (earlier known as the Ministry of Labour and Human Resource Development).

Formal tripartite arrangements began when the Decent Work Advisory Board (DWAB) was established under the Employment and Industrial Relations Code 2015. The DWAB is required to meet at least four times a year to make timely proposals on labour policies and oversee compliance on international labour standards. Its first minimum wage proposal to the Minister was implemented through Wage Order 2016.

The Minister appoints DWAB members for a term of not more than two years (though this may be renewed); they include the following:

- four members from relevant government agencies (i.e. the Commissioner of the MEHR, Secretary of the Finance and Economic Development Division, Secretary of the Public Service Commission, and Director of Labour);
- four members nominated by the KTUC representing the interests of both public and private sector employees;
- three employer representatives with two members nominated by the KCCI, ensuring adequate representation of the small and medium enterprise (SME) sector, and one member nominated by the KIMEO.

The KTUC was established in 1982 and is affiliated with the ITUC. All registered public and private sector unions are affiliated with the KTUC, and it claims to represent 3,000 members including through associations of teachers, nurses, seafarers and fishermen (USDS 2021). The majority of the union members are public sector employees and seafarers. Notably, the KTUC faces challenges such as weak affiliated unions and resource limitations (including the absence of a physical office).

The employers' interests are represented by the KCCI and KIMEO. The KCCI was established in the early 1970s with the vision to "establish a strong and effective private sector through a united Kiribati Chamber of Commerce and Industry" and a mission to "bridge the united private sector with the government of Kiribati to prosper economic growth". It represents SMEs as well as larger corporations including members from the retail, wholesale, manufacturing and services sectors. The main purpose of the KCCI is to unite the private sector and liaise with the government to address trade and business development issues. It serves businesses in the areas of access to finance, capacity-building and technical support. The KIMEO is registered as the second employers' association. With the KCCI largely focused on trade issues and business development, the KIMEO's focus is on labour law and industrial relations.

The MEHR, along with other relevant government agencies, is a key partner in tripartite arrangements and the overall institutional framework for managing employment relations. Its role includes exploring overseas employment opportunities for I-Kiribati and developing workforce skills to meet local and overseas markets. In particular, it oversees the technical training institutes for training workers in the marine and fisheries professions. Recently, the Labour Market Information and Marketing Unit under the MEHR's Labour Division began collecting labour market data to identify skill gaps and market I-Kiribati workers in foreign countries.

## Legislation

Following the adoption of the DWCP, the government focused on the reform of labour laws and introduced the Employment and Industrial Relations Code [2015](#) and Occupational Safety and Health Act 2015. These laws are better aligned with ILO Conventions, modern employment practices and the changing labour market in Kiribati (ILO 2016a). They were developed with technical support from ILO and in consultation with employees' and employers' organizations (i.e. KTUC, KCCI and KIMEO).

The EIRC 2015 repealed the Employment Ordinance 1966 (and related Acts), Industrial Relations Code 1998, and Trade Union and Employer Organizations Act 1998. It offers improved protection to public

and private sector employees in matters of freedom of association, minimum wage settings, individual employment contracts, collective bargaining and collective agreements, employment relations disputes, payment of wages, hours of work, leave entitlement, termination of employment, equal employment and remuneration opportunities, and industrial action. This Act also established the tripartite DWAB and set out requirements concerning minimum wage setting (see below).

Some of the EIRC provisions are at an advanced level. For example, the Act states that employers shall provide female employees a nursing break of half an hour for every four hours worked and these breaks would be counted as hours worked in the calculation of wages (i.e. paid nursing break). In a similar vein, women employees are entitled to a 12-week maternity leave, and employees are required to pay at least 25 per cent of the normal pay during this period. With regard to equal employment and remuneration opportunities, the Act specifies that no employer shall directly (or indirectly) discriminate against any employee in matters of recruitment, training, promotion and termination based on ethnicity, gender, age, religion, political views, trade union membership and involvement in an employment dispute. Moreover, it provides (section 114) that women and men should get equal remuneration for work of equal value. Other protections are at a more elementary level. For instance, there is no redundancy pay, and the notice period varies between one and four weeks based on length of service. There are no provisions for overtime time pay and pay for work on public holidays.

The Occupational Health and Safety Act (OSHA) 2015 aims to provide safe and productive working environments. For the first time, the position of a Labour Inspector was established to help employers implement health and safety (H&S) initiatives and inspect H&S incidents (ILO 2016b). This Act makes various provisions for general H&S standards, consultation and resolution of H&S issues, workplace accident recording and investigation, and legal proceedings. There are also specific provisions relating to the duties and rights of employees and employers. For example, the employer in a workplace with more than 25 employees must establish a H&S committee. Moreover, an employee has the right to remove himself/herself from a work situation that can

present an imminent risk of serious harm. Employers and employees who fail to comply with the OSHA 2015 commit an offence and are liable to fines or imprisonment. Notably, the 2018 amendment of this Act provides that occupational disease can now be reported as a serious workplace harm.

#### 4.3.4. Minimum wage regulatory framework

##### Regulation

Minimum wage regulations were first introduced through the [Employment Act 1977](#) (amending the Employment Ordinance 1966). Along with the minimum wage, this Act made provisions in matters relating to work hours and wage payment, recruitment of workers, written employment contracts, employment of women and young persons, and welfare of workers. Relating to the fixing of minimum wages, Article 27 stated that:

- (1) The Minister may by order fix minimum rates of wages for workers in any occupation or in any class or grade of any occupation in the Gilbert Islands, either generally or in any specified area or district, in any case in which he is satisfied that the minimum rate of wages being paid to any persons employed in any such occupation is unreasonably low.
- (2) Before making any order under this section fixing a minimum rate of wages for any workers the Minister shall consult with the representatives of the employers of such workers and with representatives of the workers.

There were also provisions for minimum wage exemptions (to be issued by the Commissioner) and penalties for non-compliance. However, no Minister has issued any wage order under this Act.

The EIRC 2015 repealed the Employment Ordinance 1966 (and subsequent related Acts – 1977, 1984, 2000, 2008). The EIRC provides detailed provisions relating to the minimum wage-setting machinery, under the remit of the DWAB, including criteria for setting minimum wages, the consultation and review process, minimum wage orders, enforcement of minimum wage regulations, the role of collective bargaining in setting wages and penalties in case of non-compliance.

- ▶ Section 50 sets out that the DWAB make recommendations to the Minister concerning minimum wages, which may be applied generally or according to occupation, sector, region or employment status. A recommendation should be made at least once every two years.
- ▶ Section 51 sets out criteria to be considered in making minimum wage recommendations. These include: the needs of employees and their families; the general level of wages in Kiribati; the cost of living and its effect on the real value of the minimum wage, and whether any other social protection measures have compensated; the relative living standards of other social groups; economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment; the right to equal remuneration for work of equal value; and other relevant information including that submitted by employer and employee representatives and other interested parties.
- ▶ Under section 52, the DWAB may appoint a minimum wage subcommittee (with equal number of employer and employee representatives) and/or advisers.
- ▶ Section 53 requires the DWAB to invite submissions from, and consult with, the social partners especially those representing the lower paid, and to request analysis of wage data from relevant government departments.
- ▶ Section 58 states that the penalty for a minimum wage offence is the recovery and payment of lost wages for up to three years (in addition to any arbitration award made under Part XV).

In cases of wage dispute, either of the two parties can approach the Registrar of Industrial Relations, who may refer the case to an independent conciliator and arbitrator (the case can only be referred to an arbitrator after conciliation failed to resolve the issue). The wage redress can be made through compensation as a result of an arbitration award or order of the High Court. Moreover, in case of declared bankruptcy or insolvency, the amount owed by the employer to employees on account of wages shall be paid in priority to

other payments (section 82). However, no specific provisions are laid relating to penalties on minimum wage offences; therefore, the general penalties will apply as provided in section 152.

## Rates

Following the EIRC 2015, and the need for a minimum wage review, the Ministry commissioned a local economist to conduct a baseline study to be used as a reference document in social dialogue. A rate of AU\$1.50 was proposed in the study but after negotiation the social partners arrived at a rate of AU\$1.30. (In 2010 the common private sector pay rate was AU\$1.00 per hour, ILO 2010.) Subsequently, minimum wage rates were fixed for the first time in the country by Cabinet approval in 2016. Two wage rates were introduced: a general minimum wage rate of AU\$1.30 per hour for private sector employees and one at AU\$3.00 per hour for those employed on approved foreign-funded construction projects. This was an outcome of dispute resolution within the sector.

These minimum wage rates were implemented through Wage Order 2016 issued by the Minister of Employment and Human Resource. All employees were entitled to receive at least these rates irrespective of their gender, age, employment or payment status (i.e. permanent, part-time, casual, fixed-term, piecework or task-based). Employers were also required to display a written notice in the workplace regarding minimum wage application to all employees.

Under the EIRC, the DWAB is required to undertake a minimum wage review and provide related recommendations to the Minister at least once every two years. The Minister has the power to accept a rate change proposal based on DWAB recommendations, but no rate change has been made since 2016 when the minimum wage was first introduced. In 2019, a second round of minimum wage consultation was undertaken but the rates remain unchanged.

It should be noted that public sector salaries and wages are determined by the Public Service Office and are not covered by the minimum wage order. The latest review was undertaken in 2019 and salary scales range between AU\$6151.60 and AU\$21,294, i.e. above the current minimum wage rates. The hourly minimum wage rate for a public service provider is AU\$1.90.

## Review process

For setting and reviewing minimum wages, the DWAB is required to make recommendations at least once every two years, with the final decision on minimum wages being taken by the government. Before submitting minimum wage recommendations, the Board is required to: (1) invite submission and consult with employee and employer representatives (especially from sectors, industries, occupations and geographical areas paying the least wages); (2) request wage analysis from relevant government agencies; and (3) invite and receive submissions from other interested parties such as the general public (though there is no information relating to any such consultation).

The advice on minimum wages should be determined by the majority vote of the Board members present. When a minimum wage recommendation is made by the Board, the Minister is required to consult with other Ministers responsible for relevant sectors and industries before making a decision. Based on the consultation and issues identified, the Minister may request the DWAB to reconsider the minimum wage recommendations and submit amended recommendations.

The 2016 wage proposal mainly considered the following criteria and measures:

- *Needs of the employees and their families.* A BNPL of AU\$112.80 was determined based on the Poverty Analysis Report 2010. Assuming traditional household settings in Kiribati, where usually one person engages in cash employment and a couple of persons are involved in subsistence farming, an hourly minimum wage rate of not more than AU\$2.00 could be sufficient for the family to live above the poverty line.
- *General level of wages in the country.* Most waged employment is provided by the government (including SOEs) and is much higher than the proposed minimum wage rate for the private sector. Therefore, a wage rate of AU\$1.50 per hour was suggested in the baseline study to reduce the difference in public and private sector wages.
- *Cost of living.* Inflation (Retail Price Index) as published by the KNSO was used to assess living costs, as prices were stable at this time.

- *Economic factors.* Only GDP growth was taken as an indicator of economic prosperity, and there is no data available on private sector employee productivity.

Notably, there remains limited data generation and use. Dedicated human and financial resources are needed to conduct regular labour and wage surveys to collect robust and up-to-date data. In terms of impact, government employees are already paid more than the minimum wage rates. Therefore, the private sector is more likely to be impacted by any increase in minimum wages. Indeed, employer associations raise concerns about increased labour costs and potential job losses. On the employee side, there is a lack of data on the impacts of minimum wages on employees and their families.

## Compliance

Information on minimum wage rates is disseminated through social partners such as the KCCI and KTUC. The government has recently developed a minimum wage compliance checklist and piloted it in three organizations; the compliance checklist is being gradually implemented in other industries and sectors.

As is common in the PICs, there are capacity constraints relating to enforcement. The Labour Division of the MEHR comprises four units: Labour Market Information and Marketing, Occupational Safety and Health, Overseas Employment and Work Relations, with staffing complements of five, three, seven and four respectively. The Work Relations staff are responsible for the enforcement of labour laws through labour inspections as well as acting as Secretariat to the DWAB, licensing and monitoring recruiting agencies, registering and oversight of employer organizations and trade unions, implementing and reporting on ILO conventions, and handling trade disputes.

The US Department of State (2022) concludes that minimum wage and safety regulations are enforced in the formal sector in Kiribati. However, the government faces challenges in informal sector enforcement because of technical and financial limitations. ILO (2024) highlights two major concerns. The first is improving labour rights and labour conditions for Kiribati's fishers. This includes improving OSH, ensuring access to minimum wage and introducing adequate

social security. Child labour is also a concern, with the Committee of Experts on the Application of Conventions and Recommendations requesting the government to strengthen its measures in this area, such as ensuring Labour Inspectors and law enforcement have the capacity and resources to effectively monitor the worst forms of child labour, including in the informal economy.

#### 4.3.5. Stakeholder evaluation

The ILO has been assisting Kiribati in establishing an NEP and related initiatives. A consultative workshop was convened on 26–27 September 2023 to examine policy priorities and understand contemporary labour market challenges, especially around minimum wages and labour mobility. Representatives from government ministries, trade unions, employers and civil society participated in the process through group discussions. Key characteristics of an effective and coherent NEP policy to achieve full, productive and freely chosen employment in Kiribati were discussed in light of local labour market sustainability (employee numbers and skills) and overseas labour mobility (temporary and permanent). In addition, the ILO facilitated discussions around the minimum wage-setting machinery (regulations, rates, the review process and wage-determining factors) and the role of collective bargaining in wage negotiations beyond minimum wage levels (ILO 2023).

##### Employer representatives

Employer representatives raised several concerns about minimum wage settings and provided related suggestions. The private sector is characterized by the extensive employment of family members and there are seasonal fluctuations in labour demand, which could complicate the operation of minimum wages. While living costs have increased, there is high unemployment in the country (particularly among young people and women) and it was felt that any increase in the minimum wage would lead to even higher prices in the economy and hence widen the inequality between employed and unemployed. It was noted that in addition to paying minimum wages, employers incur costs of workers' training and administration, paid annual and sick leave, and fringe benefits. Therefore, it is important to set a minimum wage rate that would not reduce employment because of increased wage costs.

It was suggested that alternative mechanisms such as tax-free leave grants could be more effective than increases to the minimum wage. Furthermore, the government should provide extra support to businesses (especially SMEs) to create an enabling environment for employers to pay higher wages. In particular, developing the fisheries sector by establishing the internal marine infrastructure and enhancing employee skills (for catching/processing/exporting fish) can lead to better working conditions and higher wages in related businesses.

Concerns were also raised about data availability and reliability, the budget available for minimum wage consultations, and lack of technical expertise or technologies for conducting such consultations and reviews. During the 2016 consultations, employers demanded extra time to understand the impact of minimum wage proposals on the economic capacity of businesses depending on their size (e.g. micro, small, medium and large organizations).

The most pressing current issues are wages in jobs outsourced by government agencies and minimum wage enforcement in the informal sector. Government agencies are outsourcing security and cleaning jobs to private contractors who are not liable to pay the minimum rate of AU\$1.90 for public service providers, often resulting in lower wages (given that the private sector minimum is AU\$1.30). Workers in the informal sector are also vulnerable in terms of social protection and income continuity, especially as during COVID-19 many employees lost their jobs. Therefore, providing an enabling environment and better support could lead to better minimum wage application in the informal sector.

Under the current minimum wage framework, employers felt that sectoral characteristics are ignored because of the inconsistent scope of consultation. Introducing different minimum rates based on sectoral or occupational differences and firm size could be useful in improving the minimum wage process and coverage (e.g. different rates for fisheries and other sectors). However, it is important to set the minimum rate considering the economic realities of the businesses to prevent job losses. In case of large increases, businesses may respond by reducing hours and eliminating and automating jobs.

## Government representatives

Government representatives highlighted two problems that occurred during the 2016 minimum wage consultations. First, there was a lack of coordination between social partners and government authorities. Indeed, employers raised the concern that they need more time to understand the economic impact of minimum wages on businesses depending on their size (e.g. SMEs may not be able to pay the rate which could result in job losses). Second, there was a lack of reliable statistical data for effective consultations. The study conducted by the Ministry had not been approved by the KNSO.

Other issues included reconciling the hourly rate to payment systems based on fortnightly, weekly or daily work or based on task/project completion or piecework. Complaints had also been received in the fisheries sector, which had higher wages determined by collective bargaining agreement and paid a piece rate per catch, where fish boat captains had taken a disproportionate share of the fish price over other crew members. Since wages are higher than the minimum rate, the minimum wage regulations do not apply to these instances, but a different set of regulations may be needed to address such issues.

It was noted that further improvements are needed in minimum wage compliance and the government has developed a minimum wage inspection checklist. This checklist was piloted in three organizations and is currently in the phase of gradual extension. More work is needed in the areas of awareness, capacity-building and worker empowerment. The MEHR initiates negotiation between employers and workers (through a conciliator or mediator appointed by the Labour Inspector) upon receiving wage-related complaints. The compliance system is evolving, and no sanctions have been imposed yet on any employer.

Government representatives also highlighted concerns about outsourcing jobs from public agencies to private contracting firms. It was reiterated that this move would lower wages as the private firms are not liable to pay the public service provider rate of AU\$1.90.

Under the EIRC 2015 regulations, the frequency of minimum wage adjustment is two years, but no

adjustment has been made since 2016 when the minimum wage was first introduced. This review inconsistency may be linked to the problems the MEHR faces in the areas of coordination, data, budget and consultation capacity.

The 2016 wage proposal was based on objective factors, according to the legislation, relating to the needs of employees and their families, the cost of living and economic factors. However, it appears that minimum wage decisions are primarily driven by the economic conditions of the country. In the 2016 consultation, unemployment data was provided by the Ministry of Finance. Moreover, new data will be provided by the KNSO for the upcoming minimum wage negotiations.

Finally, government representatives noted that the legal framework provides an enabling environment, and the development of wage policy and related regulations is an ongoing process. In particular, technical support from ILO and the development of the tripartite structure are fundamental to this process.

## Worker representatives

Worker representatives pointed out shortcomings in the minimum wage system, such as inadequate representation in consultation, low prevailing rates and prospective job losses. While employers' interests in setting and reviewing minimum wage may be effectively represented through well-organized and resourced platforms (i.e. KCCI and KIMEO), this is not the case for workers. Concerns were raised about the KTUC's capacity to effectively represent workers in minimum wage negotiations; unions are less organized and not sufficiently resourced to conduct regular meetings which makes it difficult to engage in collective consultation. The KTUC does not have a physical office and there is no income from membership subscription. Most of the individual union members come from government organizations; there is minimal representation from the private sector (especially SMEs). It is also important to note that there are family ties between employers and employees which could further complicate the minimum wage as well as union functioning. It was highlighted that the KTUC needs ILO technical assistance in the completion of its constitution, boosting membership and designing a sustainable financial model.

Worker representatives were also mindful of the labour market trends and economic capacity of businesses, sharing concerns about potential job losses as a result of any significant increase in the minimum wage rate. During the 2019 minimum wage consultations, they proposed a rate increase from AU\$1.30 to AU\$1.90 based on the prevailing wage rates in medium-sized firms (\$1.80–\$2.00) and average living costs. This proposal was not accepted, and workers agreed to keep the rate unchanged to avoid job losses. However, worker representatives reiterated that the proposed rate of AU\$1.90 is itself no longer reasonable given the rise in inflation and living costs. It was also noted that more support is needed for workers in the informal sector, who were adversely hit by COVID-19 in terms of loss of income and jobs.

Similar to other stakeholders, worker representatives had concerns about outsourcing of jobs from government agencies to private contracting firms.

They stressed that this move would lower wages in and there was a need to organize awareness campaigns on this issue. More generally, though the wage-related grievance procedure is gradually improving, more support is needed to empower workers in this regard.

Finally, it was noted that the deadlines with respect to consultation frequency and review of minimum wage rates (as laid down by regulation under EIRC 2015) are not being adhered to. In particular, maintaining the relevance of a minimum wage requires regular adjustments to the rate to maintain the purchasing power of wages in the wake of rising living costs.

Hence, each of the tripartite partners have identified areas for improvement, notably in the areas of data and statistics, capacity development, technical support and ensuring regularity of reviews.



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## 4.4. Republic of the Marshall Islands – Maje!



### 4.4.1. Overview

The Republic of the Marshall Islands is the easternmost island group in Micronesia. It consists of 29 atolls and five islands with just 181 square kilometres of land mass spread over an exclusive EEZ of 2.1 million square kilometres. The country is sparsely populated, and the 41,569 people recorded in 2021 represents a decline of nearly one quarter from the peak of 54,496 in 2002 (Johnson 2021; World Bank 2023) and one fifth from 2011 (GSUSA 2024a). Most citizens (79 per cent) live in urban clusters with over two thirds on Majuro, the country's capital, and Ebeye (CIA 2023a).

The official languages of the RMI are English and Marshallese. The RMI Constitution was established in 1979, integrating US and British models of government. This ended nearly four decades of US administration as part of the UN Trust Territory of the Pacific Islands. A Compact of Free Association was signed with the US in 1986 and its latest renewal was in 2023. It provides for financial support including payments for a US military base and compensation for nuclear testing. The COFA also enables large-scale migration to the US. The RMI uses the US dollar as its national currency.

The Marshallese economy is small, remote and largely depends on external assistance (USDS 2023). Like many PICs, the country is at high risk of cyclones, and its low-lying islands are susceptible to coastal floods and tsunamis. Extreme heat and drought conditions have also recently affected the islands (World Bank/ADB 2021). Climate change is arguably the single greatest threat to development. With an average elevation of only 2 metres, sea level rise is an existential threat. Changing global temperatures also threaten increased flooding and droughts, and could alter fish migration patterns. The COVID crisis, too, had a disruptive effect, especially on the youth population (ILO

2023), though the overall impact was relatively small due to US and other aid support.

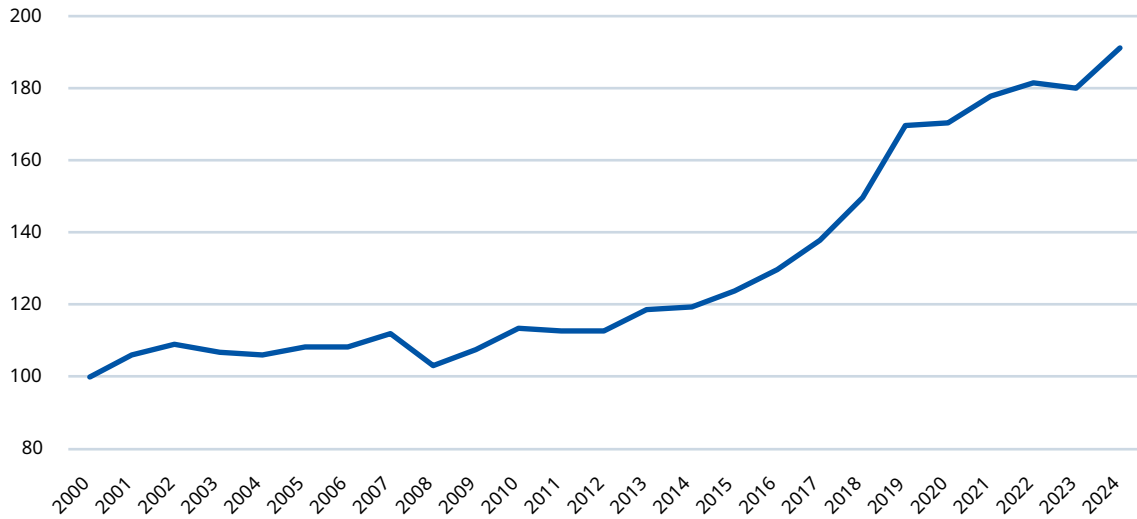
Since 1986, the RMI has had minimum wage legislation that applies to all government and private sector employees. However, the fragility of the private sector appears to pose an obstacle to increasing the minimum wage rate which is US\$3 per hour and has changed little over the years. Informal workers are not covered by wage, hours of work, OSH or other labour laws and inspections.

### 4.4.2. Economy

Annual GDP and GDP per capita for 2021 is around US\$259 million and US\$6,172 respectively (USDS 2023). According to the World Bank (2020), general government revenue in the Marshall Islands was 70 per cent of GDP in 2017. This is higher than both the regional average (40.7 per cent) and the average for its income group (30.6 per cent). Estimates for 2019 indicate that the country's budget revenue was US\$148 million while expenditure was \$153 million (CIA 2023a). As a proportion of GDP, public debt fell from 48.0 per cent in 2017 to 41.7 per cent in 2019 while taxes and other revenues formed 17.2 per cent of GDP in 2020 (CIA 2023a).

Compared to other Pacific countries, the Marshall Islands shows one of the strongest and most consistent upward trends of GDP per capita in real terms (figure 4.4.1). Growth accelerated from 2014, reflecting Compact of Free Association funding with the United States, the fisheries sector, and development aid. The economy only stagnated briefly in 2019–2020, linked to global COVID-19 disruptions, but the impact was limited given its low reliance on international tourism. From 2021 onwards, per capita GDP continued to climb, making RMI one of the most robust performers in the Pacific with a 91 per cent growth from 2000 to 2024.

► Figure 4.4.1. Index of GDP per capita in constant prices (2000 = 100), Marshall Islands, 2000–24



Source: Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

The Marshallese economy features a small subsistence sector in its outer islands and a modest urban sector in Majuro and Kwajalein. This subsistence economy consists of fishing, coconut, breadfruit, banana, taro and pandanus cultivation. On the outer islands, the production of copra and handicrafts provide cash income though many make local purchases with bags of copra (i.e. barter). However, as the land is not very nutrient rich, the agricultural base is limited (USDS 2023).

Much of the economy is sustained by government expenditures and the US Army installation at Kwajalein Atoll (USDS 2023). Primary commercial industries include wholesale and retail trade; business services; commercial fisheries; tourism; construction, repair and professional services; restaurants; banking and insurance; offshore companies’ registration; and copra processing. Other industry includes craft items from shell, wood and pearls.

Copra production, the single most important commercial activity in the RMI for the past century, is subsidized by the government in large part to help reduce migration from outer atolls to Majuro and Ebeye. However, it also causes households to prioritize copra production over food crops and

livestock, increasing the risk of food scarcity. Marine resources, including fishing, aquaculture, tourism development and agriculture, are government development priorities; offshore banking is at an embryonic stage (CIA 2023a). Company formation in the Marshall Islands is available for residents and non-residents. The latter enjoy privacy benefits and zero local taxes, and the prevailing labour, tax and other laws and policies generally do not impede investment (USDS 2023).

The RMI has comparatively few natural resources, and imports far exceed exports. Exports totalled US\$1.4 billion in 2021 (CIA 2023a). Key exports include ships and recreational boats, frozen fish (tuna, skipjack), tropical aquarium fish, ornamental clams and corals, coconut oil and copra cake, refined petroleum, broadcasting equipment and handicrafts (CIA 2023a; USDS 2023). In 2021, the country’s main export partners were Denmark (33 per cent), South Korea (20 per cent), Germany (15 per cent), Poland (9 per cent) and Cyprus (4 per cent) (CIA 2023a). The RMI also sells fishing rights to other nations as a source of income.

The country relies heavily on imports for a wide variety of essential goods including foodstuff, consumer goods, machinery and petroleum products. Its trade deficit was US\$45.8 million in

2018 (USDS 2023). According to the CIA (2023a), imports totalled US\$10.7 billion (2021 estimate) and the key import partners were South Korea (33 per cent), China (30 per cent) and Japan (11 per cent). The nation's narrow export base and limited production capacity thus make it vulnerable to external shocks (USDS 2023).

Through the COFA, effective since 1986, the US provides significant financial support to help the RMI achieve the goal of economic self-sufficiency. The latest COFA (alongside others for Palau and the Federated States of Micronesia) was renewed in October 2023 and provides for US\$2.3 billion over 20 years, including funds for the operation of the military base and compensation for nuclear testing. However, [funding](#) was stalled by the US Congress, adversely impacting government revenues.

Since 2004, the US has provided nearly US\$1 billion in direct assistance, subsidies and financial support, equivalent to approximately 70 per cent of the RMI's total GDP. Apart from financial assistance, the US grants the Marshallese access to many US domestic programmes in exchange for exclusive US military base in the RMI (CIA 2023a). The country has also received aid from Australia, Japan, Taiwan, the UAE, Thailand, the European Union, and organizations such as the World Bank, ADB and UNDP (USDS 2023). Recently, for instance, it received a US\$16 million grant from the ADB to aid its COVID-19 recovery (ADB 2020).

The Marshallese government is also increasing efforts to attract foreign investment, particularly in fisheries, aquaculture, deep-sea mining, manufacturing, tourism, renewable energy and agriculture. However, foreign investment is complicated by laws that prevent non-Marshallese from purchasing land (foreign businesses must lease land from private landowners) and a high cost of doing business due to remoteness, dependence on imported materials and services, and climate change threats, particularly the rising sea level (USDS 2023).

The RMI uses the US dollar as currency but in 2018 enacted the Sovereign Currency Act to develop a national digital currency, the Marshallese Sovereign (SOV), that would reduce the country's dependence

on the US dollar amidst fears that the last remaining bank (First Hawaiian) was planning to withdraw. The IMF stated that it does not meet the definition of a central bank currency and strong concerns were raised around potential abuse of the SOV for money laundering and terrorist financing (Hunter et al. 2018). In 2019, the government announced that it would not proceed without full approval from the US authorities. The impact of COVID on macroeconomic stability also acted as an obstacle though the statute remains on the books.

#### 4.4.3. Labour market dynamics

The labour market, according to the population census 2021<sup>9</sup>, in the Marshall Islands is characterized by limited domestic opportunities, strong gender disparities, a large public sector, and high levels of outmigration. Labour force participation remains modest at 48.4 per cent (59.2 per cent for men, 37.1 per cent for women), and the employment-to-population ratio stands at 43.5 per cent. Unemployment is relatively high at 10 per cent, with youth facing significant disadvantage: one in four are unemployed, and 40.6 per cent are not in employment, education or training (NEET).

Employment is concentrated in urban areas and skewed towards the services sector (82.3 per cent), particularly public administration, education, and retail. The public sector employs nearly half of all paid workers, making RMI one of the most state-dependent labour markets among PICs. While men dominate employment in industry and construction, women are more likely to be in education, household services, and clerical work. RMI also reports the highest share of workers in high-skill occupations across PICs with available data.

The informal employment rate is relatively low at 32.8 per cent, with informal work more common among women and in rural areas. Most informal employment is concentrated in households or the informal sector, and is particularly prevalent among youth and persons with disabilities. Despite these figures, underemployment remains an issue, with many workers in part-time or low-wage jobs without social protection.

9 Employment indicators taken from ILOSTAT as defined by the ICLS (19th, 2013).

Wage data reveal persistent disparities. In 2022, one-third of all employees earned below the minimum wage of US\$3 per hour, with the private sector disproportionately affected. The public sector offers significantly higher average wages (US\$14,001 compared to US\$8,191 in the private sector), although nominal wage growth has outpaced real wage growth, contributing to a gradual decline in purchasing power. Average monthly wages remain higher for women than men overall, especially in urban areas and among professionals, although this is likely influenced by sectoral and occupational concentration.

Migration is a defining feature of RMI's demographic and labour profile. Enabled by the Compact of Free Association (COFA), Marshallese citizens can live and work in the US without visas. Outmigration has accelerated in recent years, driven by low wages, limited job opportunities, and lack of social services. Between 2011 and 2021, RMI's population declined significantly, with thousands relocating to the US. The government relies heavily on inward labour migration—particularly in health, construction, and education—due to a shortage of skilled workers. As of early 2024, 674 non-resident workers were active under work permits.

The National Training Council and broader vocational efforts aim to address skill gaps, particularly among youth. However, training often results in outward migration, further straining domestic capacity. Stakeholders recognize that unless employment conditions improve—through measures such as minimum wages, enhanced training, and improved working conditions—both skilled and non-skilled outmigration is likely to continue.

These dynamics highlight the urgent need to strengthen labour market institutions, improve job quality, and balance the benefits and risks of labour mobility in a context of ongoing demographic change and limited domestic absorption capacity.

#### 4.4.4. Policy and regulatory context

The RMI joined the UN in 1991 and the ILO on 3 July 2007. Since then, the country has ratified three ILO Conventions:

- Maritime Labour Convention 2006 (No. 186) (MLC 2006) on 25 September 2007

- Seafarers' Identity Documents Convention 2003 (No. 185) on 24 August 2011
- Worst Forms of Child Labour Convention 1999 (No. 182) on 13 March 2019

The Child Labour Convention is the only Fundamental Convention to be ratified; no Priority Conventions have yet been signed.

While there is no Decent Work Country Programme as yet, one will be developed with assistance from the ILO, linked to the UN Sustainable Development Framework (UNSDf), in consultation with tripartite partners (ILO 2023). Currently, the focus is on developing a National Employment Policy which, alongside minimum wage and other labour reforms, is a priority of the new government elected in November 2023.

The ILO has been providing ongoing support to the government on its Minimum Wage Policy and with the progression of the Labour (Minimum Conditions) Bill. During her previous term, the current RMI President Hilda Heine advocated for the Bill which would provide for, among other matters, new or enhanced standards around maternity leave (three months rather than the current 20 days) and paternity leave; safety and working conditions; sick leave and annual leave; wages and modes of payment; and meals and breaks. Such measures are generally applied in the public sector through the PSC, but no equivalent exists in the private sector. The Bill has been on hold for a number of years, partly due to opposition from business interests to provisions such as enhanced maternity leave.

#### National Employment Policy

As part of ongoing national efforts to develop a National Employment Policy (NEP), a multi-stakeholder workshop was held in March 2023 with participation from government agencies, private sector organizations, and civil society. Supported by the ILO, the consultation served to consolidate views on key labour market challenges and policy priorities. Participants identified several issues requiring attention, including gaps in skills and qualifications, limited access to advanced training, and the need for stronger human and financial resources across institutions. Broader concerns were also raised around strengthening the labour regulatory framework, addressing

persistent unemployment and low minimum wages, managing outward labour migration, and ensuring inclusive employment—particularly in relation to child labour, persons with disabilities, and the impacts of climate change. These themes are expected to inform the design of the NEP and align it with national development priorities.

The NEP development forms part of ILO technical assistance to the RMI post-COVID 19. Earlier, it had conducted a Post-Disaster Needs Assessment (PDNA) after the 2015/16 drought in the RMI. Using that PDNA, the ILO supported activities aimed at recovery and long-term resilience, including the National Action Plan for Youth Employment (2017–19). This Action Plan was based on a situation analysis and broad-based consultations, addressing TVET and skills development, entrepreneurship and access to career counselling services. An updated Action Plan could support NEP provisions on youth employment. The NEP should also connect to the UN Joint Programme on “Accelerating SDG achievement through digital transformation to strengthen community resilience in Micronesia” which covers the RMI. The ILO has also worked closely with the RMI Government to include labour force survey modules in the latest (2019) HIES to ensure the availability of relevant labour market data and thus make NEP more evidence centred (ILO 2023).

The NEP will connect with the National Strategic Plan (NSP) 2020–30, which is built around five core pillars: social development; environment, climate change and resiliency; infrastructure; economic development; and good governance. Employment components include: aligning to ILO International Labour Standards; generating employment opportunities and skills; and developing an inclusive and fair business environment (ILO 2023). Linked to the NSP, the NEP would offer an integrated approach towards the objective of full, productive and freely chosen employment.

The NEP will also be elaborated through specific policies such as around minimum wages. The government has engaged ILO support to develop a Minimum Wage Policy that can be related to the NEP formulation process to create synergies. Research interviewees acknowledged that these are “all brand-new concepts for us” and that, in the words of one respondent, having “a credible institution like the ILO to assist us in the process is very important and very much needed. We support

... especially NEP because it would give us a broad policy that can be applied across [different areas].”

Currently, PSC staff are working with an on-island consultant engaged by the ILO since early November 2023 to assist with drafting the NEP. The policy draft was discussed at a validation workshop during an ILO mission in March 2024, alongside the progression of related employment legislation. This may include further training support and technical assistance to the Labour Department, with respect to wage policy development and other areas.

As highlighted in the ILO Workshop Report 2023, the NEP remit could be broad and therefore complex, including matters relating to investment and enterprise policies as well as labour regulation. Policy development has to be cognizant of capacity constraints in terms of the implementation and monitoring of multiple objectives simultaneously. The NEP initiative is relatively new to the Pacific, with only Fiji, PNG and Samoa having adopted such a policy thus far, and must be driven by the full engagement of local stakeholders. However, in the RMI there is no prior institutional framework of tripartism.

### Tripartism

No formal tripartite arrangement exists in the RMI. The ILO has identified the following partners to work with: Ministry of Justice, Immigration and Labour; Labour Division (under the Ministry of Foreign Affairs); Chamber of Commerce (representing employers); National Training Council; and the Teachers’ Union (ILO 2023). To date, it is the employers who tend to have a more vocal interest in policy development by virtue of having their own well-established networks, in contrast to the “very limited history and culture of organised labor” (USDS 2023); this was confirmed by several interviewees.

There are also constraints on the government side. The Labour Division long consisted of just two staff members; this doubled in 2014/15 but staffing remains budget dependent. Much of its activities focus on the Labour (Non-Resident Workers) Act, helping to assess and enforce employer compliance with work permits, especially in the private sector. When passed, the Labour (Minimum Conditions) Bill will provide the Department with the authority to enter workplaces to enforce the requirements

relating to minimum wage and other matters. However, resource constraints (i.e. only four staff members) will mean that, while it has the authority, it will be challenging for the Department to perform functions such as awareness raising, following up on complaints and enforcing change.

Trade union engagement was reported to be ad hoc and involves the Teachers' Association and the Nurses' Association which are the two unions in the RMI apart from the Public Employees Association. According to interviewees, teachers, who are outside of the public service system, tended to be less vocal at the time when concerns are raised directly to the Ministers or particular Senators. In fact, there was no union representative present at the 2023 NEP workshop. This capacity challenge is common in many Pacific countries, with the small number of worker representatives, in the private sector in particular, often holding a full-time job and working for the union on a voluntary basis.

The tripartite partners in the RMI, unions in particular, therefore face acute capacity and representation challenges. The involvement of civil society and other actors may help fill this gap while institutional support to the unions is being developed. For example, the ILO has worked with the College of the Marshall Islands on the National Human Resource Development Policy; it has also worked with the Ministry of Health, Women United Together Marshall Islands and the National AIDS Council on HIV/AIDS in the workplace.

More positively, the ILO (2024) notes that though there is no formally established tripartite body, tripartite social dialogue does exist between the government and social partners. The Department of Labour meets with the Teachers Association and Nurses Association and the RMI Chamber of Commerce to discuss general labour issues, with Secretariat support provided by a Labour Officer. National policies are dealt with by the Director of Labour, the Attorney General and Minister, but when drafting legislation, the government consults with a range of stakeholders including the public. A Workers Compensation Taskforce, appointed by the Cabinet, is proposing to establish a Workers Compensation Board which has the potential to set an example for tripartism.

## Legislation

The Constitution allows for the general right of association but there was no legislation related to trade unions, collective bargaining or disputes until the Labor (Collective Bargaining) Relations Act 2022. This sets out the framework for collective bargaining and the management of disputes, including through mediation and arbitration, and the appointment of a Commissioner by the Attorney General.

Other relevant laws include: the Protection of Resident Workers Act 2004; Labour (Non-Resident Workers) Act 2018; Employment Equal Opportunity Act 2017; Social Security Act (1990); Minimum Wage (Amendment) Act 2017; and the Workers' Compensation (Amendment Act) 2023. The last amended the Workers' Compensation Act 2019 to require private employers to secure insurance for workplace injuries, while mandating a government Self-Insurance Fund to secure public sector workers' compensation.

The Protection of Resident Workers Act 2004, which amended the 1970 statute, provides for preferential treatment in employment for resident workers, and sets out the procedures and requirements for the recruitment of foreign workers; it established a Labour Division Employment Service in the Ministry of Foreign Affairs to create a system of free employment related services for workers seeking employment (ILO 2016). Under the law, citizens receive preference in hiring, and non-citizen workers are hired only to supplement the local workforce when no citizens qualify for the job (USDS 2022). Only nationals of the Federated States of Micronesia, Palau and the US have equal access to employment as RMI nationals (IOM 2023). Under the Labour (Non-Resident Workers) Act 2018, which repealed the 2006 Act, all overseas migrant workers require a work permit to access employment for a specific job. They are unable to switch jobs under the same permit, unless one employer applies to another for a transfer. The RMI does not issue indefinite residence permits or recognize any status comparable to permanent residency (ILO 2018a). Furthermore, the law requires that employers who hire foreign workers pay a fee for a fund used for training citizens (USDS 2022).

The Employment Equal Opportunity Act 2017 seeks to ensure that all employees are treated equally regarding employment benefits (ILO 2018b). Moreover, the RMI Constitution states that no person may be treated in a discriminatory manner under law or by public officials even where labour laws and regulations do not specifically prohibit employment discrimination.

The Social Security Act 2003, which amends the 1990 Act, established a social security system of pension benefits and early retirement, to ensure a measure of security for workers in their old age and during disability, and support for surviving spouses and children of deceased workers to compensate for the loss of income (ILO 2022). Under the Act, all employed and self-employed workers, including migrant workers, contribute to the Social Security Retirement Fund (SSRF). According to an amendment to the SSRF in 2018, migrant workers above the minimum age for retirement (63 years) can apply for a lump-sum payment that represents 80 per cent of their life-to-date paid social security contributions. As stated in the Act, old-age pensions are payable abroad for up to six months to migrants who have lived in the RMI and have left the country, and they may be paid for longer periods under reciprocal agreements with the Federated States of Micronesia, Palau and the US. Moreover, the RMI has had an agreement since 1999 with New Zealand on the portability of social security entitlements and earned benefits (IOM 2023). However, employers are not legally required to pay a severance package when an employee is released from service due to a dismissal or lay-off. Arrangements for severance payments are generally made at the time of hire through terms in the hiring instrument. There is no employment insurance or any other social safety net programme for unemployed individuals (USDS 2023).

As of now, there is no legislation governing working hours or protection concerning other working conditions in the private and informal sectors, with the delay in the enactment of the Labour (Minimum Conditions) Bill. However, the Occupational Health and Safety Act [2023](#) provides protection for workers in relation to conditions that endanger their health or safety, and enables workers to remove themselves from situations that endanger health or safety without

jeopardy to their employment. The new health and safety provisions are monitored by the Labour Department. However, as noted above, there are only four Labour Department staff (three of them based on Majuro) and they have no specific OSH training, whether in general or relating to higher risk sectors such as construction. These new responsibilities may well compound existing resourcing challenges.

#### 4.4.5. Minimum wage framework

The Minimum Wage Act 1986 established a minimum rate of US\$1.50 per hour applied to all government and private sector employees. This was increased to US\$2 in 1999 and remained unchanged until the Minimum Wage (Amendment) Act 2016. A draft formulation of the 2016 Act proposed an immediate increase to US\$2.50 per hour, with a subsequent increase of US\$0.50 to be added each year thereafter until the minimum wage reached \$4.00. The Bill [Summary](#) noted that “the minimum wage of \$2.00 per hour is generally considered insufficient, particularly for those lower wage earning workers” and that the proposal “increasing the minimum wage to \$2.50 would translate into real terms enough money especially for the lower paid workers to afford the high cost of electricity, foodstuff, transportation and etc.”. The final Act introduced an immediate increase to US\$3 with two subsequent US\$0.50 increases not linked to an annual timeframe and subject to a favourable assessment report to be submitted by a Task Force established by the Cabinet. The Act set out no other review criteria. Penalties for a private or SOE employer include payment of arrears, a possible fine of up to US\$1,000 and imprisonment of up to six months.

In the event, the rate remained unchanged from the US\$3 set in 2016. This is because no formal assessment was conducted, as required to be submitted to the Cabinet by the Act; this was mainly due to resource constraints and concerns around the potential adverse impact on the private sector as well as implications for the pay scales of public servants (Peltovuori 2018).

As mean wages for many occupations are not far above the minimum monthly wage of approximately US\$450, it is evident that a high proportion of

workers are receiving just the minimum wage, or even less in cases of non-compliance. Furthermore, in the Marshall Islands, low-paid workers pay taxes on their wages. Personal income tax is paid on the first US\$10,400 of income at the rate of 8 per cent, then 12 per cent on any income above, with the wage tax providing 47 per cent of the government's total tax yield of US\$32.1 million. The declining real value of the minimum wage led the USDS (2022: 13) to observe that RMI law "establishes a minimum wage which is not above the poverty line".

The government elected in November 2023 has indicated that it would raise the minimum wage by US\$2.25, to be implemented in October 2024, as well reduce taxes and launch the nation's first universal basic income (UBI) programme based on funding under the COFA's new funding package (Johnson 2024). The US has committed to adding US\$700 million over four years to the Marshall Islands trust for "special needs", though these have yet to be decided in the revised Trust Fund Agreement. The UBI scheme, endorsed by the Nitijela (Parliament) in 2023, offers every citizen resident in the country an annual payment between US\$800 and US\$1,000, depending on availability of funding from the national trust fund. This programme is likely to replace the copra subsidy as a means of supporting households in the outer atolls, where wage employment is limited.

The current legislation does not specify any process for reviewing the minimum wage, including the frequency of its revision or the criteria to be used for fixing it. It also allows the Cabinet to exempt certain export-oriented projects from the purview of the minimum wage. This applies only to relevant projects started after commencement of the Act. The USDS (2022) also reports that foreign employees and local trainees of private employers who invested in or established a business in the country are exempt from minimum wage requirements provided the employer receives government authorization.

Analysis by EconMAP, Graduate School USA, suggests that a minimum wage rate of US\$5.25 would be "well-justified on social protection grounds" (GSUSA 2024b). This is based on a BNPL established by the analysis of revised estimates from the 2019/20 HIES and 2021 Census data. The latter indicates an average household size of six

(6.1 urban and 5.0 rural) and average employees per household of 1.3 (1.5 urban and 0.6 rural). Allowing for inflation, the hourly wage rate required to ensure an average household is above the BNPL is US\$5.23. Further modelling predicts inflation would rise by 7.7 per cent if this was introduced, given that the private sector wage bill would increase by 45.2 per cent. The GSUSA recommends that the implementation should be in stages and that regular revision of the minimum wage should ensue in the light of subsequent HIES and Census results.

The Minimum Wage (Amendment) Act 2024 for the Marshall Islands amends the 1986 Minimum Wage Act by raising the hourly minimum wage to US\$4.00 from 1 October 2024, followed by phased increases to US\$4.50 (2025), US\$5.00 (2026), and US\$5.25 (2027). It also strengthens penalties for non-compliance, including fines, imprisonment, license suspension, and mandatory payment of wage arrears.

### Enforcement and monitoring

Wage complaints may be pursued by public service workers through their Secretary and Director, and then the PSC, but no process exists in the private sector. This disparity is intended to be addressed by the Labour (Minimum Conditions) Bill. Interviewees believe that more specific measures are needed (e.g. a national monitoring office) to ensure that minimum wages are fully enforced, particularly given reports of some private sector companies paying wages below the current minimum wage rate.

The Labour Division staff was increased from two to four in 2014/15; in 2023 a request was made for two more members. Interviewees noted that what the staff can do is dependent on the budget. The Labour Division handles Title 16 of the revised Code which includes various commitments such as operating and enforcing the permit system under the Labour (Non-Resident) Act. They are also responsible for the minimum wage and other Acts under Title 16. As one respondent put it, "These are beyond their capabilities. For example, the OSH Act means requirements to train and inspect, but how do they do that with only 4 staff? They need more resourcing." The enactment of the Labour (Minimum Standards) Bill will provide a mechanism

for inspection and handling employee complaints, including around minimum wages, and will require additional staff and training.

Penalties are set out in the [1986](#) Minimum Wage Act which states,

Any private employer who pays any of his employees a wage which is below the minimum wage prescribed by Section 402 of this Chapter shall be guilty of an offense and shall, upon conviction before the High Court, be liable to a fine not exceeding \$1,000 or in default, to a term of imprisonment not exceeding six (6) months. In addition, the Court shall recover and pay to the said employee all wages in arrears as prescribed by Section 402 of this Chapter, as though such arrears were a fine imposed by that Court.

It is not clear what impact, if any, these provisions have had in practice.

#### 4.4.6. Stakeholder evaluation

##### Government

The current RMI government is committed to increasing the minimum wage, with a rise of US\$2.25 to US\$5.25 being mooted. This may have implications for the government payroll even though public sector wages are much higher than in the private sector. An EPPSO spokesperson indicated that significant numbers are employed at a wage of around US\$3. As pay scales have not been revised, there has been pressure to award salary increments based on performance. Analysis by EconMap indicates that implementation of a US\$5.25 minimum wage would increase the government wage bill by 6 per cent, but tax revenues would increase by a similar amount (GSUSA 2024b). The impact would be largest in local government, where the wage bill would increase by US\$5 million, or 52 per cent.

##### Employers

In late 2018, EPPSO (2019) conducted a study involving 50 one-on-one interviews on Majuro and seven on Ebeye with managers or business owners of randomly selected private businesses, SOEs and banks. The Majuro employers had a total

of 1,617 employees of which 40 per cent were paid minimum wage, 10 per cent were non-Marshallese, 9 per cent under 25 years of age and 36 per cent women. The Ebeye businesses employed 75 people with 35 per cent on minimum wage, 17 per cent non-Marshallese, 9 per cent under 25 years of age and 35 per cent women.

The survey asked about the anticipated impacts of the prospective increase of the minimum wage, of which almost all were aware. Around a quarter of Majuro employers were opposed to the increase, with a third neutral and 44 per cent in support; all in Ebeye were in support with 60 per cent indicating strong support. Respondents pointed out that Ebeye faces competition for labour from the base on Kwajalein, about 7 kilometres away. In Majuro, though the majority of businesses expected no (36 per cent) or a positive (22 per cent) impact, 38 per cent anticipated negative impacts. In Ebeye, 83 per cent of businesses anticipated no impact while 17 per cent expected a somewhat negative impact. Concerns related to affordability, including the inability to fully pass on cost increases through prices, and insufficient employee skills. Positive comments related to fairness, recruitment and work motivation. Hence, most employers were open to an increase in the minimum wage at the rate proposed though there was concern about cost implications in some cases.

Labour mobility and access to the US labour market creates challenges for businesses in terms of finding skilled and sometimes even low-skilled workers. It is recognized that a key factor here is the comparative weakness of the local working conditions, of which wages form a key component. Given the challenges of attracting and retaining talent, it was perceived that employers in the RMI were more open to discussion around a minimum wage enhancement than elsewhere. This could also help with the return of workers from overseas where jobs may also be poorly paid and precarious.

An interview was conducted with the Chief Executive of the Marshall Islands Chamber of Commerce, Randall Sylvester, in March 2024. The CoC has around 90 member organizations, mainly in Majuro. This includes almost all businesses on the island, from tourism to import/export, and some SOEs and NGOs. Grants from the US Department of Commerce (a million-dollar, three-year study of energy and agriculture on the outer islands,

for which the government did not have capacity) help support two-full time staff. The CoC is in the process of conducting a survey of its members on their pay rates, financial performance and the prospective minimum wage. Mr Sylvester made the following observations:

- ▶ COVID was economically beneficial (“like a boom town”), presumably because of US support. This might partly explain why the current minimum wage of US\$3.00 is generally perceived to be very low and most companies probably start higher (his own company starts at US\$5.00). The construction sector will likely be one of those most impacted by a significant increase as its staffing model relies on low-paid migrant workers from other Pacific countries.
- ▶ Businesses are struggling with high inflation, consumers increasingly purchasing directly from overseas, and the costs of new regulations such as workers’ compensation implemented in 2023. This required firms to take out insurance, which was a significant cost for smaller businesses, in addition to their retirement and health fund taxes. Company tax is low (0.8 per cent up to US\$10,000 and thereafter 3 per cent) but some sectors are adversely impacted by the import duties (which vary by product but can rise to 20 per cent). Most businesses are only just staying afloat.
- ▶ The government has not reviewed its own pay rates in almost 20 years. While this has served to ease recruitment pressures in the private sector, increasing public sector pay might provide a boost to the economy.
- ▶ The minimum wage fixation process is as important as the rate: it needs to be a more systematic and objective (evidence-based) decision rather than arbitrary or political. There is a lack of cost-benefit analysis and research when proposing regulatory change. Equally, none of the strategic plans and policy frameworks seems to inform specific laws or initiatives.
- ▶ There is also failure at the other end. The rate needs enforcement to ensure a level playing field for employers. This was one of the biggest complaints raised about the workers’ compensation law, and there are similar fears around some draft provisions of the Minimum Conditions Act (such as 27 weeks of paid maternity leave, which even women’s groups balked at due to worries about hiring). While a couple of complaints around workers’ compensation have already been raised, anecdotal evidence suggests a widespread lack of implementation.
- ▶ The delay in establishing a tripartite body, which the CoC is in favour of, is due to the absence of unions, including in the public sector (so far as the CoC is aware). There is a Nurses Association (not fully organized), but any union activity is voluntary and nurses are already overworked, which serves to handicap their participation.
- ▶ Employers recognize that there is scope for increasing the minimum wage rate and there is appetite for introducing a systematic process for future reviews.

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## ▶ 4.5. Palau





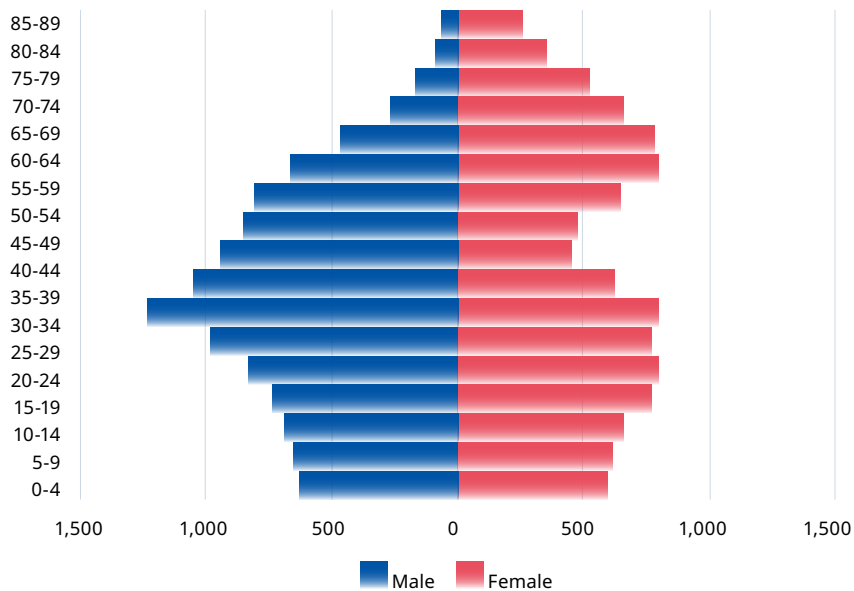
Photo: © UN Micronesia

### 4.5.1. Introduction

The Republic of Palau consists of more than 340 volcanic and limestone islands, of which nine are inhabited. The population was estimated at 21,779 in 2023 (CIA 2024), with two thirds of the population residing in the nation’s major urban centre, Koror. Most of the land (71 per cent) is owned by the State Public Land Authority, with the remainder owned by individuals, corporations, and traditional indigenous clans. The latter are disproportionately impacted by rising sea levels and ocean acidification associated with climate change.

The population is young, with a median age of 35 (CIA 2024). Nearly one in five (17.5 per cent) are aged under 15 compared to one in ten (10.7 per cent) aged 65 or over (figure 4.5.1). Migration is low, with a net migration rate of 0.6 per 1,000 population (CIA 2024). Election absentee registrations in 2020 show around 2,400 voting-age Palauan citizens living in US states, territories and other freely associated states. However, outward migration flows have significantly grown over the past few years driven by the rising cost of living and limited work opportunities after the pandemic (IMF 2024). This has impacted recruitment and retention in government and other sectors.

► Figure 4.5.1. Population pyramid, Palau, 2025



Source: U.S. Census Bureau, International Data Base (IDB), 2025. Available at: <https://www.census.gov/data-tools/demo/idb>

In the 20th century, Palau was administered by Japan from the First World War until the US invasion of 1944. Subsequently, the country became part of the US-administered Trust Territory of the Pacific Islands. Palau voted against joining the Federated States of Micronesia in 1978 and adopted its own Constitution in 1981, which declared Palau to be a nuclear-free country (CIA 2024). In 1982, Palau signed a Compact of Free Association with the US. This granted Palau financial assistance and access to many US domestic programmes in exchange for exclusive military presence for the US. However, many Palauans saw the COFA

as incompatible with the Palauan Constitution because of the US military’s nuclear arsenal, and seven referenda failed to achieve ratification. Following a Constitutional amendment and eighth referendum in 1993, the COFA was ratified and entered into force in 1994 when the islands gained their independence. The COFA was renewed in 2010, extended in 2018 and renewed for a further 20 years at the end of 2023. Financial support to Palau totals US\$889 million over that period though it is subject to a continuing resolution of the US Congress.

The country is 88 per cent forest with around 11 per cent agricultural land (CIA 2024). There is no organized forestry industry, and agriculture and fishing accounted for just 3.5 per cent of GDP in 2021. Agriculture produce is mostly used for subsistence purposes and includes vegetables, tropical fruits, taro and tapioca. Palau has abundant marine resources and an EEZ of 475,077 square kilometres. It has issued licenses to international companies for catching fish but implemented the Palau National Marine Sanctuary in 2020 to protect marine life. Currently, all extractive activities such as fishing and mining are prohibited in 80 per cent of Palau’s EEZ and the remaining 20 per cent is used to facilitate only local fisheries. This has led to a significant decrease in fish license revenue and exports. However, an alternative source of revenue has come through US military exercises (associated with the COFA) which supports the economy through the purchase of fuel, hotel rooms, car and boat rentals, and some diving activities. Otherwise, the economy is heavily dependent on tourism, apart from revenues linked with the COFA.

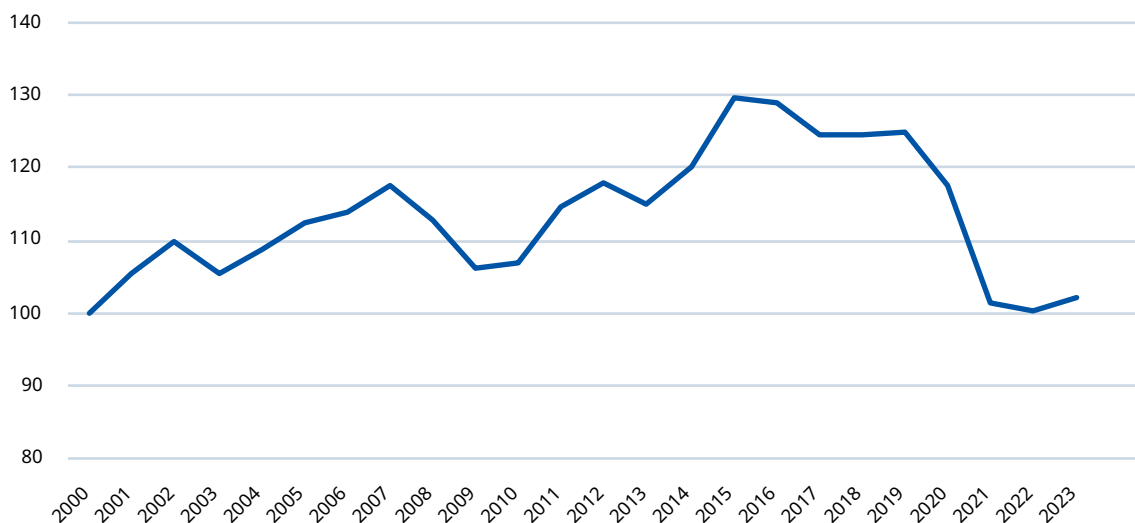
### 4.5.2. National economy

The official currency used in Palau is the US dollar. The economy is mainly driven by tourism, which contributed approximately 40 per cent of GDP before the pandemic. Tourism employment was estimated at 2,690 in 2018, representing 45 per cent of total employment; however, only 24 per

cent of direct tourism jobs, or 650 positions, were held by Palauans (PSDI 2021). Other important sectors include fisheries, agriculture, retail and wholesale trade, business services and construction (USDS 2023b). COVID had a major impact, with GDP declining by 17.1 per cent in 2021 and 1 per cent in 2022, though the economy was expected to grow at a rate of 3.8 per cent in 2023 and 6.5 per cent in 2024 (ADB 2023). Similarly, a negligible inflation rate of 0.5 per cent in 2021 rose to 10.2 per cent in 2022, contributing to already high living costs. Palau is a relatively high-income economy in the region (CIA 2023), with real GDP estimated at US\$248.5 million in 2021 or per capita US\$13,800 (CIA 2024). It is a lower middle income country, according to the [World Bank](#), though a quarter of the population are below the poverty line (CIA 2024).

Palau’s GDP per capita trajectory (figure 4.5.2) illustrates the vulnerability of small states reliant on tourism. Strong growth was recorded up to 2015 as tourist arrivals from Asia surged. However, from 2016 onwards, the economy stagnated as arrivals slowed, and dependence on a narrow visitor base created fragility. The COVID-19 pandemic in 2020–2021 triggered a deep collapse in GDP per capita as borders closed and tourism was suspended. While gradual recovery started in 2022, the rebound has been weaker than in other Pacific economies, reflecting the prolonged impact on Palau’s single dominant sector.

► **Figure 4.5.2. Index of GDP per capita in constant prices (2000 = 100), Palau, 2000–24**

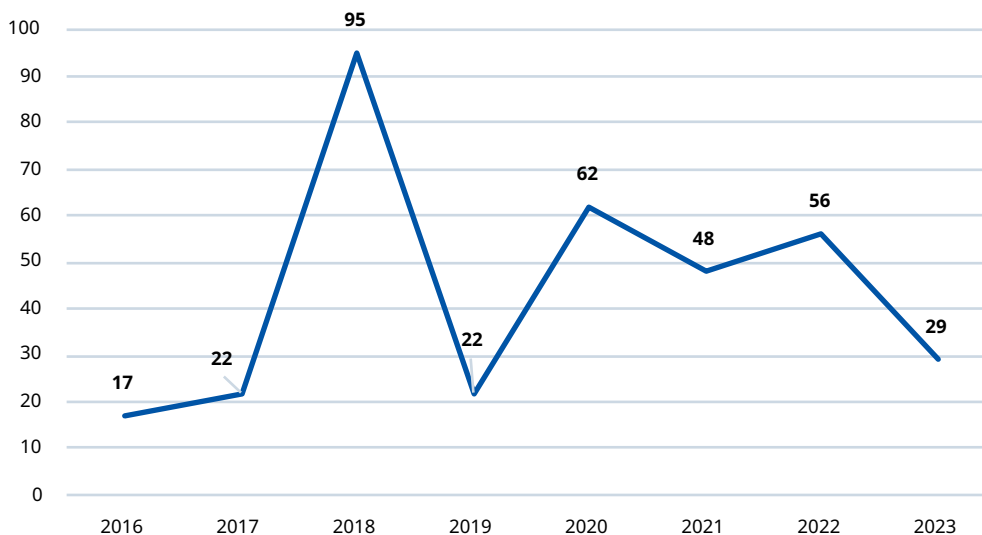


Source: Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

The country is a net importer of commodities and has a limited export base and production capacity, which makes the economy vulnerable to external shocks. In 2021, Palau imported goods worth US\$180.4 million including cars, refined petroleum, iron structures, prefabricated buildings, broadcasting equipment and boat propellers. In the same year, exports were worth only US\$12.1 million, comprising fish alongside computers, scrap metals and recreational boats. Exports fell significantly after the implementation of marine reserve measures in 2021/22.

International donor funding is a salient feature of the Palauan economy and the COFA provided US\$120 million in 2023. To support the national budget the government established a COFA Trust Fund in 1994; it has a current market value of approximately US\$227 million (Republic of Palau 2023a). Apart from the US, Palau receives aid from Australia, Japan, Taiwan and other countries with which it has diplomatic relations (USDS 2023b). Figure 4.5.3 shows the amount of Official Development Assistance received by the country in recent years.

► **Figure 4.5.3. Official Development Assistance received by Palau, 2016–23 (US\$ million)**



Source: OECD (2025). Official Development Assistance at a Glance. Retrieved from <https://www.oecd.org/en/data/dashboards/official-development-assistance-at-a-glance.html>

Tourism [numbers](#) grew rapidly from around 80,000 visitors in FY2010, mainly from Asia, to peak at 169,000 in FY2015, when the government restricted the number of chartered flights. This was part of a sustainability strategy that also focused on high-yield visitors (PSDI 2021). Pre-COVID figures for visitor arrivals were around 116,000 in FY2018 and 90,000 in FY2019, dropping to 42,000 in FY2020, 3,400 in FY2021 and 9,000 in FY2022. The COVID-related decline adversely impacted business and government revenues though job losses for Palau citizens was minimized by repatriation of foreign workers as well as reduced hours. Palau was also eligible for benefits under the US Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which extended to citizens of Palau, as a state in free association with the US, eligibility for US

unemployment benefits (PSDI 2021). Average payments during the first four months of the programme were twice that of the average Palauan wage for the same period.

### 4.5.3. Labour market dynamics

Palau's labour market is shaped by a small population, heavy reliance on migrant workers, and high dependence on the tourism sector. The country lacks a labour force survey, and employment data primarily comes from the population census, with only basic findings from the 2020 Census currently available. According to this source, Palau has a high labour force participation rate (67 per cent), exceeding both global and regional averages. The unemployment rate is remarkably low (0.8

per cent), though job losses during the COVID-19 pandemic amounted to nearly 15 per cent of 2019 employment.

Of the 9,466 people employed in 2020, the vast majority (93 per cent) were in paid employment, with women more likely to work in high-level occupations and hold tertiary qualifications. Employment is concentrated in urban areas—especially Koror—and primarily in the private services sector, led by tourism, which accounts for more than half of paid employment. Public administration employs 16.5 per cent of the workforce. Female migrants—especially from the Philippines—comprise a significant portion of the workforce, yet wage differentials between Palauan and migrant workers remain substantial across most occupations.

The public sector employs over one-third of all workers, and wage levels in this sector remain consistently higher than in the private sector. In FY22, average public sector earnings were US\$12,171–17,619, compared to US\$8,833 in the private sector. Filipino workers earned, on average, US\$8,724, compared to US\$14,509 for Palauan nationals. While nominal wages grew steadily over the past two decades, high inflation in FY22/23 (12.4 per cent) has significantly eroded real earnings. Despite a 9 per cent nominal wage adjustment in FY23 for public employees, real wage gains have not kept pace with the cost of living.

Occupationally, 37.4 per cent of the workforce are employed in service, sales, and elementary occupations, while just over 12.6 per cent work in professional roles. Women are more likely to hold professional positions, while men dominate in trades and plant operation. Informal employment is not well documented, but Census data suggests limited involvement in subsistence production and unpaid work, with most income derived from wages, pensions, and remittances.

The impact of COVID-19 was deeply felt, particularly due to the collapse of tourism. However, access to U.S. unemployment support and local mitigation efforts contributed to an increase in average household income in FY21 compared to FY19. As Palau's economy recovers, labour shortages in the private sector have contributed to wage growth, particularly among migrant workers.

These dynamics underscore the importance of strengthening wage-setting institutions, ensuring

equitable treatment of migrant workers, and supporting the resilience of Palau's labour market in the face of economic shocks, inflation, and demographic pressures.

#### 4.5.4. Policy and regulatory context

##### Pathway to 2030 and Palau Development Plan 2023–26

The [Pathway to 2030](#) was launched in 2019 and is the country's overarching development strategy. It recognizes that tourism is Palau's leading economic sector but advocates for a focus on sustainable high-yield tourism, cautioning against repeating the previous shift towards mass-market tourism. Even prior to COVID-19, it presciently suggested that over-reliance on tourism creates challenges because of its susceptibility to external economic volatility. It proposed amongst other measures the growth of domestic fishing and agricultural industries to foster greater resilience.

Recently, the government launched the Palau Development Plan (PDP) 2023–26. The PDP provides employment-related strategies and plans for various sectors including agriculture, fisheries, health, housing and tourism. For instance, in the agriculture sector, the goal is to increase agricultural produce and employment to enhance food security and diversify the labour market. In a similar vein, the priorities are to introduce new technology and train the workforce in cultivating and marketing crops. The PDP also recognizes the fundamental role of the tourism sector in the Palauan economy, and outlines various plans to create high-skilled jobs and increase overall salaries and wages, such as recruiting international tourism advisors and consultants to devise tourism policy, conduct baseline studies, and most importantly, train local employees. The PDP can also inform upcoming labour law reforms, especially recruitment of migrant workers and setting minimum wages.

##### International Labour Organization

Palau has been a member of the UN since 1994 and joined the ILO in May 2012. To date, Palau has ratified two ILO Conventions including one Fundamental Convention, the Worst Forms of Child Labour Convention, 1999 (No. 182), in 2019. The

other is the Maritime Labour Convention, 2006 (No. 186) which was ratified in 2012.

Palau does not yet have a Decent Work Country Programme (DWCP), but notable progress has been made in advancing employment policy. The government has actively sought ILO technical assistance to reform labour laws, strengthen labour market institutions, and support employer and worker organizations. With ILO support, Palau has now finalized its National Employment Policy (NEP), following an inclusive development process involving government authorities, social partners, and civil society. The NEP provides a strategic framework to address future employment needs and related education and training requirements, improve labour market governance, manage the foreign workforce more effectively, and reform the national labour law framework. There is no formal tripartite arrangement in Palau. However, the ILO works with different tripartite partners including the Bureau of Labour and Human Resources, the Palau Chamber of Commerce, and a few employee organizations such as the Bangladesh Workers Association and the Palau Nurses Association. The Palau CoC was established in 1992 to support and advocate for private businesses and currently has 24 active members including businesses from the banking, tourism, construction and hospitality sectors.

### Legislation

The Palau National Code (PNC) provides the overall legislative framework and covers some aspects of labour and employment. For instance, Title 30 (Labour) and related chapters outline regulations on matters relating to the hiring of non-resident workers, hazardous jobs, health and safety, labour development, minimum wages and non-discrimination of disabled persons. The work week for public employees is set at 40 hours a week. For private sector employees, it depends on the terms of the contract; the legal minimum time off is one day per week (USDS 2023a).

Much of the regulatory focus is on migrant worker employment. In 2019, the Bureau of Immigration and Foreign Labor amended rules and regulations regarding employment practices in the private sector. In general, it was stressed that private businesses should give preference to Palauan residents when hiring for different occupations and industries to stabilize the economy and to prevent

the weakening of wage and working conditions for Palauan workers. Moreover, employers seeking to employ non-resident workers need to secure work permits from the Bureau of Immigration and Foreign Labor before such workers can enter the country. There are detailed regulations on the announcement of job vacancies and the process of employing non-resident workers. For example, an application for hiring such workers should be made with the Employment Service which will first try to locate a suitable resident worker for the position within a period of 30 days. After the expiry of this period, the jobs can be opened for non-residents. As per the 2019 regulations, employers also have to pay work permit fees for skilled and unskilled foreign workers (an annual fee of US\$150 and US\$125 for skilled and unskilled workers respectively). A Bill was recently presented in the Palauan Senate to increase the non-resident work permit fees to US\$300 annually with the purpose of preserving employment for Palauan workers. There are also provisions regarding equivalent minimum wages, leave and other benefit entitlements, living conditions including health and safety, and record maintenance for foreign workers.

The Labour Division has the responsibility of ensuring compliance with rules and regulations by inspecting worksites and housing facilities provided to non-resident workers. Any employee or a group of employees can file a complaint with the Director of the Labour Division relating to non-payment of wages, unsafe working conditions, excessive working hours and contract termination.

### 4.5.5. Minimum wage regulatory framework

Title 30 of the PNC relating to the Protection of Resident Workers Act states, “[I]t is essential to a balanced and stable economy in the Republic that workers who are citizens of the Republic be given preference in employment in occupations and industries in the Republic, and that the public interest requires that the employment of noncitizen workers in such occupations and industries not impair the wages and working conditions of citizen workers.” Non-resident workers should only be employed to supplement the domestic workforce. In Palau, minimum wage regulations are set out under the PNC.

The minimum wage was first introduced in 1998 (USDS 1999). The law set the minimum wage at US\$2.50 per hour, effective 1 January 1999, though foreign workers were originally exempt. According to the USDS (1999), “It generally is assumed that legislators specifically exempted contract workers in the July minimum wage bill to ensure a continued supply of low-cost labour in industries that the legislators often control.” The report concluded, “This amount appears to be sufficient, given the level of economic development, to provide a worker and his family with a decent standard of living. Anecdotal evidence indicates that unskilled workers for commercial firms are paid only \$1.50 to \$2.00 per hour.” However, it was also reported that foreign workers were increasingly subjected to abuse including physical and verbal abuse; working overtime and on off days without pay; withholding of monthly salary; deductions from salary for the amount of airfare; and substandard housing.

The rate remained stable until a law was introduced in 2013 to increase the minimum wage to US\$2.75 then by US\$0.25 per year until reaching US\$3.50 in 2016. The President at the time proposed a Bill maintaining the annual US\$0.50 increase for 10 years to address youth emigration to Guam and other US territories, though this did not materialize. The new law applied the rate to foreign workers as well as nationals (but not to informal workers), presumably to limit undercutting of wages of domestic workers as well as address exploitation. The informal sector includes self-employment jobs such as cleaners, caterers, tour guides, local jewellery makers, painters and recyclers.

The 2019 [Regulations](#) (which apply the Protection of Resident Workers Act) confirms that the minimum wage applies to all resident and non-resident workers but specifies that employers are not required to pay the minimum wage rate in the following cases (section 7.2):

1. up to two individuals employed as farm labour by a single employer;
2. up to two individuals employed as domestic helpers, caretakers, babysitters or houseboys;
3. employees who are students;
4. employees twenty years of age or younger, hired on a probationary basis, for a period not exceeding 90 days;
5. employees of nonprofit organizations.

Minimum wage regulations also provide that employers who pay minimum wages are not required to pay for employees’ transportation, food, housing or other living expenses. If employers provide these facilities, they can deduct a reasonable amount of money from employees’ wages and it should be stated in the employment contract.

It is important to note that there is a lack of information on the criteria used in fixing and reviewing minimum wages (e.g. baseline studies, consultation and review mechanisms). Since there is no formal tripartite structure in the country, the government fixes the minimum wage rates on an ad hoc basis. Table 4.5.1 depicts the minimum wage rates in Palau during 2008–24.

► **Table 4.5.1. Minimum wage rates, Palau, 2008–24 (US\$ per hour)**

Year	Minimum wage
2008	2.50
2013	2.75
2014	3.00
2015	3.25
2016	3.50
2023	4.25 (public sector only)*
2024	5.00 (public sector only)

**Note:** \*In 2023 the Senate passed a Bill for the minimum wage to increase to US\$5.00 for the private sector, but this did not take effect.

In 2023, the minimum wage rate for public sector employees was increased to US\$4.25 per hour in view of high inflation rates. Inflation averaged 2.8 per cent during 2000/21 and just 0.5 per cent from 2015 to 2021 but rose to 13.2 per cent in FY2022 and 12.4 per cent in FY2023, the latter impacted by the introduction of Palau Goods and Services Tax (PGST) (GSUSA 2024). However, it is not clear how many people will benefit from this given that average wage rates (inclusive of benefits) in the public sector are US\$12.99 per hour (GSUSA 2022).

The government also proposed to increase wages in the private sector with a 2022 Bill to raise the minimum wage by US\$0.75 every year until it reaches US\$6.50 per hour (Reklai 2022b). A simulation of the impact of an increase from US\$3.50 to US\$5.00 over the initial two years suggests a fall in GDP of 1.2 per cent due to

the impact on tourist numbers but an overall increase in real disposable income of 9.2 per cent notwithstanding inflationary effects (GSUSA 2022).

At the beginning of 2024, the House of Delegates was considering a Bill to increase the general minimum wage to US\$8.54 an hour in response to high rates of emigration (GSUSA 2024). This would also be an effective anti-poverty measure. According to Census 2020, the average household had 3.5 persons and 1.7 wage earners so to maintain a household income above the basic needs poverty line in 2023 requires an hourly wage of US\$4.63 (GSUSA 2024). If the policy objective is to provide a wage sufficient for an average household size but with only one wage earner, the appropriate hourly wage would need to be US\$8.06. However, such a major increase would likely to have a significant impact on tourist numbers, employment levels and inflation unless introduced over time.

Despite concerns over wage undercutting and

labour exploitation linked to heavy reliance on overseas workers, the Olbiil Era Kelulau (Palau’s Congress) approved a phased increase of minimum wage to US\$5 per hour, after nearly a decade. The adjustment being implemented in two steps: first to US\$4.25 on 1 October 2024, and then to US\$5.00 on 1 October 2025.

**Compliance**

The Labour Division has the responsibility of ensuring compliance with minimum wage regulations by inspecting worksites and payment records. The Regulations accompanying Title 30 permit the Division to impose citations and fines for non-compliance. However, recent research from the Ministry of Human Resources, Culture, Tourism and Development (HRCTD) found that several hundred workers were paid less than the minimum wage rate, indicating a need to strengthen the compliance framework (table 4.5.2).

► **Table 4.5.2. Employee pay and the minimum wage, Palau, 2022**

	Total	%	Palauan workers	%	Foreign workers	%
Above the minimum wage	4,073	63%	2,041	93%	2,032	46%
At the minimum wage	2,051	32%	61	3%	1,990	45%
Less than the minimum wage	361	6%	94	4%	361	8%

Source: Reklai 2022a.

These figures indicate that a large proportion of the workforce, mainly migrant workers, are paid at or near to the minimum wage. It may be noted that in Palau, wages and salaries are taxed at 6 per cent on income up to US\$8,000 per annum, 10 per cent on earnings between \$8,001 and \$40,000, and 12 per cent on anything above.

Overall, enforcement is limited (USDS 2023a). This was because most migrant workers are too vulnerable to raise a complaint and inspections have been few, with eight officers responsible for enforcing minimum wage laws alongside regulations regarding working conditions of foreign employees and safety standards. In addition, penalties have rarely been applied. Hence, according to USDS (2023a):

The government did not effectively enforce the law ... Penalties include a range of fines per violation and imprisonment but were rarely applied against violators ... Inspectors have the authority to make

unannounced inspections of workplaces and employer-provided housing. They may initiate sanctions, but the number of inspectors was insufficient to enforce compliance and penalties were rarely applied against violators.

Employers are subject to a civil penalty for non-compliance with minimum wage requirements, in addition to the amount of taxes, social security contributions and interest on unpaid wages.

**4.5.6. Conclusion**

Employment in Palau is shaped by the COFA and its reliance on tourism. There is a need to introduce systematic mechanisms and criteria for minimum wage review in order to address issues relating to migrant worker and emigration pressures, especially in a context of high inflation. This should be accompanied by improvements in labour market data and minimum wage monitoring and enforcement mechanisms.

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A photograph showing construction workers in Papua New Guinea. In the foreground, a worker in a yellow and green high-visibility vest is working on a concrete structure, possibly a culvert or bridge pier, which is reinforced with a dense grid of steel rebar. Another worker in a yellow high-visibility vest is visible to the right, also working on the structure. In the background, a large concrete pipe is being installed, and another worker in a blue uniform is standing nearby. The scene is outdoors, with dirt and some vegetation visible.

▶ 4.6. Papua New Guinea –  
Papua Niugini



### 4.6.1. Introduction

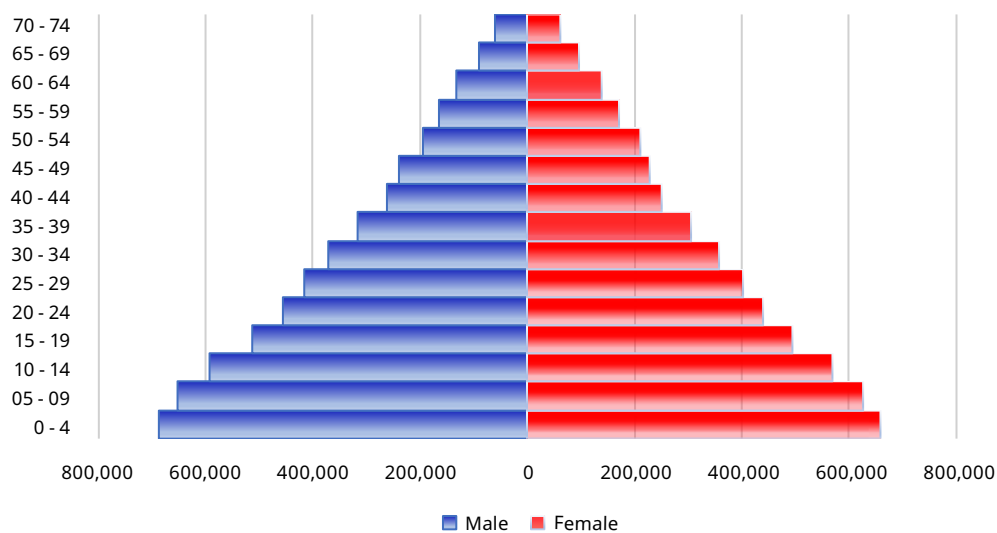
Papua New Guinea is the largest of the Pacific nations and the most diverse geographically and demographically. It has a total land area of 460,000 square kilometres and a population of nearly 10 million administered as 18 provinces, one autonomous region (Bougainville) and a National Capital District. The capital city is Port Moresby, with around 410,000 people; other large towns and cities include Lae, Madang, Wewak and Goroka. However, only 13.7 per cent of people inhabit urban areas and overall population density is low (CIA 2024). The country has several thousand separate communities, most with only a few hundred people and many in isolated villages divided by language, customs and tradition. English is the official language and Tok Pisin the common spoken language but there are at least 839 indigenous languages. Many rural communities regularly engage in tribal conflict without any recourse to formal policing and law.

The country is proximate to north Australia with which it shares a colonial history and institutional legacy. In the late 19th century, the northern part of the country came to be governed by Germany and the remainder by the UK which placed its colony under Australian administration in 1902.

Australia assumed control of the whole country during the First World War until independence was achieved in 1975.

The population is young (figure 4.6.1) and rapidly growing, increasing by over a third (36 per cent) between 2000 and 2011 according to Census data (Parker et al. 2012). The median age is 21.6 years, and the birth rate is 2.85/100 population with a fertility rate at 3.85 (CIA 2024). This means that the population is currently doubling each generation, adding to pressures on an already weak public sector and outstripping employment opportunities in the formal sector. Life expectancy is relatively low at 68 for males at birth and 71.5 for females. Poverty and disease are extensive and there are only 0.07 physicians per 1,000 population. According to the World Bank, children born in PNG will be only 38 per cent as productive when they grow up as they would have been if they enjoyed a complete education and full health. PNG's Human Capital Index of 0.38 is well below the average for East Asia and the Pacific (0.61). While progress has been made developing a skilled workforce, especially in the resources and ICT sectors, much of the labour force is low-skilled, and most of the population not educated beyond Grade 10.

► Figure 4.6.1. Population pyramid, PNG, 2025



There is very little outward migration, in common with other Melanesian countries (excepting Fiji). Remittances therefore constitute just 0.1 per cent of GDP (ILO 2017a). There are some migrant and expatriate workers employed within PNG, especially around extractive industries, due to systemic local skills shortages (Parker et al. 2012). In 2015, just over 41,000 foreign nationals held work permits to work in the private sector, with 17,500 in managerial positions, 13,500 as technicians and trade workers, and 8,000 as professionals (Voigt-Graf and Odhuno 2015). Arguably, this “takes away opportunities from local workers and reduces the incentive of employers investing in the upskilling of the local workforce”, adding to employment costs (ILO 2017a: 22).

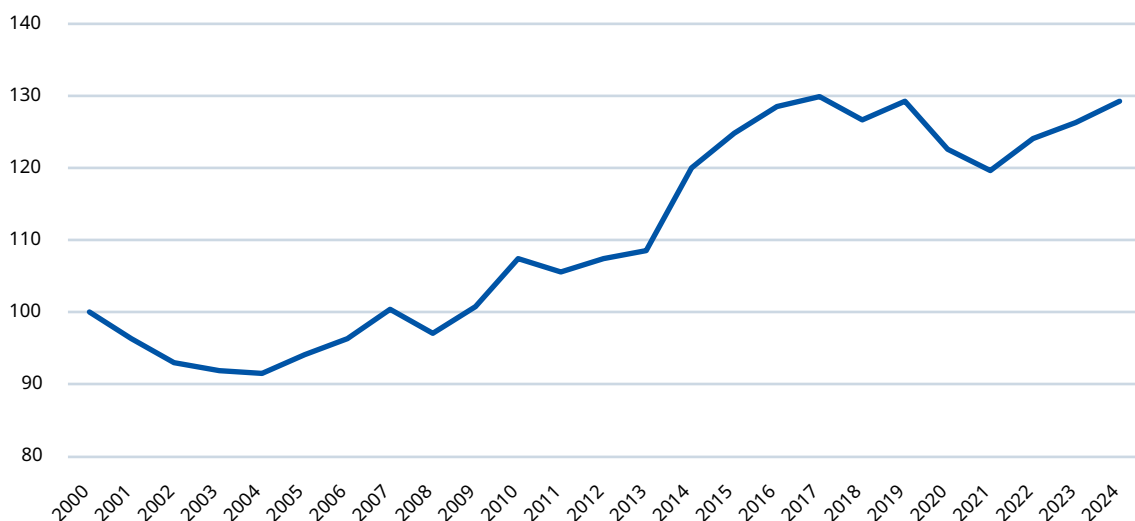
### 4.6.2. Economy

Agriculture accounts for 22 per cent of GDP, industry 43 per cent and services 35 per cent (CIA 2024). In employment terms, agriculture accounts for nearly 70 per cent and services around 24 per cent (ILO 2017b). Nevertheless, agricultural land amounts to just 2.6 per cent of the total and much of the country is forest (CIA 2024). This is because, in addition to a challenging terrain, the country has poor quality

land, covering approximately 70 per cent of the total land area; only 7 per cent of the land is of high or very high potential (Bourke and Harwood 2009). Good quality land is unevenly distributed across the provinces. Population densities for the best land are four to eight times those on lower quality land (Bourke and Harwood 2009). Only 20 per cent of the population occupy very high/high quality land.

PNG’s development is shaped by natural resource projects which have contributed to increasing GDP per capita. As shown in figure 4.6.2 the sharp increase in per capita GDP between 2014 and 2016 corresponds to the start of liquefied natural gas exports, which boosted national income. However, the benefits were unevenly distributed, with limited improvements for rural populations. The downturn after 2018 reflects weaker global commodity prices and domestic governance challenges. The COVID-19 period saw only modest declines compared to tourism economies, underscoring the different structure of PNG’s economy. Since 2022, modest growth has resumed, but structural issues—informality, inequality, and dependence on extractives—persist.

► Figure 4.6.2. Index of GDP per capita in constant prices (2000 = 100), PNG, 2000–24



Source: Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

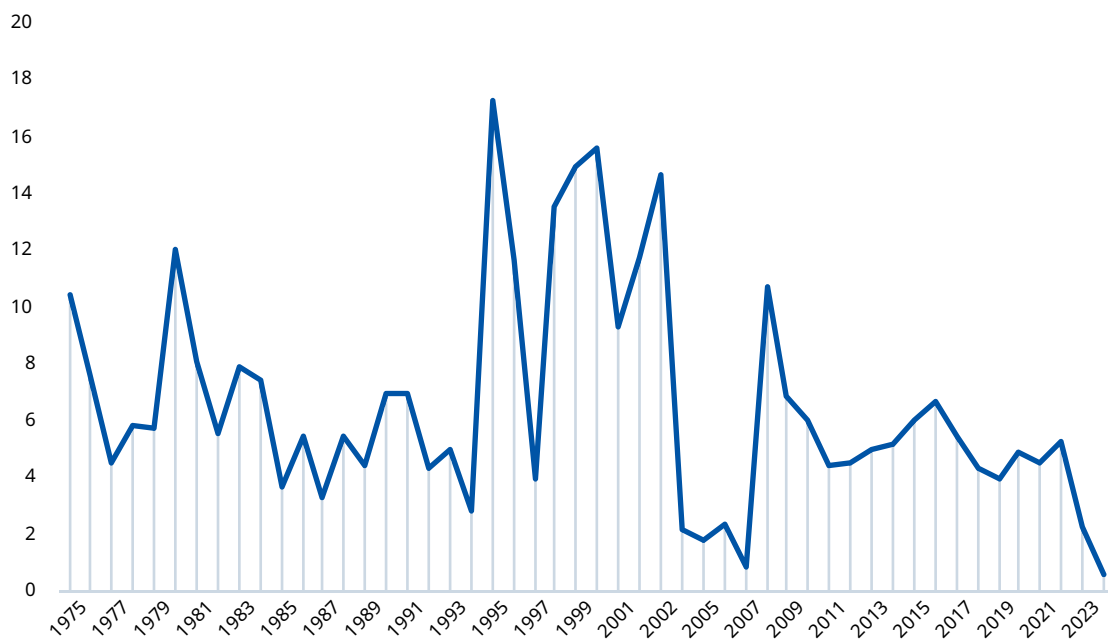
Industry dominates GDP by virtue of the country's natural resources including gold, copper, silver, natural gas, timber, oil and fish. The growth of mining accelerated after independence, in collaboration with multinational companies, though this generated limited local employment given its capital-intensive nature and unavailability of local skilled labour (ILO 2017a). Disputes over exploitation of mineral resources contributed to a civil war with a secessionist movement in Bougainville from 1988 until 1997. A referendum on independence of Bougainville from PNG in late 2019 resulted in an almost unanimous "yes" vote; negotiations remain ongoing.

PNG has a positive balance of trade, with around US\$11 billion exports and US\$4.3 billion imports. However, real GDP per capita is low at US\$3,700, giving it a country ranking of 190, and 37 per cent of the population is estimated to live below the poverty line (CIA 2024). Hence, increased mineral wealth plus growing income from coffee exports and other cash crops (such as rubber, copra, cocoa and palm oil) have done little to reduce rural poverty (Thomason and Hancock 2011). As Imbun (2016: 145) notes: "Despite sound income from the

extractive sector and external donor support, PNG governments have struggled to deliver social and economic services due to a multitude of issues such as endemic poor governance and capacity issues coupled with institutional decay and geographical challenges."

Inflation has been around 4–5 per cent in recent years (figure 4.6.3), eroding the value of a minimum wage which has not changed since 2016. World Bank data indicates that consumer prices increased by 79.8 per cent between 2010 and 2022, but the minimum wage increased by 51.3 per cent over the same period. However, inflation and the minimum wage have very different impacts on the rural and urban economies. In PNG society, customary land owned by clans and their members is the main measure of wealth and status and provides livelihood for future generations. The development of the cash economy is a relatively new and still limited phenomenon for most of the country. Approximately two thirds of those in the subsistence sector earned less than PGK200 per year from the sale of agricultural activities, and household earning was estimated to be only PGK1000 per year in 2014 (Jones and McGavin 2015).

► Figure 4.6.3. Consumer price index, PNG, 1975–2024 (annual % change)



Source: World Bank.

### 4.6.3. Labour market dynamics

Papua New Guinea's labour market is shaped by deep structural challenges, limited formal employment, and widespread informality. Weak statistical capacity—labelled a “symptom of institutional decay”—continues to hinder evidence-based policymaking. Labour market data are sparse, drawn mainly from the outdated 2009/10 HIES, the 2011 Census, and a recent 2022 socio-demographic survey. The country has yet to conduct a Labour Force Survey or publish a comprehensive employment census in over 15 years.

The 2022 labour force participation rate of people aged 15 and above is estimated at 52 per cent. Gender participation in the labour force was relatively balanced, with male participation at 53.3 per cent—just 2.7 percentage points higher than that of women. However, the rate varied significantly between rural (81 per cent) and urban (19 per cent) areas. Unemployment was relatively low overall (2.7 per cent), but much higher in urban centres and among young men. Gender gaps are notable—women in rural areas were much less likely to be in wage employment and far more likely to be in the informal sector.

PNG's employment structure reflects a dual economy dominated by services and agriculture. Over half of the workforce (53.7 per cent) is employed in the services sector, with wholesale trade standing out as the largest component, accounting for 33.1 per cent. Agriculture continues to play a critical role, engaging 38.6 per cent of workers, particularly in rural areas where subsistence farming remains prevalent.

Occupational data further underscores this duality, with the majority of workers concentrated in lower-skilled roles. Service and sales workers, along with skilled agricultural, forestry, and fishery workers, together account for more than 60 per cent of total employment. In stark contrast, professionals represent less than 10 per cent of the workforce, pointing to limited access to higher-skilled jobs.

Formal private sector employment has remained structurally weak, despite brief booms linked to resource sector expansion. While the mining and resource sectors dominate GDP, they account for only 7 per cent of total employment. Manufacturing and construction remain underdeveloped, and private formal jobs are scarce outside of plantations and extractive industries.

Wage and income data are largely absent from national statistics. Where available, wage information is fragmented, with little to no recent updates. This reflects a broader institutional disconnect between wage-setting and labour market monitoring. The Minimum Wage Board has remained largely inactive, and wage-related data collection has not been prioritized.

Structural barriers to job creation in PNG include poor infrastructure, insecurity, education and skills deficits, fragmented markets, and strong social obligations (e.g. wantok system), all of which constrain formal employment growth. While the government's 2022 survey provides new insights, sustained investment in labour statistics and governance is essential to inform effective wage policy and support inclusive labour market development.

### 4.6.4. Policy framework

The Jones and McGavin (2015) study concur with the situational analysis provided for the ILO in Parker et al. (2012). Many social and employment policies and plans are formulated but there exist implementation problems linked to coordination, monitoring and evaluation. The institutional framework is complex, with responsibilities shared across many national agencies, regional levels of government, and voluntary associations. Programmes designed to improve the situation of women and youth have had limited impact. Investment in education, training and health is low, which contributes to poor productivity. The collection of labour market data is very weak, which also limits effective policy development and analysis. In particular, there are no harmonized labour market indicators or a regular labour force survey. This could relate to practical and resource considerations as well as the preponderance of rural and informal work. However, the need for systematic employment data is acknowledged within the various national plans.

Labour protection standards appear high in terms of tripartite governance (primarily in the form of the National Tripartite Consultative Committee) and labour laws (governed, as amended, by the Employment Act 1978, Industrial Relations Act 1962, Industrial Safety, Health and Welfare Act

1961 and Workers' Compensation Act 1978).<sup>10</sup> But they are weak in terms of enforcement and effect due to limited general awareness and insufficient resourcing of the Department of Labour and Industrial Relations (DLIR). Notwithstanding ILO technical support, reform is very slow due to bureaucratic silos and rivalries (Arrowsmith and Parker 2020). The Industrial Relations Act has been under review since 2002, and the Employment Act since 2011, with a view to providing a coherent, modern framework for labour law. This remains to be realized.

### ILO Conventions

Papua New Guinea has ratified 29 ILO Conventions, including eight out of ten Fundamental Conventions and three out of four Governance Conventions. The latest to be ratified, in September 2023, were the Labour Inspection Convention, 1947 (No. 81), the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), and the Violence and Harassment Convention, 2019 (No. 190). The ratification of Conventions No. 81 and No. 144 should help support measures to reinforce tripartite consultations and to create an effective labour inspection system.

### Decent Work Country Programme

There have been three Decent Work Country Programme initiatives: 2009–12, 2013–17 and 2018–22. The latest provides an overarching policy framework to help review and formulate relevant legislation and policies addressing 12 policy outcomes under three broad objectives: increased decent and paid employment opportunities; strengthened effectiveness of labour market governance; and fostering social inclusion and employment security of workers (ILO 2018). It makes no direct reference to the minimum wage apart from noting: "The ILO will provide technical assistance in reviewing and revising the draft labour legislation and building the capacity of constituents through training on employment relations, conditions of work, minimum wage fixing, collective employment relations, ILS, and equal participation of women and men."

In contrast, the original DWCP had listed in outcome target 2.2.1: "An effective and appropriate minimum wages system will have been established by 2010 in the form of a functioning, transparent and independent Minimum Wages Board with full involvement and representation of the social partners" (p. 22). This remains unfulfilled, but a renewed commitment was made in the 2022 National Employment Policy.

### National Employment Policy

A major milestone in Papua New Guinea's employment policy landscape was the approval of the National Employment Policy (NEP) 2021–2031 by the National Executive Council (NEC) in 2022 (Elapa 2022). The policy reflects the government's longstanding commitment to promoting decent work and responds to earlier directions from the NEC (Decision No. 384/2018), which had mandated the Department of Labour and Industrial Relations (DLIR) to formulate a national employment strategy following the ILO's review in 2012. The NEP also responds to the socio-economic challenges posed by the COVID-19 pandemic, including rising unemployment, the need for stronger social protection, and increased labour market vulnerabilities.

The NEP operationalizes Papua New Guinea's obligations under the ILO Employment Policy Convention, 1964 (No. 122), which the country ratified in 1976. It is fully aligned with the country's overarching development frameworks, including the Preamble of the Constitution and its Five National Goals and Directive Principles, PNG Vision 2050, the Development Strategic Plan 2010–2030, the Medium-Term Development Plan III 2018–2022, and the 21 Principles of the Strategy for Responsible Sustainable Development. With adequate institutional support and resources, the NEP offers a solid foundation for driving legal and institutional reforms that promote inclusive and sustainable employment.

In terms of the minimum wage, the NEP states that there is a need to move away from the ad hoc establishment of the Minimum Wages Board but also allow it to make recommendations for specific industries: "There is a need to permanently provide

<sup>10</sup> In addition, an innovative and unique Informal Sector Development and Control Act 2004 promotes the development of informal businesses by providing access to finance and public goods and services while bringing them under public health and safety regulations.

for the establishment of the Board by legislation with a defined responsibility and ensure flexibility to enable the Board to make determinations that are relevant to different industries” (p. 21). The NEP proposes a survey “to determine the working conditions and the remuneration packages of the employees in Papua New Guinea” and to “Review the Terms of Reference, Guidelines, and NEC Decision and permanently re-establish the Minimum Wage Board by an Act of Parliament” (p. 31).

The NEP highlights the long-standing challenges in labour market data collection, noting that “the assessment of labour market in PNG is currently a challenge because data is very scarce and most of it is outdated and debatable” (p. 22). It attributes these challenges not only to weak institutional coordination but also to the non-enforcement of existing legislation. For instance, while the Employment Act 1978 requires employers to submit regular labour statistics to the DLIR, this provision has never been enforced. Similarly, the Employment Statistics Act 1976 remains largely unimplemented and is in need of review. As the NEP acknowledges, “[o]verall, minimal progress has been achieved over the years to improve labour market data and analysis in PNG” (p. 23).

However, this situation is beginning to change. In 2025, the government—through the Ministry of Labour and Employment and with support from the National Statistical Office—is preparing to conduct PNG’s first Labour Force Survey (LFS), marking a major step toward improving the country’s labour market information system. Resources have been allocated to support this effort, and a new Labour Market Information Policy is expected to guide long-term improvements in data collection and analysis. These developments signal a renewed political commitment to evidence-based employment policy and institutional strengthening.

### Tripartism

A legacy of the country’s links with Australia is its framework of labour law and institutions informed by western practice and the ILO (which it joined in 1976). There are 73 registered trade unions and about half of the wage earners in the formal economy are members, with high density in the public sector and major industries (Arrowsmith and Parker 2020). In the public sector, almost all of the labour force is unionized through the Public

Employees Association and other occupational-based unions such as for teachers, police and nurses. In the private sector, unions are organized on an enterprise level and have a relatively high presence in the strategic sectors of mining, transport and communications, where membership is stable and collective action is high. Employers are also well organized through sector associations and the apex body, the Employers’ Federation of Papua New Guinea (EFPNG). The EFPNG was registered as an Industrial Organization in 1963 and is a key stakeholder in PNG’s tripartite labour and industrial relations policy and decision-making process. Its labour equivalent is the Papua New Guinea Trade Union Congress which was formed in 1970 and has around 70,000 members (ILO 2018).

The primary formal tripartite arrangement governing labour market policy is through the National Tripartite Consultative Committee (NTCC) which was established in 1991 by the Industrial Relations (Amendment) Act. However, the NTCC was unwieldy, comprising 22 representative bodies from the private sector and state departments. Meetings were often inquorate and therefore irregular. Employers’ representatives have also complained that much of government policy resembled “tick box” exercises intended to impress international bodies but without due attention to implementation, monitoring and evaluation (Arrowsmith and Parker 2020). A perennial problem for the DLIR, which serviced the NTCC, was changing ministerial leadership, as well as issues around staffing and resources, including training. This compounded the problem of institutional complexity introduced by the over-representation of otherwise siloed departments in policy development and overlapping responsibilities in implementation and review.

The NTCC was reconstituted in 2017 and is now chaired by the Minister of Labour and Employment. Current membership was gazetted in November 2023 for a [meeting](#) on 15 March 2024 where the minimum wage was one of the main agenda items. Members include five State Ministers (including the Chair) and representatives from employers’ and workers’ associations. For the employers, these are the EFPNG, Manufacturers Council, Rural Industries Council, Port Moresby Chamber of Commerce and Industry, and PNG Chamber of Mines and Petroleum. Worker representatives are appointed from the PNGTUC, Police Association, Banks and Financial Sectors Workers Union, PNG

Nurses Association, PNG Teachers Association and Commercial Workers Association. The NTCC considered and approved:

1. the terms of reference for the MWB;
2. the draft National Occupational Safety and Health Policy;
3. the scope of the LFS planned for end-2024;
4. the proposed review and updating of standards for professional trades – the National Occupational Skills Standard;
5. continued implementation of the DWCP until a new programme is formulated and endorsed; and
6. a recommendation to amend the quorum provisions in the Industrial Relations Act to expand the government membership of the NTCC to facilitate regular meetings.

Other tripartite bodies are the National Apprenticeship and Trade Testing Board, and the National Training Council (NTC); the latter is a statutory body operating under the National Training Council Act 1991. The National Training Council is responsible for providing overall guidelines on human resource development in the country, specifically developing and monitoring policies related to training needs and priorities for all sectors. To promote training of citizens at all staffing levels, a training levy is applied to all businesses for which annual payroll exceeds PGK100,000. The levy, assessed on an annual basis, is calculated on the taxable salary and wages, including benefits, of all personnel. Expenses incurred in the training of citizen employees are deducted from the amount payable. Any business spending more than 2 per cent of its payroll on training staff does not pay the levy. Finally, the minimum wage is also reviewed by a tripartite body, the MWB, established under the Industrial Relations Act (see below).

#### 4.6.5. Minimum wage regulatory framework

##### History and evolution

Minimum wage regulation dates to the Native Labour (Wages and Employment) Ordinance of 1945 which set out monthly pay in terms of cash (15 shillings) and benefits such as clothing, food and accommodation (Jones and McGavin 2015). The Native Labour Ordinance 1946 sets out terms for casual wage employment, and Ordinances in 1950

and 1952 set out weekly and daily rates. Subsequent Ordinances increased the rates, though they lagged market wages in urban settings throughout the 1950s and 1960s.

Of institutional significance was the National Employment Board Ordinance in 1957–58, arising from the efforts of the Australian government and Australian Council of Trade Unions to modernize PNG governance and pay-setting arrangements in their own image (Imbun 2016). This set up a tripartite body to fix urban wage rates for native employees. The administration of the time also instructed the then white-dominated Public Service Association to assist the Kerema Welfare Society to form the Papua New Guinea Workers' Association in 1959 (Jones and McGavin 2015). In 1962, the Industrial Relations Act and Industrial Organisations Act established conciliation and arbitration machinery, enabling the registration of trade unions and employer organizations. For the next 10 years, the State continued to actively support the growth of trade unions and embedded tripartism into industrial relations policymaking (Hess 1992).

Following the recommendation of the "Report of the Board of Inquiry Investigating Rural Minimum Wages ... and Related Matters" (the "Cochrane Report") of 1970, a tripartite MWB was established in 1972. The Report's recommendation of a 22 per cent increase in the cash-equivalent minimum weekly wage to PGK5.90 was also implemented the same year. It was envisaged that the MWB would determine minimum wages in the formal sector by a review every three years, though this was never written into law. The MWB originally consisted of two employer and employee representatives, one government representative and a Chair. By the time of the 2000 review, three civil society representatives had been added, representing women, youth and the churches.

Saget (2008) observes that a common weakness of minimum wage setting in developing countries is trying to address multiple and sometimes conflicting policy goals. Imbun (2016) argues that in PNG, the original focus of the MWB on worker needs and equity concerns came to be subordinated to employer arguments around competitiveness and economic development. Imbun (2016) identifies four stages of government wage policy. The first, from the 1960s to 1975, was concerned with wage growth and social justice. The pre-independence MWB decisions to rapidly increase and index the minimum wage was based on the Australian

family (living) wage model, according to Jones and McGavin (2015: A2–5, A2–6). The second period (1975–83) focused on economic stabilization and wage restraint, and the third (1984–91) on economic growth, which introduced some deregulation and flexibility into the broader wage-fixing system. As minimum wages continued to increase, the 1986 MWB attempted to address the issue of youth unemployment by introducing wages at 50 per cent of the adult rate for those aged 16–21 years. The 1989 Board also regularized the use of piece rates (“incentive payments”) for rural workers and introduced “capacity to pay” exemptions.

This culminated in a fourth stage beginning in 1992 when the MWB cut the adult urban minimum wage from PGK62.83 per week to a uniform PGK22.96 (PGK17.22 for youth), though this applied only to new recruits. The rationale was that the minimum wage regulation should address only the rates of base-level unskilled workers, and the context encompassed inflationary pressures, changes in the exchange rate and high urban migration. There was no MWB constituted after that until 2000, due to severe political and economic instability and the influence of the IMF and World Bank (Imbun 2015), though an increase was made in 1998 via the NTCC.

The 2000 Board noted the lack of information and data, in particular to show whether the cut to the minimum wage had any positive employment effect, while noting the increased cost of living (Imbun 2016:158). It approved a new minimum wage of PGK1.51 (or PGK60.42 per week) and recommended an increase in the minimum weekly wage by PGK6.00 in each of the following two years to take it to PGK72.42 in the third year and before the next MWB determination. It also made other increases around tool allowances, heavy-duty allowances and camping allowances. However, the government vetoed the rate and invited the NTCC to review the MWB determinations, and to recommend a new minimum wage of PGK32.91 per week and a national youth wage of PGK18.51 per week. This was eventually endorsed in 2001.

According to Guille (2018), the 1992 deregulation was due to pressure on the government by the World Bank and IMF, and the latter also ensured that the MWB’s 2000 recommendation was rejected. As a result, the wage share of national income in PNG plummeted to lower than all countries but Cameroon, Lesotho and Niger.

A fifth stage began in 2008 that attempted to balance competitiveness and productivity concerns

with redress over workers’ purchasing power. In 2008 the MWB followed the government submission to recommend an increase to PGK2.29 per hour, or PGK100.80 for a standard 44-hour week, given that the real value of the minimum wage had fallen to less than half the rate set in 1992. The 2008 Board shifted the specification of the national minimum wage to an hourly basis, to facilitate part-time and flexible working, and abolished the youth rate given there was little recourse to it (Jones and McGavin 2015). The 2013–14 MWB then recommended PGK3.50 an hour, aimed at relieving wage earners’ living costs, particularly for those in urban settings. This was to be introduced in stages, from PGK3.20 with immediate effect, PGK3.36 a year after gazetting, and PGK3.50 a year later (i.e. 3 July 2016). That was the last MWB meeting.

Hence the recent history of minimum wage regulation in PNG involves radical deregulation (1992), absence of an MWB for eight years after which its recommended rate was vetoed (2000), another eight-year gap with some restoration of the minimum wage following its collapse in real terms (2008), then a Board in 2013–/14 that installed a rate that “had been deemed urgent in 2011 by Prime Minister O’Neill” (Imbun 2015: 137). There has been no increase in the minimum wage since 2016.

While the position of Chair to the MWB is a permanent one, convening an MWB is an ad hoc decision. In late 2018, then Minister for Labour, Mehrra Kipefa, announced in Parliament that an MWB would be convened in 2019 but that never happened (Oraka 2023). More recently, the government announced that a minimum wage review would be a priority for the NTCC appointed in November 2023; it was set to have its first meeting in March 2024.

The MWB was subsequently reconstituted in September 2024. Its terms of reference (Tilto 2025) include:

- assessing the effectiveness of the current method and criteria for wage adjustments as specified in the 2014 Minimum Wages Board Determination along with its implications
- considering the needs of employees and their families, taking into account the general level of wages, cost of living, and the relevant living standards of other groups in Papua New Guinea

- ▶ evaluating economic factors, including the requirements of economic development, levels of productivity, the level of inflation and the level of unemployment, and
- ▶ reviewing any other matters the MWB considers relevant.

Consultation with stakeholders involved two-day hearings in most centres of the country and week-long consultations in the major centres of Lae, Mt Hagen, Goroka and Port Moresby. This was expected to be concluded by the end of April 2025, after which it will deliver its recommendations to the Minister for Labour and Employment.

However, nationwide consultations finally concluded in June 2025, ensuring the review took into account current living costs while supporting PNG's sustainable development priorities. Gender equality and non-discrimination were central to the review, aiming to reduce income inequality, close wage gaps, and expand opportunities for marginalized groups.

The new wage rates, were announced on 18 September 2025 during PNG's 50th Independence celebrations, raising the minimum wage from PGK 3.50 (US\$0.84) to PGK 5.00 (US\$1.20) in 2026, followed by increments to PGK 5.25 in 2027 and PGK 5.50 in 2028.

The ILO supported the process through technical guidance and capacity-building. "The adoption of Papua New Guinea's new minimum wage is a significant achievement," said Martin Wandera, ILO Director for Pacific Island Countries. "It reflects the constructive engagement of government, employers, and workers and balances workers' needs with prevailing economic conditions. This collaborative process is vital to advancing decent work, social dialogue, and sustainable growth."

### Current legal framework

The minimum wage is governed by the Employment Act 1978; Employment Regulation 1980, as amended; Industrial Relations Act 1962 (Chapter 174) and Industrial Relations Regulation 1972, as amended. According to the Industrial Relations Act 1962, an MWB may make determinations on minimum wages. The MWB is made up of a Chair and not fewer than four other members; the number of employees' and employers' representatives must be equal. The scope of the MWB includes any matter relating to minimum wages and conditions of employment of all workers other than apprentices

and persons whose minimum wages are set under the Public Services Conciliation and Arbitration Act 1969 or the Teaching Service Conciliation and Arbitration Act 1971. The legislation does not specify criteria the MWB must consider when making its determination, nor how frequently this should occur. From 1974 until 1992 the MWB met on a regular (normally three yearly) basis. The MWB (2008 and 2013–14) recommended a review after three years though this did not happen. Convening an MWB remains sporadic and at government discretion.

The legislation states that the Board may choose to make recommendations according to different occupations, industries or geographical areas. A lower youth rate for 16–21 year-olds entering the labour force was dropped in 2009, according to the TRAVAIL database, and a uniform national rate has been determined since. However, the Employment Act 1978 provides a list of deductions which may be made by the employer with the written consent of the employee, witnessed by a Labour Officer, provided that the total amount of all deductions made does not exceed 50 per cent of the wages due. This is normally applied to larger agricultural employers who commonly provide allowances and benefits in the form of housing, schooling, medical or transport assistance.

Jones and McGavin (2015) argue that the MWB system needs reform because its goals are insufficiently articulated and its operations subject to too much political influence and control. Furthermore, "MWB decisions have been made with very limited data and, to our knowledge, there is no post-implementation data collection and analysis process" (p. 202). The Board needs statistics relating to wages in the formal sectors; incomes in the informal sector; prices in the urban and rural economies; macroeconomic indicators including (un)employment; and micro-level data concerning productivity and adjustment mechanisms at the level of the firm. The authors stress that qualitative data is also important given the complexities of business and work in the PNG context. They propose that the Board have a "standing" status (rather than being formed episodically), with specified time span (e.g. a three-year cycle), and be led by a Minimum Wage Commissioner who is appointed for their expertise. The Commissioner and Board need early and complete access to relevant data and be sufficiently resourced to conduct their own research and hearings if required.

### Minimum wage rates

Minimum wage rates during last five decades are provided in table 4.6.1. These were weekly rates until the move to an hourly rate in 2009. The rates were adjusted annually due to indexation until 1992, then subsequently on average every 4.5 years.

► **Table 4.6.1. Minimum weekly (and hourly) wage for general labourers, PNG, 1972–2024**

Year (Dec)	Rural	Urban
1972	5.9	11.5
1973	5.9	13.8
1974	8.0	20.0
1975	8.9	25.8
1976	9.43	27.18
1977	10.23	28.03
1978	10.98	29.71
1979	11.73	30.96
1980	13.0	34.84
1981	14.01	37.36
1982	14.65	39.28
1983	15.48	41.51
1984	16.25	43.59
1985	16.97	45.51
1986	17.7	47.47
1987	18.58	49.84
1988	19.14	51.33
1989	19.5	52.3
1990	21.08	56.33
1991	21.7	58.17
1992		22.96
1998		24.68

Year (Dec)	Rural	Urban
2005		37.2
2009		48.53 (2.29)
2014		140.8 (3.20)
2015		147.84 (3.36)
2016		154.0 (3.50)

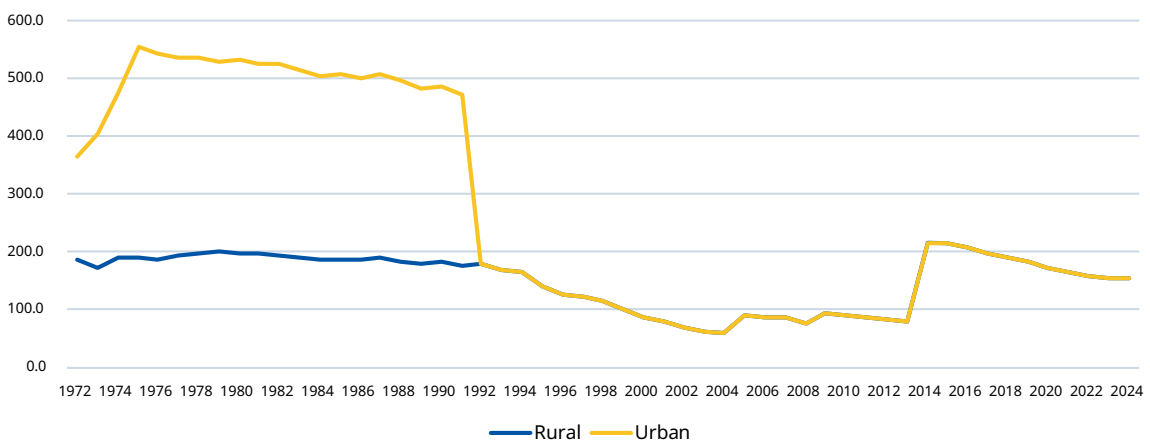
Note: Figures in the parentheses refers to hourly minimum wage rate.

Source: Jones and McGavin (2015) to 2014; rates for subsequent years are based on authors' calculations.

The 2016 minimum wage is low by international standards (Howes et al. 2022), a reversal of early trends when there were concerns that high wages and low productivity were damaging international competitiveness (Goodman et al. 1985). As noted above, the minimum wage rate accelerated in the last few years prior to independence in 1975 and was maintained by indexation until the reforms of 1992. Under the country's first structural adjustment programme, the urban rate was slashed for new recruits and merged with the rural minimum. Adjusted for inflation, the urban minimum wage rose sharply until independence then continued to decline until the 1992 rupture and then again until 2004, based on 2024 prices (figure 4.6.4).

Notwithstanding some significant periodic increases, the current minimum wage rate is only about one third of its value at independence, and below its value even in 1972, before the steep increases began. The present rate is also very low internationally in purchasing power parity terms given the relatively high cost of living in PNG.

► **Figure 4.6.4. Real minimum wages, PNG, 1972–2024 (PGK per week, 2024 prices)**



Source: Authors' calculations based on Jones and McGavin (2015) and updated since 2014 onwards.

Perhaps unsurprisingly, given the low minimum wage rate, Jones and McGavin (2015: 199) concluded from their original empirical research that the average wage “is far higher than the minimum wage and this generalisation is true across all industries and sectors with the exception of the agricultural industry and the unregulated sector”. However, many of the larger agricultural estates provide significant non-wage benefits which include housing, water, electricity, medical care, physical security and schooling assistance. These costs are borne by employers and can mean that the effective employee wage is twice as much as the nominal wage (Jones and McGavin 2015). These benefits become more valuable in conditions of high inflation. At the same time, for many occupations, wages are “pervasive” below the legal minimum, which could be in part that “hours are greater than regulation standard weekly hours of work” (Jones and McGavin 2015: 387). In other words, the minimum wage is set at an hourly rate, but wages are paid for a fortnightly work period which might vary and be cumulatively longer than the standard day or work week. This may be accepted by workers because of customary habits and/or the need to retain paid employment.

### Compliance

Enforcement of existing labour legislation is poor, resulting in weak compliance (Jones and McGavin 2015). In November 2022, the acting Labour Minister and Deputy Prime Minister, John Rosso, asserted that an estimated 70 per cent of employers were paying workers less than the PGK3.50 hourly minimum wage rate (Maginde 2023). This was because though there were mechanisms for workers to make a complaint, penalties were very low, having remained unchanged since the Employment Act 1978 established a fine of PGK5000. The Ministry was set to review and amend the Act in 2023, and a new MWB was appointed in 2024. The fine is likely to be increased to a maximum of PGK100,000 (Oeka 2023). Mr. Rosso said some of the worst offenders were shops and security firms, with the latter commonly paying around PGK1.00 an hour, and indicated that a minimum wage rate of PGK4.50 would be appropriate. The PNGTUC is currently calling for a rate of PGK10.50

to address the cost-of-living crisis and ensure a better share in future prosperity (Oraka 2023). In response to public and union pressure, the zero-rated income tax threshold was raised to PGK20,000 in 2023. After that the rates rose 35 per cent to PGK33,000, 40 per cent to PGK70,000 and 42 per cent to PGK250,000. The government also imposes a universal goods and services tax of 10 per cent on sales.

### 4.6.6. Conclusion

It is clear that the minimum wage system in PNG has been failing for many years. There has been no systematic mechanism for review and little data to adequately support revisions when they do occur. The nominal rate did not change since 2016, so it was increasingly an ineffective means of supporting paid workers. This could have contributed to discourage the growth of formal employment. At the same time, many workers are paid below the minimum wage rate due to lack of enforcement and inadequate redress processes.

The introduction of a new National Employment Policy, the reconstitution of the National Tripartite Consultative Council, and the appointment of a new Minimum Wages Board—supported by fit-for-purpose labour market statistics—are expected to strengthen certainty and effectiveness in minimum wage determination for both employers and workers. The decision to raise the minimum wage to PGK 5.00 in 2026 marks a milestone, ending nearly a decade of wage stagnation. It reflects a transparent, inclusive, and evidence-based process led by the Department of Labour and the re-established Minimum Wages Board (MWB), which brings together government, the Papua New Guinea Trade Union Congress (PNGTUC), and the Employers Federation of PNG (EF PNG) to ensure balanced input from all social partners.

Looking ahead, the priority for PNG is to develop a comprehensive Minimum Wages Policy that institutionalizes transparent, evidence-based, and inclusive mechanisms, ensuring that future adjustments remain aligned with economic realities, living costs, and social needs.

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## 4.7. Independent State of Samoa – Malo Tuto'atasi o Sāmoa



### 4.7.1. Introduction

The Independent State of Samoa consists of 10 islands of around 2,830 square kilometres of which the two main islands (Savai'i and Upolu) and two small islands (Manono and Apolima) are inhabited. It has a population of 200,114 (2021), of whom 37 per cent are below 14 years of age (ILO 2022). Savai'i is the largest of the Samoan islands and has a population of 42,000 people. Upolu hosts the capital city, Apia, and has nearly three quarters of Samoa's population. Fewer than one in five (17.7 per cent) of the population live in urban areas (ILO 2022).

The country was under joint British and New Zealand administration from 1915 until 1 January 1962, when it became independent. It was known under the Constitution as the Independent State of Western Samoa until 1997, though it was referred to in the UN as the Independent State of Samoa since joining in 1976. The Constitution builds on the British pattern of parliamentary democracy, modified to take account of Samoan customs, and the judicial system incorporates English common law and local customs. The unicameral legislature (the Fono) consists of 51 members serving five-year terms. Universal suffrage was adopted in 1990, but only chiefs (matai) may stand for election to the 49 Samoan seats. The other two seats are chosen by non-Samoans on separate electoral rolls. There are more than 25,000 matais in the country, about 5 per cent of whom are women. Since an amendment of June 2013, the Constitution mandates a 10 per cent quota for women Members of Parliament.

Like many other PICs, Samoa is at high risk of natural disasters including tropical cyclones, earthquakes, tsunamis, heatwaves, droughts and floods. It is also in a seismic zone called the "Ring of Fire". Although disasters have been less frequent than in some other countries of the region, exposure is increasing with climate change. The three cyclones of 1990, 1991 and 2012 caused damage amounting to US\$611 million (IMF 2022). An earthquake of magnitude 8.3 struck Samoa on 29 September 2009, which triggered a devastating tsunami and caused damage equivalent to 35 per cent of GDP (IMF 2022). Samoa's economy was devastated by Cyclone Evan in December 2012, which caused damage and losses estimated at 30 per cent of GDP. Severe damage was also inflicted

by Cyclone Gita in February 2018. Heavy rains have also become common in recent years, causing severe flooding in 2020 and 2023. Samoa was ranked 51st of 179 countries in the Global Climate Risk Index 2012 and is expected to incur an annual loss of US\$10 million over the long term due to earthquakes and tropical cyclones (World Bank 2021). These events damage economic growth and debt sustainability. A debt-to-GDP ratio of 49 per cent is expected to trend upwards to cross the Debt Sustainability Analysis threshold of 70 per cent of GDP by 2034 (IMF 2022).

Samoa has a GNI of US\$3,860 per capita (2021) and is categorized as an upper-middle-income country by the World Bank. The GDP was estimated to have grown by 0.4 per cent per annum over the period 2011–2021 but shrank under the impact of COVID by 8.1 per cent in 2021 (ILO 2022). Some 40 per cent of the adult population are employed, with approximately 30 per cent working in the primary sector, 25 per cent in industry and 45 per cent in services. The tourism sector accounts for 20 per cent of GDP. Agricultural output accounts for less than 10 per cent of GDP, with an employment share of 20 per cent, but it is a source of income for over 70 per cent of the population (IMF 2022) as well as accounting for 90 per cent of exports through coconut products, cocoa beans and bananas. Fishing accounts for 2.1 per cent of GDP (2023), but fish constitutes a large part of citizens' dietary protein and there is significant informal employment in agriculture and fishing. Around 15 per cent of all persons over the age of 10 years are involved in subsistence employment and a quarter of these are engaged in some cash-based form of employment (World Bank 2021).

Samoa became a member of the ILO in 2005 and ratified all of the then eight Core Fundamental Conventions by 2008. It has not yet ratified the Convention on Minimum Wage Fixing Machinery, 1920 (No. 26). The universal minimum wage has been only occasionally revised, leaving the rate very low. However, the Labour and Employment Relations Amendment Act 2023 included a requirement under section 32 (3) to review the national minimum wage every two years. It became effective in February 2024. A Minimum Wage Policy was also adopted in May 2024 and a new rate of WS\$4.00 (US\$1.49) per hour took effect in July 2024. This replaced the previous minimum rate of WS\$3.00 (US\$1.09) per hour, applicable from

2020. An additional increase of WS\$0.84 (US\$0.30) will take effect on 1 July 2025, bringing the rate to WS\$4.84 (US\$1.77) per hour.

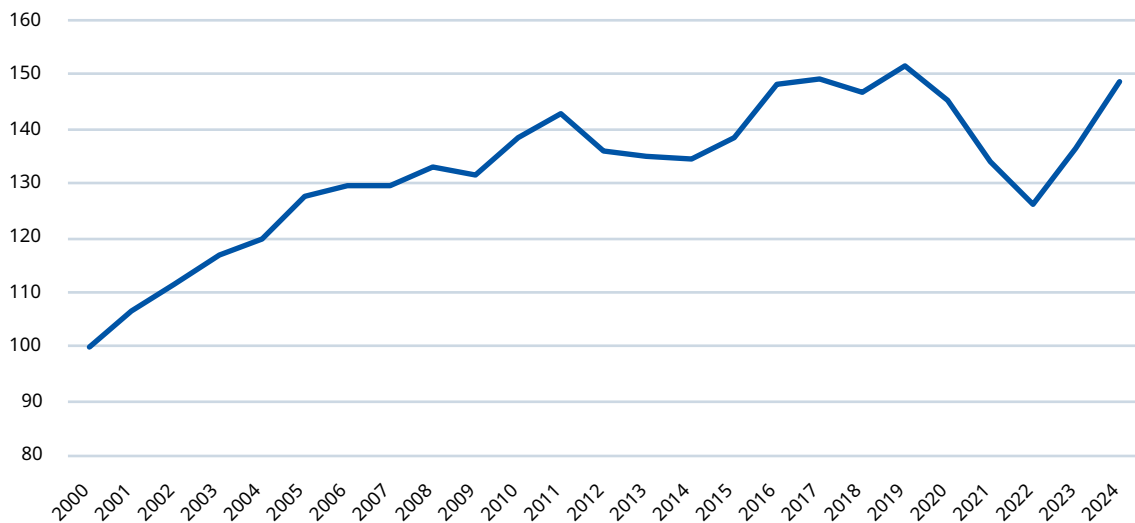
### 4.7.2. Economy

Samoa has made substantial economic progress in the past couple of decades (ADB 2015). It is one of the few countries to have graduated from the LDC category to the Developing Country status, in 2014 (World Bank 2021). Analysis of HIES data indicates that the population living under the BNPL fell from 26.9 per cent in 2008 to 18.8 per cent in 2014. Other improvements include a rise in life expectancy to 73.4 years in 2020, from 71.9 a decade earlier; an increase in access to basic sanitation services, from 94.5 per cent of the population in 2000 to 96.8 per cent in 2020, and in basic drinking water services from 88.7 per cent

to 91.8 per cent over the same period; universal access to electricity, up from 87.9 per cent in 2000; and a doubling of those with access to clean fuels and technologies for cooking from 18.6 per cent in 2000 to 36.5 per cent in 2020 (World Bank 2021).

The country experienced sustained growth through the 2000s and 2010s, supported by remittances, aid, and a tourism sector that steadily expanded. Per capita GDP (figure 4.7.1) peaked in 2019, but the prolonged COVID-19 border closures (2020–2021) caused one of the deepest contractions in the region, given Samoa’s high dependence on tourism and restrictive health measures. From 2022 onwards, GDP per capita rebounded as tourism resumed and remittances remained strong. By 2024, the economy had largely recovered, though vulnerabilities remain due to limited diversification and climate risks.

► **Figure 4.7.1. Index of GDP per capita in constant prices (2000 = 100), Samoa, 2000–24**



Source: Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

Despite efforts to promote exports, Samoa runs up large merchandise trade deficits by importing around seven times the value of its exports (ILO 2019). This is largely offset by migration remittances and tourism earnings. In 2018, remittances accounted for more than 16 per cent of GDP, or US\$142 million (only slightly less than that of agriculture, fishing and manufacturing combined), rising to 33.6 per cent by 2022 (World Bank).

According to the Central Bank of Samoa, total remittances for the first 10 months of FY2023/24 were higher by 6.6 per cent over the same period in the previous year, reaching WS\$727.9 million (CBS 2024).

Activity in the tourism sector was also robust in the pre-COVID years, with tourist arrivals increasing by 8 per cent in 2017 and 9.5 per cent in 2018 (ILO 2019). Post-COVID, total visitor earnings in the first

10 months of FY2023/24 amounted to WS\$507.7 million, with most arriving from Australia and New Zealand (CBS 2024). Just over half of the visitors travel to visit family and friends.

### Agriculture

Much of the land in Samoa is held in the communal trust of the local matai (head or chief of an extended family). The agricultural sector accounted for only around 8 per cent of Samoa's GDP in 2018, down from nearly 12 per cent in 1998. Increasingly, agricultural production competes with other growing sectors such as tourism and manufacturing. Remittances and more attractive salary opportunities in Apia and overseas have likewise caused a shift away from agricultural production, as has climate change. Of the total land area, around 0.3 per cent is agricultural land, compared to 17.0 per cent in 2001 (ILO 2022). Agricultural land in this context refers to the share of land area that is arable, under permanent crops and under permanent pastures.

However, almost all households produce agricultural goods both for subsistence and commercial purposes (World Bank 2021). Only around a quarter of total agricultural production in Samoa is for the market; the remainder is for own consumption and local exchange. The Report on the Samoa Agricultural Survey 2015 highlighted that of the 28,119 households in Samoa in 2015, some 97 per cent were agricultural households in that they grew some crops or raised some livestock. While many households in Samoa engaged in agriculture as only a secondary activity, most (about 55 per cent) were major crop households engaged in mainly subsistence agriculture. A major crop household is an agricultural household with more than 625 square yards of land under garden crops, or more than 20 coconut trees, or more than 20 banana plants or more than 20 other tree crops. Samoan farming is still based on the traditional practice of mixed cropping where root crops are the most important staple food.

### Tourism

The role of tourism in the Samoan economy has been growing as a source of employment and foreign exchange. Tourism earnings grew from US\$40.6 million in 1999 to US\$107.3 million in 2007 (World Bank 2021). Samoa's 2009 Second National Communication to the United Nations

Framework Convention on Climate Change noted that the number of tourists visiting the country rose from 39,414 to 87,688 between 1990 and 2000, with visitor numbers growing at an annual rate of 5.1 per cent. Data from the Samoa Bureau of Statistics (SBS) shows a significant surge in more recent times with visitor arrivals in 2018 totalling 172,496.

### 4.7.3. Labour market dynamics

Samoa benefits from a relatively strong statistical infrastructure, with regular implementation of Labour Force Surveys (LFS), Household Income and Expenditure Surveys (HIES), and the Population and Housing Census. These are supplemented by quarterly formal employment data sourced from the (SNPF), which covers all registered employers and employees.

In 2021, Samoa's population stood at 205,557, growing modestly at 0.7 per cent annually over the past decade. Migration remains a key demographic feature, with net migration averaging -1.4 per cent between 2015 and 2020, and around 1,000 people annually relocating abroad under New Zealand and Australian labour mobility schemes. Migrant remittances are a vital source of household income, particularly in rural areas.

The 2022 LFS estimated the labour force at 55,960 individuals, reflecting a labour force participation rate (LFPR) of 43.8 per cent. Participation remains heavily gendered: 56.6 per cent of men were active compared to just 31.4 per cent of women. Youth and women also face higher unemployment rates, and a NEET rate of over 30 per cent, disproportionately affecting women.

Total employment in 2022 stood at 53,135, yielding an employment-to-population ratio of 41.6 per cent. Services accounted for 55.7 per cent of employment, followed by agriculture (30.0 per cent) and industry (13.2 per cent). 54.3 per cent of the employed held wage or salaried jobs; the remainder were own-account workers, contributing family workers, or small employers. Informal employment accounts for 51.6 per cent in 2022, with men (57.2 per cent) more likely to work informally, especially in agriculture and fisheries.

Skills distribution is mixed. About one-quarter of workers are employed in high-skilled occupations, and two-thirds in medium-skilled roles. Women

are more likely (45.2 per cent) to be in services and professional occupations, while men dominate (50 per cent) in agriculture, trades, and construction.

SNPF data show a formal employment base of 25,230 people in Q2 2023, with women comprising nearly half the formal workforce. Public administration is the largest sector (26.5 per cent), and the majority of formal jobs (63.1 per cent) are in services. Formal employment is concentrated in Apia and surrounding areas, with markedly lower access in rural regions such as Savaii and Rest of Upolu.

Wages have been rising, with an average quarterly wage of WS\$6,263 in mid-2023. Women earned slightly more on average than men, driven by their representation in better-paying sectors such as electricity, water, and finance. However, regional and sectoral disparities persist. For instance, average household incomes and wage dependency are significantly lower in rural areas. In 2018, wages and salaries accounted for just 31.5 per cent of household income in Savaii, compared to 63.5 per cent in Apia.

The national Basic Needs Poverty Line (BNPL) is WS\$55.80 per person per week, while an estimated “living wage” would be around WS\$450 per week, or WS\$10 per hour—highlighting the income gap. Multidimensional poverty remains widespread, affecting one in four people, with the highest concentrations in North West Upolu and Apia. Structural disparities in employment access, education, and health continue to shape labour market outcomes and income inequality in Samoa.

#### 4.7.4. Employment and minimum wage regulation

Samoa became a member of the ILO in 2005. In 2008 it ratified eight Fundamental Conventions: Forced Labour Convention, 1930 (No. 29); Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); Equal Remuneration Convention, 1951 (No. 100); Abolition of Forced Labour Convention, 1957 (No. 105); Discrimination (Employment and Occupation) Convention, 1958 (No. 111); Minimum Age Convention, 1973 (No. 138); and Worst Forms of Child Labour Convention, 1999 (No. 182). This was followed in 2013 by the ratification of the Maritime Labour Convention, 2006 (No. 186) and

the Governance (Priority) Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) in 2018.

The first Decent Work Country Programme was operationalized from 2009–12, with coordination by the Ministry of Commerce, Industry and Labour (MCIL) and the Samoa National Tripartite Forum (SNTF). The SNTF was established in 2013 ahead of the ratification of the Tripartite Convention No. 144 in 2018 in order to support the DWCP. The key priorities of the first DWCP were modernization of labour laws; promotion of decent employment opportunities, particularly for young women and men, and inclusive of persons with disabilities; and capacity-building of tripartite partners and improvement of social dialogue. Samoa completed its second Decent Work Country Programme (DWCP) covering 2012–2016 and the third DWCP covering 2017–2020 and has since launched its fourth DWCP 2024–2028, which was formally signed in February 2025 by the government and social partners.

The current DWCP is also guided by the Samoa National Employment Policy (SNEP). The first SNEP (SNEP 1: 2016–2020) aimed to address issues highlighted by labour market statistics and develop evidence-based policymaking. SNEP 1 noted that the slowdown in economic growth after 2016 limited employment opportunities and resulted in rising poverty and inequality. It set out measures to improve job demand as well as introduce active labour market interventions on the supply side and reforms to the institutional/regulatory framework (MCIL 2016). However, a review identified problems in implementation, indicating resourcing and capacity constraints within MCIL and key implementing agencies and broader coordination problems (MCIL 2022).

The second SNEP (SNEP 2), running from 2021/22 to 2025/26, followed a situational analysis conducted in 2020 that formed the basis for post-COVID policy and planning. It also incorporated issues identified by the LFS 2017 and Labour Market Survey 2019. The latest Labour Market Survey 2022 highlighted that a small proportion of the workforce in the formal private sector (1475 employees, 11 %) were paid at the minimum wage of WS\$3 while a very small number (80 employees) received wages below the minimum wage threshold.

## The Labour and Employment Relations Act 2013

The Labour and Employment Relations Act (LERA) [2013](#), which replaced the Labour and Employment Act 1972, introduced new rights around collective bargaining, dispute resolution, anti-discrimination, parental leave, termination, pay, leave and hours of work. (Redundancy compensation was not covered.) The Act was formulated with the technical support of the ILO. Previous reforms made little progress; for instance, the Industrial Relations Bill 1992/93 was eventually abandoned (Chong-Fruen 2010). Public sector employees also have certain rights and protections under the Public Service Act [2004](#), which replaced the 1977 Public Service Act. Public service employment is administered by the Public Service Commission (PSC) whereas the LERA covers the private sector and government statutory corporations such as utility companies and is under the remit of the MCIL. The public sector is governed by the 2015 Working Conditions and Entitlements Manual, implemented by the PSC and covering 14 government ministries, seven Constitutional bodies and two statutory bodies. Public sector wages are protected by statute and include provisions for cost of living review.

The law therefore covers private sector and public sector workers differently (USDS 2022). For the private sector, overtime pay is at one and a half times, with double rate for work on Sunday and public holidays. For some parts of the public sector, there is no paid overtime, but authorities give compensatory off for overtime work. Private sector workers have the right to conduct legal strikes, but the law states that a public sector employee who engages in a strike or any other industrial action is considered “dismissed from [their] employment”. The government generally enforced wage laws; penalties were commensurate with those for similar crimes, such as fraud, and were sometimes applied against violators (USDS 2022). However, the number of Inspectors is not sufficient to fully enforce compliance, and both the minimum wages for the private and public sectors were below the official estimate of the

poverty income level for a household.

The LERA also required all businesses to maintain records and set out the powers of Labour Inspectors.<sup>11</sup> It also placed the SNTF on a statutory footing. The SNTF has 12 members and meets at least twice every 90 days. It currently comprises:

- Government: CEO, Ministry of Commerce, Industry and Labour (Chair); Secretary of the Office of the Public Service Commission; CEO, Samoa National Provident Fund; CEO, Accident Compensation Corporation;
- Employers<sup>12</sup>: President of the Samoa Chamber of Commerce and Industry; President of the Samoa Association of Manufacturers and Exporters; President of Women in Business Development Inc; President of the Samoa Hotel Association;
- Employees<sup>13</sup>: President of the Public Service Association; President of the Samoa Nurses Association; President of the Samoa Workers Congress; President of the Samoa Seafarers Union.

A Labour and Employment Relations Amendment Bill was further developed after 2018 to set out new rights at work and give Labour Inspectors additional responsibilities and powers such as attempting to resolve labour disputes through conciliation. Amendments to the LERA eventually became law in 2023. Provisions included new protections against harassment, including sexual harassment, as well as enhancing the enforcement powers of Labour Inspectors through the capacity to issue spot fines (penalty notices) not exceeding WS\$1,000. Other changes included extending the term for employment permits from two to three years and increasing the minimum age of employment for children from 15 to 16 years in line with ILO commitments and the compulsory age for education under the Education Act 2009. The Labour and Employment Relations Amendment Act 2023 also set out a requirement under section 32 (3) to review the national minimum wage every two years. It became effective in February 2024.

11 The “substantial discretionary power” granted to the MCIL CEO and Labour Inspectors was criticized by the ADB (2015: 40) because it could result in rules being applied “arbitrarily to extract side payments”.

12 Originally included Director of Small Business Enterprise & Cooperation (SBEC).

13 Originally comprised the President of the PSA, the President of the Yazaki Employees Association and Presidents of two workers’ associations to be appointed by the Head of State upon the advice of the Cabinet.

## Ministry of Commerce, Industry and Labour (MCIL)

The MCIL was established under the Ministerial and Departmental Arrangements Act 2003. It incorporates the former Department of Labour; the Commerce and Industry divisions from the former Department of Trade, Commerce and Industry; and the Registries of Companies and Intellectual Properties from the former Department of Justices. It has a variety of mandated roles and responsibilities set out in more than 30 pieces of legislations. These include:

- ▶ promotion of industry development, foreign investment and the rights of citizens to participate in the economy of Samoa;
- ▶ setting standards to regulate fair competitive practices to promote a level playing field in all trades;
- ▶ administration of the Apprenticeship Scheme, employment services, RSE and the Labour and Employment Export Program;
- ▶ conducting labour market surveys and collecting labour market information;
- ▶ promoting and enforcing labour and employment relations, foreign employee employment, and occupational safety and health standards;
- ▶ managing and enforcing the statutory obligations of the registries of companies and other legal entities, and protecting the rights of Intellectual Property holders.

## Social partners

There are seven unions registered with the MCIL and affiliated with the Samoa Workers Congress (SWC) which was established in 2014 to bring workers' associations together. The Samoa First Union (SFU) is the largest private sector trade union and was formed in 2015 in a collaboration between the SWC and First Union New Zealand. First Union wanted to develop a union for private sector workers as the Samoan community within its New Zealand membership was concerned about potential exploitation and lack of representation for workers in Samoa.

There are also workers' associations for the maritime industry, hotel and resort workers, and manufacturing workers. Funding support is provided by Union Aid Abroad, National Union of Workers Australia, UNI Global Union, International Union of Food as well as First Union New Zealand. In addition, the Maritime International Federation has assisted the SFU with its work in the Port of Samoa, especially after 2016 when two Samoan port workers were killed in the workplace.

Public sector unions are referred to as staff associations and provide services such as social clubs and credit unions. Most are in the public sector, namely the Public Service Association (PSA, which is not affiliated to SWC) plus those for professional occupations such as nurses, medical staff, teachers and lawyers. There is usually dual membership as the PSA focuses on wages and individual grievances, and the occupational specialist associations on professional development.

There are rarely collective disputes though there was a PSA strike of 4,000 workers for 13 weeks in 1981 and a private sector strike in 1993 at the Yazaki factory organized by what became the Samoa National Union of Workers (SNUW) in 1994 (which only lasted two years). According to Chong-Fruean (2010: 103), a "lack of union activities and the marginalized role of unions in Samoa's IR system" is partly explained by a weaker attachment to paid employment for many workers, as they often have land and their community to fall back on for support,<sup>14</sup> and by the fact that most businesses are small, often employing family and friends. Employers are better organized. The Samoa Chamber of Commerce and Industry includes the Samoa Association of Manufacturers and Exporters and the Samoa Hotel Association, and is a member of the SNTF.

Culture is important in shaping employment relations, according to Chong-Fruean (2010: 69): "although Western rules may appear to be dominant in shaping Samoa's institutions and laws as well as IR and IR systems, this appearance is only at the surface; the goals, values, behaviours and relationships among the government, employers and employees in Samoa are predominantly influenced by the fa'asamoa." Culturally, the concept

<sup>14</sup> This was supported by PSC Commissioner Afamasaga (personal correspondence): "The fact that our people have access to land and can utilize land as means to making a living is a fact that must be considered with deep understanding when we talk minimum wage ... because it is not a matter of either 'salary wage or subsistence living', it is both."

of Tautua (service) is vital and refers to loyalty, which extends to matai and also those in authority, and reciprocity. This may lead to paternalistic rather than authoritarian management but can cause issues for unions where it manifests in management unilateralism and employee deference.

### Minimum wage regulation

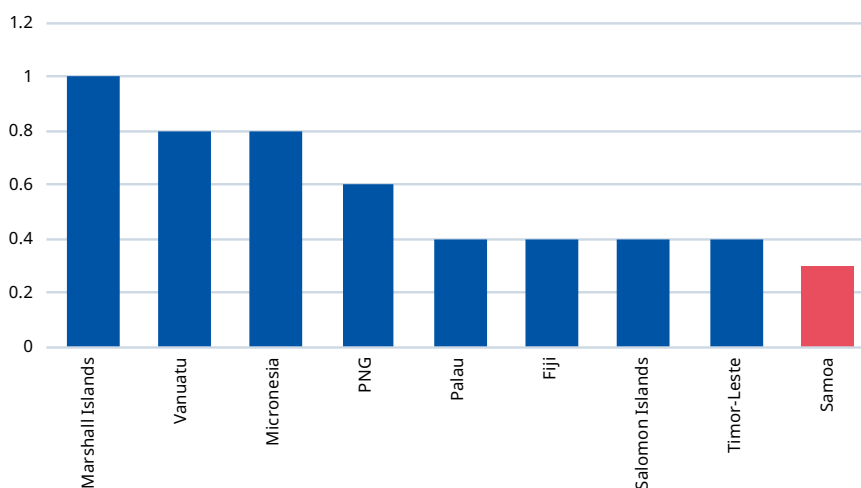
Section 32 of the LERA states that an Order for a minimum wage may be prescribed by the Head of State, acting on the advice of the Cabinet, for “an industry, occupation or class of employees”. This must follow a recommendation by the SNTF, which “must consult with such employers and employees as the Forum considers appropriate”. No timeframe was stipulated for this process until the 2022 amendment to the LERA introduced a requirement for biennial review of the minimum wage.

Reviews of the minimum wage have been infrequent, and the rate has lagged behind changes to prices and earnings. This has partly been attributed to the experience of American Samoa after 2007, when the US Congress stipulated its minimum wage should move towards the federal minimum, contributing to declining employment

in its tuna canning industry (GAO 2020). It may be noted that the LERA does not apply to the public sector, where the minimum rate was WS\$3.86 in 2023, impacting 756 people (SBS presentation, November 2023).

From 2005, Samoa’s minimum wage was WS\$2.00 per hour until an increase to WS\$2.30 on 1 January 2015. This was originally approved for implementation in May 2014 but delayed following lobbying from the private sector (Loop 2019). The next increase came into effect on 1 January 2020, at WS\$3.00 per hour. This followed a review conducted by an independent technical adviser for the MCIL and SNTF in the context of a report by the IMF (2019). The IMF noted the negative impact on growth and prices of the Yazaki manufacturing plant closure in August 2017<sup>15</sup> and Cyclone Gita in February 2018, but highlighted that the minimum wage was low in relative and absolute terms at a then rate equivalent to US\$0.86 per hour. The wage was benchmarked against other Pacific island countries (figure 4.7.2) and countries with comparable GNI per capita, revealing that the ratio of the minimum wage to the average wage in Samoa stood at a modest 31 per cent. It suggested that a rate “situated close to 3 Samoan tala per hour could be broadly appropriate” (IMF 2019: 40).

► Figure 4.7.2. Ratio of minimum wage to value added per worker, select PICs, 2019



Source: World Bank, Employing Workers dataset (2019)

In the event, the SNPF agreed to a rate of WS\$3.70 following the commissioned report but to be introduced in two stages. However, COVID prevented the second increase from WS\$3.00 to

WS\$3.70. Employers also argued that the cost burden was disproportionate because of other changes to superannuation and the cost of a new tax information management system.

<sup>15</sup> The factory employed 4,000 workers when it opened in 1991. By 2010 it employed 1,000, mostly women, and remained the single largest employer in the country (Chong-Fruenan 2010).

According to the 2019 IMF report, the Samoan labour market was marked by rapidly increasing income inequality and declining purchasing power of the minimum wage due to inflation and deductions for SNPF and Accident Compensation Corporation (ACC), notwithstanding strong economic growth. The Gini coefficient was almost 0.5 for formal wage earners alone, and incremental increases to social security contributions were expected to further reduce the nominal take-home pay of all workers by 1 per cent each year until 2021. Analysis of available data conducted as part of the review indicated that wage earners in the bottom two deciles were being paid under the then minimum wage. This was supported by estimations from labour inspections conducted by the MCIL which suggested that minimum wage earners could comprise up to 27 per cent of the Samoan formal workforce.

The IMF (2019) also reported that in 2016, one in five private sector employees was earning the minimum wage, mainly in retail. The then rate of WS\$2.30 equated to 31 per cent of the average wage. Given this low rate, compliance was high, with only 6.5 per cent of workers in the private sector being paid less than the minimum wage. Official figures from the MCIL indicate that 700 employees were on the minimum wage, representing about 6 per cent of the private sector workforce. No public sector worker received less than WS\$4 per hour in 2020. The Inspectorate reported compliance to be very high, no doubt reflecting its very low rate, though the impact on informal work is unknown.

The review recommended that the minimum wage should aim to promote a modest but decent living standard for those on the lower tail of wage distribution, and that a mechanism for periodic revisions be established, aiming to maintain purchasing power of the nominal payment. A new rate of WS\$3.70 was advised, with subsequent revisions aligned to the Consumer Price Index and HIES data. The review also strongly recommended that a specialized National Wage Survey be conducted before the next minimum wage revision. The review exercise found that data was limited, especially to support the arguments advanced by workers' and employers' representatives. A national wage survey questionnaire (employer and employee) was developed in 2020.

Since then, the pandemic has had a notable negative impact on household incomes, according to the Samoa Poverty and Hardship Report 2021. Hence, it was recommended in the Samoa National Employment Policy 2021/22–2025/26 Objective 3.1.3 to “[f]ully incorporate decent employment standards into Samoa’s Employment Regulatory framework for a Covid19 build back better employment labour market”.

It is with this objective that the MCIL is tasked to conduct timely reviews of the national minimum wage. Progress on a Minimum Wage Policy is a key plank of enhancing governance and economic recovery as well as responding to development agencies such as the ADB. A programme was established under the Samoan–Australian [Tautai](#) Partnership in 2023 to achieve the following outcomes early in 2024:

- a gender-responsive National Minimum Wage Policy that sets out objectives and a definition of a minimum wage in Samoa in alignment with relevant national policies and strategies;
- an operational manual for the MCIL that sets out the procedural tools to guide the National Minimum Wage Review every two years. This may include a multi-dimensional gender-responsive national wage survey to be conducted together with the SBS and analysis of key data sources (Consumer Price Index, GDP and HIES). The scope of data should include all workers (domestic, informal, formal, migrant, etc.) in an employment relationship regardless of contractual arrangements; this considers the diverse groups (women, men and persons with disabilities).

Drafts of the Minimum Wage Policy and Manual developed by the MCIL for the SNTF were completed in November 2023; consultations were conducted from December to February 2024. Following approval by the SNTF, the Policy was endorsed by Cabinet in May 2024. The Policy sets out the objectives, process and criteria to be used in considering revisions of the minimum wage. The SNTF is entrusted with making a recommendation to the government following data analysis and stakeholder consultation. Following this exercise, the minimum wage was increased from WS\$3.00 to WS\$4.00, effective 1 July 2024, with provision for a further increase of WS\$0.84 on 1 July 2025.

## Enforcement

The MCIL has three Inspectors for Industrial Relations (IR); three for permits; and four for OSH, according to interviews with MCIL officials. The permits and OSH Inspectors cover both private and public sectors but IR Inspectors are only for the private sector and SOEs. The IR budget is for 150 inspections over the financial year, including both planned and in response to complaints. These may consider contracts, records, terms and conditions of employment (including leave) in addition to the minimum wage, to check for compliance. In practice, there is a tendency to cover the same employers, so an area for improvement is to address how to extend the purview.

There are not many complaints raised by workers (or family members) about the minimum wage and there is a high degree of compliance. A purposive inspection campaign following the earlier increase to WS\$3.00 found 99 per cent compliance. Complaints were mostly from security companies who had locked in one-year contracts based on WS\$2.30; with the increase, they were losing money on the new basic rate plus overtime pay. Most employee complaints concern underpayment or termination (final pay entitlements, or termination without reason), rather than the minimum wage. A Conciliation Committee is referred to in the LERA but there is no budget, so it is done informally.

Recent amendments to the legislation have been compliance focused, enhancing inspection powers and providing for penalty notices, which extend to minimum wages and recordkeeping requirements. There are also better mechanisms for raising grievances and complaints, including around termination and sexual harassment, and businesses are encouraged to establish their own grievance mechanisms. The Amendment Act was drafted with ILO's technical support. It originally proposed establishing a tribunal system, but the Attorney General recommended this be withdrawn on resource grounds.

### 4.7.5. Stakeholder perspectives

Feedback was provided at a presentation on wage policy to the SNTF in November 2023. A consensus view was that the priority must be to implement a biennial review of minimum wage policy, and that the SNTF needs to finalize recommendations on the basis of such a review. An established periodic review would enable a balanced approach that is

fair to workers while allowing business the capacity to absorb each change. A wage policy is important to underpin and guide the process and should be cognizant of broader developments and policies including labour mobility (also seasonal work) and skills and training through the National Pathway and National Workforce Policy.

Worker representatives noted that the minimum wage is important to support social inclusion. Workers have heavy commitments to their extended families, alongside religious and cultural financial obligations, and have very limited savings, so decent rates of pay are vital. In the Samoan context, on the positive side there is subsistence contributions and family support, but outgoings in terms of religious expenditure and family obligations are significant. Furthermore, the WS\$3 minimum rate (at the time of the survey) is effectively WS\$2.7 because of deductions for SNPF and ACC. Enforcement of the minimum wage was a concern, and it was acknowledged that the new LERA amendments would help support more effective education activity and inspections. The unions had an important role in voicing worker complaints.

Employer representatives also stressed the need for monitoring and enforcement to ensure a level playing field. They opined, however, that Samoa was a small economy and could not compete internationally on pay. It was important to maintain a minimum wage rate affordable for employers; otherwise, inflation and job losses would threaten living standards. It was acknowledged that low pay might be inefficient in terms of worker motivation, productivity and retention but businesses were under pressure in the post-COVID environment due to inflation and skills shortages, which need to be addressed through better education and TVET. A cost-of-living focus might be most appropriate, emphasizing basic needs such as groceries.

The draft Wage Policy and Manual was endorsed in principle by a meeting of the SNTF in February 2024. The Policy was endorsed by Cabinet in May 2024. The SNTF will retain responsibility for making recommendations, but clearer guidelines and data requirements are set out in terms of five criteria: basic needs (using the BNPL approach), ability to pay (referencing GDP growth), cost of living (CPI), wage equality (inequality and wage growth), and supplementary considerations (to take into account traditional social protection mechanisms).

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## 4.8. Solomon Islands

### 4.8.1. Introduction

The Solomon Islands is a Melanesian country made up of six large islands (Choiseul, New Georgia, Santa Isabel, Guadalcanal, Malaita and Makira) and more than 900 small islands, islets and atolls. The landmass is about 29,000 square kilometres, distributed over 1.34 million square kilometres of ocean (World Bank 2018). The country is located on strategic sea routes between the South Pacific Ocean, Solomon Sea and Coral Sea. It has a tropical cyclone risk, but the more significant danger is volcanic eruption.

The capital, Honiara, is located on the largest island, Guadalcanal, which has 80 per cent of the country's port facilities and 40 per cent of the roads. Only 12 per cent of rural villages have access to roads, most of which are on the islands of Guadalcanal and Malaita (UN 2001). There is only one kilometre of roads per 20 square kilometres, the lowest ratio in the Pacific, and in many areas travel is only possible by motorboat (World Bank 2018). Of the 1,390 kilometres of roadways (which includes 920 kilometres of private plantation roads), only 34 kilometres are paved (CIA 2023).

Electrification is around 79 per cent in urban areas and 75 per cent in rural areas, with mobile phone subscriptions at 67 per cent (CIA 2023). However, internet penetration remains low at around 36 per cent, and there are only 1,000 broadband connections, notwithstanding the Coral Sea Cable

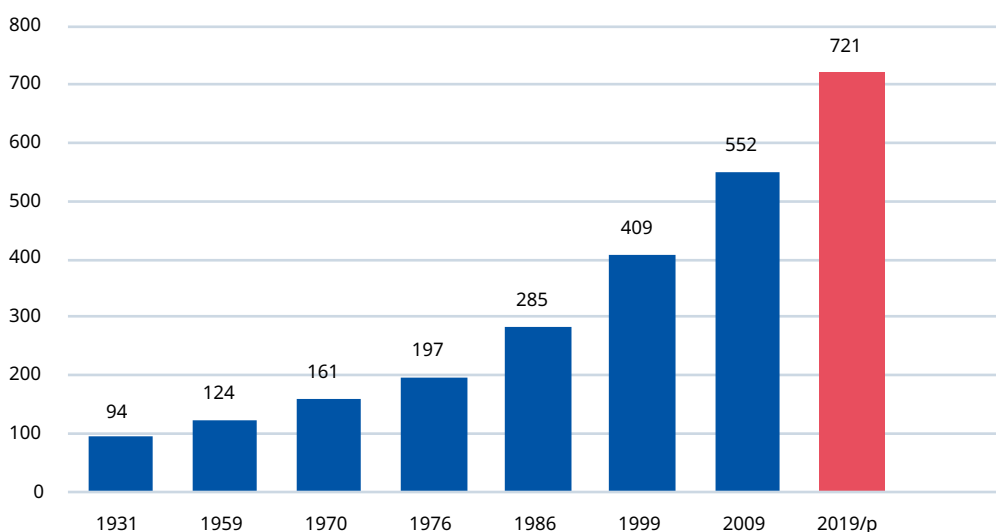
System linking Papua New Guinea to the Solomon Islands and a connecting cable to Sydney (CIA 2023).

Most of the Solomon Islands (95 per cent) is forest, making it the sixth most forested country in the world, and agricultural land is limited to 3.9 per cent (CIA 2023). Forestry accounts for 20.3 per cent of GDP, the highest in the world, but deforestation is a growing environmental and social problem (CIA 2023).

### Population

The population, dispersed across 90 inhabited islands, is 721,455 according to the 2019 Census, over three times that at the time of independence in 1978 (figure 4.8.1). The country has one of the lowest population densities (20.8 persons per square kilometre) and urbanization rates (about 17 per cent) in the world (World Bank 2018). Rural villages are isolated and often comprise fewer than 20 households. This small and widely dispersed population has significant cultural diversity, with about 70 distinct languages and many local dialects spoken. The costs of governing and extending services across such a vast space are high with the islands' small sizes, remoteness, and internal dispersion and division preventing economies of scale in the provision of many infrastructure and public services.

► **Figure 4.8.1. Population, Solomon Islands, 1931–2019**

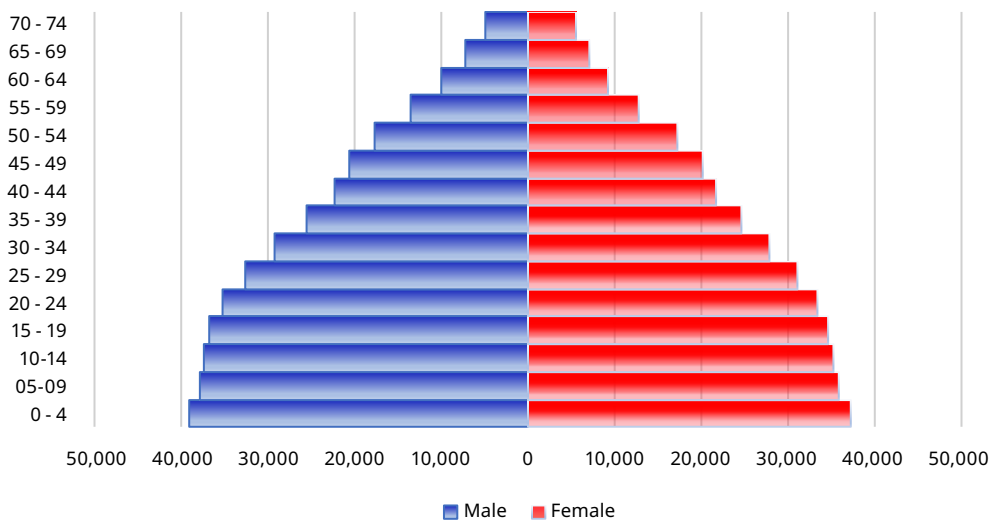


Source: National Statistics Office [2020](#)

The population is very youthful with almost a third aged under 15 and a median age of 25 (figure 4.8.2). This is despite a fall in the fertility rate from 7.1 in 1974 to 4.0 in 2021 (World Bank). This contributes to high youth unemployment given the relatively small formal economy, though the dominance of the subsistence economy also means recorded youth unemployment is low at 1.9 per cent for the 15–24 age cohort and 1.0 per cent overall (CIA 2023).

There is very little migration; the net migration rate is -1.5 per 1,000 population (CIA 2023). External migration, including temporary work overseas, is limited by relatively low levels of education and English literacy (World Bank 2018). More than one in 10 (12.7 per cent) of the population are below the poverty line (CIA 2023). Land and subsistence agriculture, combined with kinship obligations, provide an essential social safety net.

► **Figure 4.8.2. Population pyramid, Solomon Islands, 2025**



Source: U.S. Census Bureau, International Data Base (IDB), 2025. Available at: <https://www.census.gov/data-tools/demo/idb>

**Recent history and politics**

Germany declared a protectorate over the northern Solomon Islands in 1885, and the UK established a protectorate over the southern islands in 1893. In 1899, Germany transferred its interests to the UK in exchange for the latter relinquishing all its claims in Samoa. Japan invaded the Solomon Islands in 1942 and significant battles against Allied forces during the Guadalcanal Campaign proved a turning point in the Pacific war. Large parts of the country were destroyed, contributing to the emergence of a nationalist movement and the granting of some autonomy in 1960. This was followed by self-government in 1976 and independence two years later.

The Head of State remains the UK monarch, as represented by a Governor General. The Governor General is elected by National Parliament for a

five-year term of office. The Prime Minister is also answerable to the unicameral National Parliament of 50 seats. Most Members of Parliament are independent or not party affiliated which leads to fluid coalitions. The country is administratively divided into nine provinces and operates a mixed legal system of English common law and customary law. The Solomon Islands is a member of the Commonwealth.

In a country of very small constituencies (between approximately 2,000 to 20,000 people) and great ethno-linguistic diversity, elections usually involve narrow margins of victory, and elected members do not necessarily represent an aggregate of public interests in their home areas (World Bank 2018). The lack of established political parties has led to regular floor crossings, votes of no confidence and a high degree of uncertainty, which in turn have a substantial impact on the

reform context and on the implementation of development programmes. Only one government and Prime Minister have served a full term, notably during the period known locally as “the tensions” (see below). Political representation is also highly gendered. In the 40 years since independence in 1978, only two women had ever served in the National Parliament, though four were returned in the 2019 election (CIA 2023).

Economic development was severely interrupted by a period of ethnic tension between 1999 and 2003, related to internal economic migration from Malaita to Guadalcanal. Violent clashes involving rival militant groups led to 200 deaths, displacement of thousands and the widespread destruction of property. While often characterized as an ethnic conflict, “the tensions” had multiple political and economic causes, including the disproportionate concentration of economic development in and around Honiara compared to the rest of the country (World Bank 2018). Rapid social change associated with increasing urbanization also contributed to stresses, including the erosion of customary authority, disenchantment among young people and a loss of social cohesion.

In 2000, newly elected Prime Minister Manasseh Sogavare focused on peace agreements and redistribution of resources, but by early 2001 the economy had collapsed and the government was bankrupt. Violence flared up, ending with the arrival of Australian and Pacific Islands police and troops under the auspices of the Australian-led Regional Assistance Mission to Solomon Islands (RAMSI) in 2003. However, in 2006 riots broke out again in Honiara and the city’s Chinatown burned over allegations of corruption. The economy improved under RAMSI, also in large part due to support to the Ministry of Finance and Treasury to tighten tax collection; state revenue increased almost tenfold, from SI\$258.2 million in 2002 to over SI\$2.5 billion in 2012 (Georgeou et al. 2019). The Solomon Islands also became more integrated into the global economy as exports grew from SI\$331.3 million in 2000 to SI\$3,699.6 million by 2017.

Manasseh Sogavare was re-elected as the Prime Minister for a fourth time in 2019 and that same year announced that the Solomon Islands would switch diplomatic recognition from Taiwan to China. In late November 2021, protestors, mostly from the island of Malaita, called for Sogavare’s

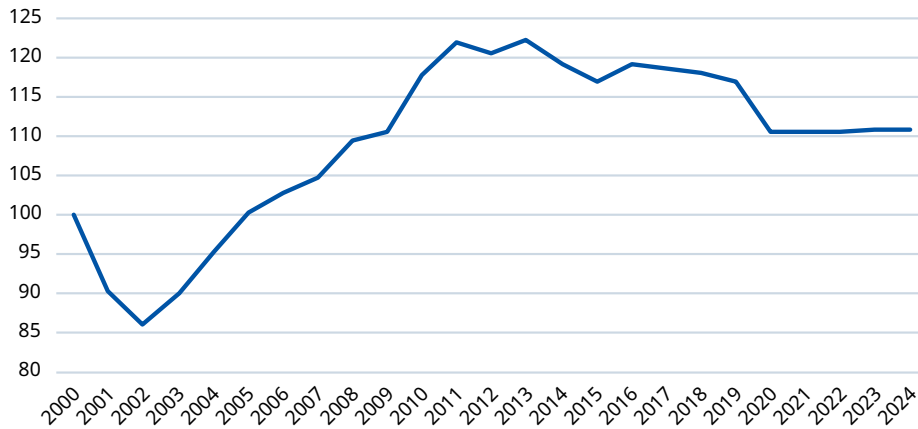
removal and greater development in Malaita, sparking rioting in Honiara. The RAMSI forces had withdrawn in 2017 but Australian police and defence forces were called upon in response. Subsequently, in March 2022, the Solomon Islands signed a MoU on policing cooperation with China, and a security agreement was announced in April which could permit a Chinese military and naval presence in the country (Miller and Vinall 2022). The Chinese telecoms company Huawei is building a cellular network in the Solomon Islands, financed by a US\$66 million Chinese EXIM bank loan, and the government announced in March 2023 that a Chinese state company had won a contract to redevelop the port in the capital, Honiara. The strategic partnership between China and the Solomon Islands deepened with Prime Minister Sogavare visiting China in July 2023 and meeting with President Xi Jinping.

#### 4.8.2. Economy

The Solomon Islands is classified as a Least Developed Country by the Development Assistance Committee (DAC) of the OECD with a real GDP (purchasing power parity) of US\$1.7 billion and real GDP per capita of US\$2,400 in 2021, placing it at 201st and 203th in the world respectively (CIA 2023). Real GDP per capita is consistently low, reflecting limited economic development (figure 4.8.3). In 2023, it equated to US\$2,041.6. However, the Solomon Islands has one of the lowest debt-to-GDP ratios globally. External public and publicly guaranteed debt was 7.5 per cent of GDP in 2016, while private sector external debt was just 0.2 per cent (World Bank 2018). Public debt rose under the impact of COVID to 11.5 per cent of GDP but was still 198th globally (CIA 2023).

The Solomon Islands’ GDP per capita (figure 4.8.3) reflects fragile but steady gains after the civil conflict of the late 1990s. Logging drove much of the growth, but over-reliance on this sector created long-term sustainability concerns. From 2017, per capita incomes stagnated, reflecting declining logging revenues and limited diversification. The COVID-19 years (2020–2021) brought further pressure, but the downturn was less dramatic than in tourism-driven economies. Since 2021, GDP per capita has remained essentially flat, underscoring the country’s structural vulnerabilities and lack of dynamic growth drivers.

► **Figure 4.8.3. Index of GDP per capita in constant prices (2000=100), Solomon Islands, 2000–24**

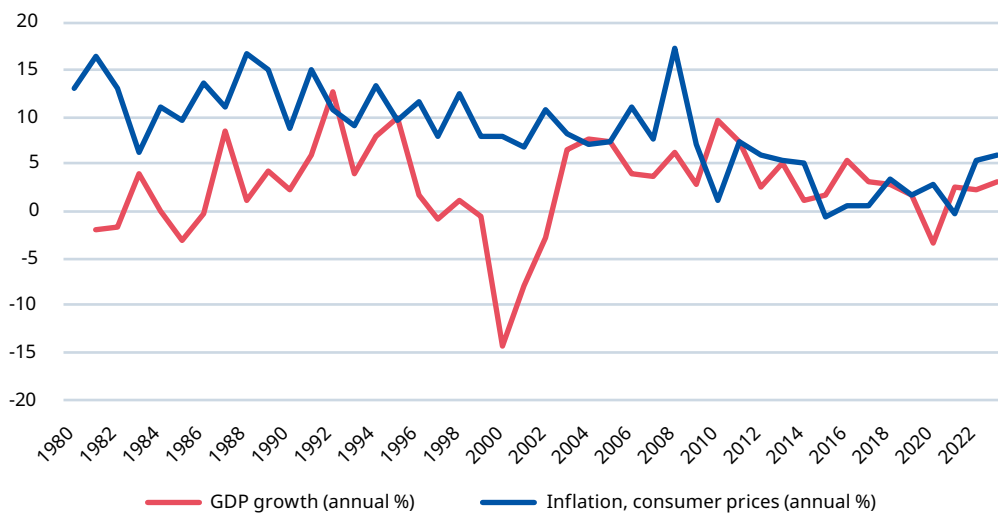


Source: Authors' calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

The IMF reports some improvement in inflation and GDP growth in recent years, estimating the CPI to be 4.9 per cent in 2023, declining from 8.5 per cent

in 2022, with real GDP growth of 2.5 per cent in 2023 (figure 4.8.4).

► **Figure 4.8.4. Real GDP growth and inflation rate, Solomon Islands, 1980–2023 (percentage)**



Source : IMF.

The Solomon Islands economy is dominated by the informal sector. Subsistence and small-scale agriculture and fisheries account for around 21 per cent of GDP and are the primary economic activities for rural dwellers, with 51 per cent of rural incomes derived from these activities (World Bank 2018). The large rural subsistence sector provides the main livelihood for nearly 80 per cent of the population (UN 2001). The services sector accounts for an estimated 39 per cent of GDP and is concentrated in urban centres, especially Honiara. The public sector remains the largest formal sector employer, providing around 16,000 jobs.

Economic growth has been sustained by logging, public sector and international community spending, and agriculture, including the post-conflict resumption of copra and palm oil production (World Bank 2018). Logging generates about 17 per cent of GDP and accounts for 60.1 per cent of exports, and duties on log exports provide an estimated 17 per cent of domestically sourced revenue (World Bank 2018). The logging industry provides about 5,000 jobs, predominantly filled by males. Logging is mainly of native forests, and extraction rates are highly unsustainable (over eight times the estimated sustainable yield), with

a sharp decline expected in less than a decade.

Owing to a combination of steep topography, poor soil and high average rainfall levels in many places, agricultural land comprises only 3.9 per cent of the total land area (World Bank 2018). Nevertheless, agriculture contributes 34.3 per cent to GDP compared to 7.6 per cent by industry; and services accounts for 58.1 per cent of GDP. Agricultural products include oil palm fruit, sweet potatoes, coconuts, taro, yams, fruit, pulses, vegetables, cocoa and cassava. Industrial production involves the processing of fish (tuna), timber and mining.

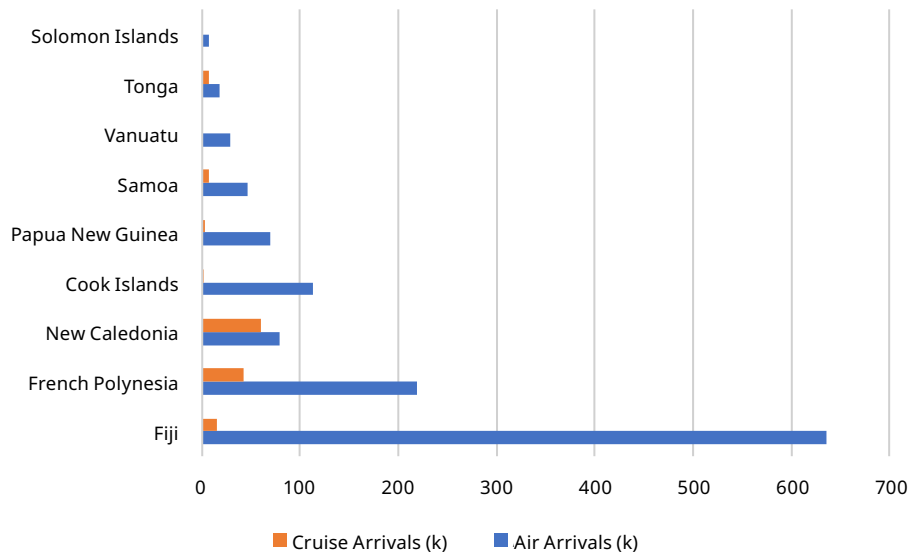
Palm oil and tuna processing are important sources of earnings through two major companies. The Guadalcanal Plains Palm Oil Plantations Limited (GPPOL) was established in 2005 and employs around 1,500 workers, contributing about a quarter of the GDP (Nanau and Penderverana 2021). It is now owned by the PNG company, New Britain Palm Oil Limited, which itself is now Malaysian owned, though local landowners own 20 per cent of GPPOL as well as leasing land to the company. SolTuna (box 4.8.1) was established in 2001 and has over 2,000 employees, contributing almost 20 per cent of GDP (World Bank 2023).

#### ► Box 4.8.1. SolTuna

The tuna industry in Solomon Islands commenced as a joint venture between the government and Taiyo Gyogyo of Japan in 1972 with a small pole and line fleet, and a small cannery and Arabushi plant in Tulagi, Central Province. SolTuna is now majority owned and controlled (51.5 per cent) by Tri-Oceanic Overseas Holdings, an affiliate of Tri Marine which is a group of 41 privately held entities that together comprise one of the largest global tuna supply companies in the world. The other shareholders are Solomon Islands National Provident Fund (31.4 per cent), Investment Corporation of Solomon Islands Limited (9.3 per cent) and Provincial Executive of the Western Province (7.8 per cent).

Smallness and remoteness add to the costs of imported goods as well as limiting economic development and export industries. Exports amounted to US\$413.657 million in 2021, mainly to China (59 per cent), and also to Italy (9 per cent), India (6 per cent), Netherlands (4 per cent), Australia (3 per cent) (CIA 2023). Exports consist mainly of timber, tuna, palm oil, coconut oil and gold. Imports amounted to US\$619.46 million in the same year, originating from China (36 per cent), Singapore (13 per cent), Australia (12 per cent), Malaysia (10 per cent) and New Zealand (6 per cent).

Future growth may increasingly depend on mining, fisheries and embryonic tourism especially as deforestation is a growing social and environmental problem. There is scope to increase private sector employment through mining, particularly untapped nickel deposits and lead, zinc and gold. However, large-scale mining could exacerbate tensions if social and environmental costs are not well managed. Tourism, particularly diving, could become an important service industry for the country but growth is hampered by lack of infrastructure and transport access. In 2019, the Solomon Islands were visited by 28,900 people but post-COVID recovery has been slow in the competitive Pacific market (figure 4.8.5).

► **Figure 4.8.5. Total visitor arrivals in selected PICs by air and cruise ship, 2022**

Source: Tuuhia and Harrison 2023.

The political and economic future of the Solomon Islands is uncertain and it “remains a fragile country, as most of the factors that have contributed to the country’s fragility persist” (World Bank 2018: 3). This includes challenges related to governance. As noted by the EU (2022: 264), concerns have been raised regarding the implementation of anti-corruption laws, with reports of inconsistencies in enforcement. Transparency International’s Corruption Perceptions Index ranked the country 77th out of 180 in 2022. According to the same source, 97 per cent of respondents considered government corruption a major issue, 25 per cent reported being offered a bribe for their vote in the preceding five years, and 21 per cent of public service users had paid a bribe in the past year.

Other potential problems include land disputes and human trafficking. According to Franciscans International (2020), about 87 per cent of the land is under customary land tenure, with the Constitution guaranteeing customary control over the land and forests. Most customary land titles are unregistered, meaning there has been no formal survey and registering of boundaries or other characteristics. This can lead to clashes over development. There are also concerns

around conditions for domestic child labourers and employment of overseas workers, especially in the primary sectors (CIA 2023).

### 4.8.3. Labour market dynamics

Labour market data in Solomon Islands remain limited, though efforts have been made to strengthen statistical systems through the National Statistics Development Strategy (NSDS 2015/16–2035). Available data stem from the 2009 and 2019 Population Census, 2012/13 HIES, and a forthcoming Labour Force Survey planned for 2026.

The 2019 Census reports that just over half (51.1 per cent) of the working-age population<sup>16</sup> was employed. The labour force comprised 280,510 people aged 12 and over, with women underrepresented across most employment indicators. Most employed persons (71.3 per cent) were in semi-skilled occupations and 21.3 per cent in elementary jobs. Less than half (44.6 per cent) were in paid employment, concentrated in Honiara, while unpaid work was more prevalent in Malaita. A third of employed people engaged in subsistence work, particularly women.

<sup>16</sup> The working age population in the Census 2019 refers to age group from 12 years and above.

The economy remains heavily agrarian, with 68.4 per cent of workers engaged in agriculture, forestry, and fishing—especially women (74.6 per cent). Paid employment is most common in agriculture (41.9 per cent), followed by education (9.5 per cent), retail, and construction.

Income disparities are stark between urban and rural areas. In 2012/13, wages and salaries accounted for 68 per cent of household income in urban areas compared to only 22 per cent in rural areas. Rural households rely more on subsistence agriculture and are more vulnerable to poverty. While overall inequality is moderate (Gini 0.33), poverty is unevenly distributed. Poverty rates range from 0 to 59 per cent at the ward level, with peri-urban Honiara and Guadalcanal experiencing the highest levels due to higher costs of living and limited employment access.

Poverty rates fell from 22 per cent in 2005/06 to 14 per cent in 2012/13, though survey differences limit comparability. As of the 2012/13 HIES, 12.7 per cent of the population lived below the national basic needs poverty line (BNPL), with rural poverty at 13.6 per cent and food poverty concentrated almost entirely in rural areas. Vulnerability to poverty remains high due to economic informality, price shocks, and limited social protection mechanisms, prompting many to fall back on subsistence livelihoods during crises.

Access to education and health remains challenging. Only one-third of youth attend secondary school despite free education policies. Health outcomes are also affected by poor sanitation and rising non-communicable diseases due to dietary shifts. The 2023 Education Act aims to reform the sector, but gaps persist, especially outside urban centres.

#### 4.8.4. Labour, employment and minimum wage regulation

##### Overall framework

Labour and employment rights are set out in chapter 2 of the Solomon Islands Constitution, the Solomon Islands National Provident Fund Act 1973 and a comprehensive set of legislations comprising seven Acts of Parliament, as amended: the [Employment Act](#) 1981; [Labour Act](#) 1982; [Trade Disputes Act](#) 1981; [Unfair Dismissal Act](#) 1982; [Workmen's Compensation Act](#) 1982; [Safety](#) at

Work Act 1982; and [Trade Unions Act](#) 1970. Most of these statutes have their origins in preceding Acts. The Constitution guarantees freedom of assembly and association. It permits persons to freely form or belong to trade unions or associations to protect their interests, a right reinforced by the Trade Unions Act 1970. The National Provident Fund is a compulsory social security scheme and provides various benefits including a pension to its members. The Employment Act 1981, as amended, deals with contracts of employment, redundancy and dismissal, employers' liability, insurance requirements and long service benefits. The Trade Disputes Acts 1981, as amended, establishes a bipartite panel to resolve collective disputes. The Labour Act 1982, as amended, provides for basic entitlements such as the minimum wage (section 30 (1), (2)), working hours, overtime, rest periods, holidays, as well as sanitation and water, housing, medical care and treatment.

The Commissioner of Labour heads the Labour Division within the Ministry of Commerce, Industry, Labour and Immigration (MCILI), and is the custodian and enforcer of these Acts. But the Labour Division [website](#) observes: "It is however, a great challenge to the Commissioner's office to ensure enforcement and compliance to these regulations are maintained from time to time." The US Department of State (USDS 2022: 17) notes that, in general, enforcement of labour law is limited because of several reasons:

[T]he number of labor inspectors was insufficient to monitor labor practices routinely, particularly in extractive sectors outside of the capital. The government's minimal human and financial resources also limited its ability to enforce the law in smaller establishments, the informal economy, and the subsistence sector. An active labor movement and an independent judiciary, however, helped provide effective oversight of labor law enforcement in major state and private sector enterprises.

The MCILI has 10 divisions, one of which is Labour. The Labour Division has five Units: OSH, Industrial Relations, Employment Services, ILS and Prosecutions, and National Trade Training and Testing. There are problems of monitoring

and enforcement, compounded by the fact that many workers are employed on a casual basis with no contract or fixed hours of work or salary. Informal workers are difficult to monitor, though some studies indicate that certain categories of informal workers, such as market vendors at Honiara Central Market, earn significantly more than the minimum wage (Georgeou et al. 2019).

The World Bank (2018) confirms that the government has limited reach over the large informal sector and notes that the overall regulation of the factor markets (land and labour) is poor. About 90 per cent of land is under customary ownership, which is usually undocumented, making it difficult to lease or purchase land for business or use land as collateral. Businesses in Honiara report that a relatively high tax burden on compliant businesses, a scarcity of urban land for business expansion, and the high cost of providing housing to professional and technical staff are major constraints for doing business in the Solomon Islands. In addition, “[m]inimum wage laws, redundancy payment rules, and other regulations are in place, but are a source of complaints among businesses” (World Bank 2018: 9).

### The ILO

The Solomon Islands became a Member State of the ILO in 1984. It has ratified 22 Conventions, 15 in 1984/85 and 7 in 2012/13. These include 8 out of 10 Fundamental Conventions (No. 155 and No. 187 on OSH are not yet ratified) and one of the four Priority Governance Conventions (No. 81 on Labour Inspection). Priority Conventions No. 122 on Employment Policy, No. 129 on Labour Inspection (Agriculture) and No. 144 on Tripartite Consultation have not yet been ratified. Only 13 of 177 Technical Conventions have been ratified, including No. 26 on Minimum Wage Fixing Machinery; No. 131 on Minimum Wage Fixing has not been ratified.

### Decent Work Country Programme and National Employment Policy

The first Decent Work Country Programme (DWCP) for the Solomon Islands covered the period 2009–2012 and outlined key areas of ILO cooperation, with priorities focused on:

- Building the capacity of tripartite partners;
- Promoting decent employment through labour law reform;

► Improving labour market statistics; and

► Expanding social protection coverage.

Significant progress has been made since then, particularly in employment policy development. A draft National Employment Policy (NEP) was validated in 2025 and is currently under government review pending formal adoption. In parallel, work is underway to develop an Occupational Safety and Health Policy and an Apprenticeship Policy, both aimed at strengthening the national employment framework. These policy efforts are aligned with the National Development Strategy (NDS) 2016–2035, which was reviewed in 2024 through broad-based consultations. The NDS emphasizes the importance of expanding employment and labour mobility opportunities—particularly in rural areas—and enhancing livelihoods across the country.

### Minimum wage regulation

A system of minimum wage regulation has been in place in the Solomon Islands since the days of the British colonial administration. According to the Solomon Islands Historical [Encyclopaedia](#), the Labour Regulation 1947 provided for a maximum 50 hours week and set monthly minimum rates of pay for a range of occupations. The Labour Department and Commissioner of Labour were established in 1959 and the Labour Ordinance 1960 replaced the previous Labour Regulation. Several important Labour Ordinances were enacted in 1964: the Trade Unions and Trade Disputes (Amendment) Ordinance 1964; the Workmen’s Compensation (Amendment) Ordinance and the Labour (Amendment) Ordinance. Building firms in Honiara began an apprenticeship scheme in 1965, with government assistance. This was formalized in 1970 with the creation of an Apprenticeship Board.

Most employers paid wages monthly, which caused difficulties in balancing family budgets, though the construction and logging industries paid employees fortnightly, and some commercial employees were paid weekly. Piece or task rates were still paid on most plantations for copra cutting and brushing. By law, wages had to be paid in cash, though some employers, by agreement with their workers, still issued rations and deducted the prescribed cash equivalents from wages. As wages increased, the costs of housing, transport, electricity and water became subject to deduction from pay. As a result of a report by the Labour

Wages Advisory Board, from January 1975 the minimum wages for seven categories of workers in Honiara were set at 13 cents per hour for a 45-hour week where housing was supplied, and 15 cents without housing. According to the World Bank (1984), a low minimum wage strategy was purposely adopted to help develop the private sector.

Minimum wage regulation was reformed by the [Labour Act](#) 1982. Section 30 states that:

- (1) The Minister may by order fix minimum rates of wages for workers in any occupation or in any class or grade of any occupation in Solomon Islands, either generally or in any specified area or province, in any case in which he is satisfied that the minimum rate of wages being paid to any persons employed in any such occupation is unreasonably low.
- (2) Before making any order under this section fixing a minimum rate of wage for any workers the Minister shall consult with the representatives of the employers and workers concerned.

Section 31 refers to penalties in the form of wage restitution, fines (up to SI\$500 and SI\$20 per day if the offence is repeated) and legal proceedings that may be brought by the Commissioner. The Commissioner of Labour may, under section 32 (2), take legal proceedings on behalf of an underpaid worker to recover any wages due to such a worker. Section 35, which deals with casual work and evasion, states that:

[A]ny shopkeeper, dealer or trader who by way of trade makes any arrangement, express or implied, with any person in pursuance of which the person performs any work for which a minimum wage has been fixed, shall be deemed for the purpose of this Part to be the employer of such person, and the net remuneration obtainable by such person in respect of the work, after allowing for his necessary expenditure in connection with the work, shall be deemed to be wages.

Section 35 states that exemptions may be granted by the Commissioner for Labour for disabled workers and that the Commissioner may permit abatement by collective agreement. Section 80 deals with rule making and part (1) allows the Minister to :

(a) make the appointment and regulation of advisory boards to advise on labour matters generally, and in particular to advise on fair minimum rates of wages and size of tasks;

(b) prescribing registers of wage payments to be kept by employers, requiring the issue of statements of wage payments to workers, prescribing the intervals at which wage payments shall be made and generally to ensure the proper payment of all wages earned.

Hence, the Minister responsible for employment is empowered under the Labour Act 1982 to fix the minimum wage for workers in any occupation, class or grade of occupation. The phrasing indicates that the minimum wage may cover some categories of workers but not others. According to the UN (2001), the system originally covered only some categories of workers employed in urban and peri-urban areas. Groups legally excluded were workers employed in rural areas in industries such as mines, plantations and logging/forestry; urban workers such as domestic servants and shopkeepers; all casual workers and apprentices; and any infirm or disabled person if the Commissioner of Labour issues a permit of exemption.

Determination of the minimum wage involves a tripartite Minimum Wage Board, consisting of trade union, employer and government representatives, and the “minimum wage recommended to the Minister for Labour is that believed to be the living wage for the workers and their families” (UN, 2001: 14) based on the prices of basic commodities. However, in practice the most important factor influencing the determination of the minimum wage was affordability (UN, 2001: 14). The Board convened only at the request of the Department of Commerce, Employment and Labour which also meant that review of the minimum wage was irregular. Neither was there any system in place to monitor and ensure that employers paid workers the minimum wage. The Labour Division of the Ministry had no financial or staffing resources to perform this role and rural workers in particular were ignorant of the regulations. According to the UN (2001:14), “with no compliance monitoring mechanism in place and workers not knowing whether or not they are covered by the legal minimum wage, enforcement of the law is far from satisfactory”. Essentially, compliance was mainly ensured through trade unions in the organized sectors.

The next major change was the Labour (Advisory Board) Rules [2012](#) which established the Labour Advisory Board (LAB) and set out its powers and functions. Membership of the LAB comprises:

- ▶ the Commissioner of Labour, as Chairperson;
- ▶ four public officers as representatives of the Government;
- ▶ four representatives of employers nominated by the Solomon Islands Chamber of Commerce and Industry, with consideration being given to the nomination of sectoral representatives including manufacturing, women in business and small business;
- ▶ four representatives of workers nominated by the Solomon Islands Council of Trade Unions.

Appointees must have relevant experience and expertise and at least one representative from each group must be a woman. Members are entitled to allowances to be fixed by the Minister. They are appointed for two-year terms but are eligible for reappointment. Meetings are to be held at least once every four months and should strive for consensus. A quorum requires six members in attendance. The functions of the LAB are set out as follows:

- a) to consider and advise the Minister on employment related matters or matters that may impact employment including issues of policy, legislative and/or regulatory reform, as well as matters provided for by the Act and any other written law;
- b) to inquire into and report to the Minister on employment related matters referred to it by the Minister;
- c) in liaison with the Ministry, to facilitate the making of rules, codes of practice and guides relating to matters covered by the Act for the Minister's consideration;
- d) to advise the Minister on consultation and cooperation between labour and management, and how this process may be promoted and strengthened;
- e) to advise the Minister on any matter related to the ILO including but not limited to items on the International Labour Conference agenda, the submission of newly adopted ILS to the

competent authority, the re-examination of unratified ILS, reporting to the Committee of Experts on the Application of Conventions and Recommendations, and any proposed denunciations of ILS;

- f) to advise the Minister on fair minimum rates of wages in accordance with the exercise of the Minister's power to fix minimum wage rates under the Labour Act subject to the provisions of Part 3 of these rules;
- g) to perform other functions under the Act or any other written law.

Part 3 of the Rules sets out special provisions relating to advising the Minister on minimum wages. These refer first to the frequency of and procedure for the review process. It is stated that the LAB should carry out the function of advising the Minister on the minimum wage preferably "annually". In doing so it should:

- (1) invite submissions from, and consult actively worker and employer representatives, and in particular with representatives of employers and workers in the sectors, occupations or geographical areas with the lowest wages;
- (2) request relevant information and analysis from the Commissioner of Labour;
- (3) invite and/or receive submissions from such other interested parties as it considers appropriate;
- (4) appoint a subcommittee or committees on minimum wages in accordance with the Rules so as to consult those affected, access and analyse data and information, and invite representatives of employers and workers most likely to be impacted by the minimum wages under consideration to act as advisors to such a committee in accordance with these Rules.

The Rules also set out the relevant criteria. It is stated that in considering its advice, the LAB should take account of information and data practically available, specifically:

- (1) whether changes in the cost of living since the last minimum wage determination have affected the real value of the minimum wage;
- (2) whether other social protection measures have compensated for such cost increase;

- (3) whether increases in average wages have resulted in substantially greater inequality between workers earning the minimum wage and other workers;
- (4) any other information, including information submitted to it by worker and employer representatives and other interested parties, relating to the reasonableness of any wage, including information of a financial or economic nature either at the national level or in relation to an industry, sector or geographic area;
- (5) any other matters the LAB determines are relevant to assessing the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups, and economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment.

### The minimum wage in practice

Notwithstanding these provisions, changes to the hourly minimum wage rate have been made infrequently – once a decade on average, leading to a doubling or more of the rate:

- January 1982: SI\$0.74 per hour for all categories of workers;
- March 1996: SI\$1.50 for all workers other than in the fishing industry and agricultural plantations (SI\$1.20);
- 1 May 2008: SI\$4.00 for all workers other than in fishing and agriculture (SI\$3.20);
- 1 August 2019: SI\$8.00 for all workers other than in agriculture, plantations and fishing sectors (SI\$7.20).

Minimum wage earners are likely to pay little, if any, PAYE tax. As per the tax rates in 2023, the first SI\$30,080 per annum is not subject to income tax. The subsequent PAYE rates are: 11 per cent up to SI\$45,080; 23 per cent up to SI\$60,080; 35 per cent up to SI\$90,080; and 40 per cent for amounts higher than this.

Concerning the 2019 minimum wage revision, the Ministry had advised the Public Accounts Committee in April 2015 that it was reviewing the

prevailing rate in order to amend it. Some reports indicated that a Ministry review was underway as early as 2010. The Commissioner of Labour, and Chair of the LAB, Josiah Manehia, is [reported](#) to have said that the 2019 increase followed five years of review by the Ministry. It was adopted only due to a change of government and the rising cost of living. This was mainly due to increased port fees and handling charges in 2017, which led to a sharp rise in the price of imported goods.

### 4.8.5. Stakeholder perspectives

This section draws on interviews conducted with leaders of the employers' association and trade unions in January 2024 and December 2023.

#### Employers

The Solomon Islands Chamber of Commerce and Industry (SICCI), in its 2019 submission to the Minimum Wage Review, reported that it had 220 members of all sizes and from all sectors, and noted the following (SICCI 2019).

#### Lack of consultation

While the 2008 increase had followed “an open and consultative process including stakeholders, relevant Government ministries, Central Bank (CBSI), the private sector and other interest groups”, the new rate was announced in Parliament by caretaker MCILI Minister William Marau in December 2018 without prior consultation with the LAB. Its meetings were not frequent. In 2016 there was one meeting; the next was in October 2018 when a review of the minimum wage was discussed, but no rate put forward. The next meeting was in December 2020 following the Minister's announcement. The SICCI and Women in Business representatives requested time for consultation with members, to be presented at the next meeting. SICCI members were canvassed for two weeks over Christmas and the New Year on the new rate. Feedback emphasized that employers favoured due process of consultation and regular revisions to the minimum wage.

#### *The 2019 increase of minimum wage*

All respondents to the SICCI member survey favoured an increase of the minimum wage; 40 per cent opined that the doubling of the rate would have no impact. However, some employers pay

bonuses and benefits including housing allowances or school fees, which may have to be reviewed. There would also be complications for pieceworkers in agriculture and fishing given seasonal or other fluctuations. Two major employers were reported to be adversely impacted: SolTuna and GPPOL. The former is a tuna processing company based in Noro, Western Province, and the latter a palm oil plantation and exporter based in the Guadalcanal Plains.

- SolTuna employs around 2,000 people, with the number of employees varying across months. In 2018, the minimum or starting wage for permanent employees moved up to SB\$5.00 per hour, except for short-term casual workers who were paid SI\$4.41. SolTuna provides employees with benefits in addition to wages. The financial impact for SolTuna if the minimum wage of SI\$8.00 is implemented across the board would be SI\$14.3 million straight out of the bottom line. To maintain some uniformity in dividends, the company would have to absorb this through cutting other costs, or pass on to consumers through price rises.
- GPPOL is one of the largest employers in the country with a current workforce of 1,291. As of December 2018, there were 1,113 paid under the proposed minimum wage rate of SI\$8.00 per hour. Since 2008, the wages of GPPOL workers have increased by 6.4 per cent annually. The financial impact on GPPOL if the minimum wage rate is increased to SI\$8.00 would be approximately SI\$5 million annually.

Further, the SICCI noted potential problems for small companies such as security firms which had agreed to longer-term contracts based on rates around SI\$5–SI\$6.50. It also noted, “The tax regime is one of the harshest in the Pacific, and there should be some relief considered both for employers and for the workers by the Government.” Following member feedback, the SICCI requested that such a large increase be phased over at least 12 months and that the distinction between agriculture/ fisheries and other sectors be maintained.

#### *Improvements in the process*

The SICCI submission requested that the criteria for considering the minimum wage rate be refined (p. 6): “Along with the various considerations that

the LAB must take into account, we ask that the LAB ensures it gives weight to factors such as, the high mobility of the workforce in contrast to the high numbers of working age individuals; the high unemployment rate in the country; rising operational costs for small business; and the small size of the base of business investments in the country’s economy.”

The Chamber also raised the following considerations relating to compliance, data and impact to improve the review process (p. 9):

- 1) Compliance monitoring by Government departments continues to be a weak function. What is the assurance of a level playing field for all industries, and businesses across the country?
- 2) Consideration of impacts of increases as there is recent national literature that a spike in the minimum wage will increase inflation and unemployment (Remuneration Survey, 2018).
- 3) Consideration of impacts of increase on other segments of employees, i.e. the spillover effects, this increase will have on other employees or groups of employees. This is where the 100% increase catalyses negotiations for increases to other workers’ remuneration within the organization.
- 4) Economic modelling is one important aspect that is not explored substantively in this submission. SICCI is of the view that the Labour Advisory Board should commission expert bodies including the Central Bank of Solomon Islands, as well as the country’s professional body of economists to make submissions including commenting on the economy and the wider (economic) impact of a range of recommended minimum wage rates including the 100% as announced.

These points and others were also raised in the interview with the SICCI acting CEO, conducted in early 2024 and summarized below.

#### *Labour market context*

Labour mobility is a problem for many businesses, as people move for better pay or more benefits such as assistance with housing, school fees or healthcare. Skilled workers are particularly mobile and difficult to replace. The SICCI itself has been without a CEO since June 2023.

The seasonal worker schemes for Australia and New Zealand are also attracting workers. In 2023 it was [reported](#) that more than 6,000 workers were directly engaged in labour mobility offshore in both Australia and New Zealand, while at least 15,000 people were in the queue to join the pool of candidates seeking to participate in the PALM and RSE schemes. Although originally aimed at unemployed rural workers, these have drawn many skilled employees. This testifies to limited pay rates and high living costs in the country, with temporary work overseas seen as a way to accelerate savings. Solomon Tobacco recently lost their IT manager to overseas work. People leave without much notice, which is disruptive; then there is the cost of finding and training replacements. Smaller companies in particular also struggle with costs such as shipping.

#### *The LAB*

The LAB meetings have been irregular. Post-COVID, the delay has been associated with a vacancy of the Commissioner's role (the deputy is currently acting Commissioner). Then, after the current members were appointed, a meeting was called at the end of 2023, but it was cancelled due to the Pacific Games and lack of funds. With a caretaker government in charge, things were put on hold until after the election (which occurred in April 2024). There is a backlog of issues to discuss dating back to 2021 when the Commissioner left. The scheduling of LAB meetings has been ad hoc and dependent on the Secretary and Chair.

#### *Research and data*

Data is limited (for example, there is no LFS) though this is less of a problem than the fact that the LAB is not operating effectively.

In response to a range of remuneration issues, the Chamber has started to conduct its own research, including partnering with the Foreign Fisheries Agency and with the HR remuneration consultancy, Strategic Pay (NZ). The latter includes a remuneration survey to benchmark and track pay scales, wages and benefits across the private sector. Indicative evidence suggests employers are looking to compete through their benefits, offering to relieve the cost-of-living burden to do with housing, health, schooling and transport. The bigger companies like GPPOL, which may be situated remotely, tend to offer these benefits across the board (rather than just for skilled workers

or managers), and can therefore attract staff from other organizations. However, such research also encounters difficulties as companies are generally reticent to share pay data.

#### *Minimum wage*

SICCI commented that the lower rate for agriculture and fisheries reflects not just the fact that the larger companies spend a lot on benefits and allowances but also that there are many low-margin small firms and informal businesses in these sectors. (The Chamber is helping to formalize some of these businesses but tax is a big barrier to formalization, as also the bureaucracy of registration).

The ten-year gap in raising the minimum wage rate eventually ended due to pressures from the rising cost of living and trade union lobbying.

Monitoring and enforcement are poor in terms of inadequate inspections and research. Union scrutiny is important, but compliance is not satisfactory as workers in many firms are not organized. Another problem is that often employers are not aware of penalties, even if there are any. Compliance tends to be in the more "visible" companies, and others get an unfair advantage.

Across the board, the government is good at putting in place convincing policies, but these have not been implemented or enforced.

In conclusion, the key concerns are: (1) the LAB is not meeting regularly, there is no Commissioner and a huge backlog of issues remain to be resolved; and (2) there is a lack of research and data (apart from HIES on household needs) to adequately inform minimum wage decision-making.

## **Trade unions**

#### *Industrial relations*

There are 11 registered unions and associations, all representing public sector professions except for the Workers Union of Solomon Islands which covers the private sector (including hotels, the plantations, forestry, fisheries, banking, dock workers and airlines). Of a potential membership of 15,000, the claimed membership is 6,000.

Unions are registered under the Trade Union Act and the three disciplinary associations under the Police Act. The Solomon Islands Council of Trade Unions (SICTU) is the umbrella body which lobbies and is consulted on national issues. There was

also a Labour Party though that is currently in abeyance, and sympathetic Labour candidates run instead as independents.

The private sector union (currently named the Workers Union of Solomon Islands) has been closed several times following disputes and litigation and has had to re-register each time with a new name and begin a process of recruitment again. The General Workers Union became the Solomon Islands Industrial Workers Union following a docks dispute, then the current incarnation followed a dispute with the plantations in 2014. That strike followed accusations of bad management practices and the company took the union to the Trade Dispute Panel. The panel found the union in breach and fined them SI\$17.5 million. The union sold their building for around SI\$8.5 million to help pay the fine, then shut down.

This means that Collective Bargaining Agreements have to be renegotiated and members recruited again. Legally, 20 per cent of the workforce is sufficient for recognition but the union aims for 50 per cent, given employee turnover, on economic grounds. The two categories of workers among whom unionization is limited are shopworkers and domestic workers due to isolation/dispersal and employer hostility (terminations).

#### *Tripartism*

The LAB, Apprentice Board and Trade Dispute Panel are tripartite bodies. The latter is a tribunal, dealing with collective and individual employment disputes, with the Chair drawn from the legal profession and an employer and worker representative each. The LAB is an advisory body for the Minister.

Overall, the legislative framework is seen as “worker friendly”, with the Labour Act, Employment Act, Safety at Work Act, Workman’s Compensation Act, Trades Dispute Act and Unfair Dismissal Act, along with extensive collective bargaining.

#### *Minimum wage regulation*

The LAB leads minimum wage decisions (earlier handled by the Labour Division). The lower rate for fishing and plantations was introduced (in 1996) because they dominated private sector employment and employers argued that they had to invest in benefits such as housing, education, health and infrastructure for their workforce. According to the union, in the 2019 minimum wage review, GPPOL made a submission to the LAB arguing

for an increase from SI\$4 to SI\$6, but the union’s counter argument was that the company (and SolTuna) had benefited from government loans and tax exemptions so could afford to pay a higher minimum wage.

Employers also lobbied the Labour Ministry for potential reduction of the minimum wage during COVID, but the union argument was that workers were suffering hardship too. Employers have also objected to the “holiday sick leave and passage rule” where an employer must pay for a return visit to the home village every year. The union asserts that because the minimum is low, any changes here would have to be compensated elsewhere.

Employers as well as the unions do not like irregular and unpredictable increases in minimum wages. The union said that it hoped that the current rate would be revised early in 2024; however, the rate remained unchanged in 2024. Similarly, the LAB does not meet as often as it should. The Labour Division has the responsibility for convening it when there is a sufficient agenda, but there were no meetings in 2023 (due to the Pacific Games). Prior to COVID, the required three meetings a year were normally adhered to. New members were appointed to the LAB in [September 2024](#).

The biggest or more immediate improvement would be to ensure regular board meetings. Data is seen as adequate, especially the HIES. Awareness is also adequate, and compliance is good in the organized sectors with strong union presence. When workers raise an issue around pay to the union, they discuss it with the employer; if necessary, they will then write to/copy in the Labour Division and Secretary of the Trade Dispute Panel, which normally prompts resolution. Generally, industrial relations with the larger employers are congenial.

#### *The 2019 increase of the minimum wage*

In an interview with [ABC](#) (21 December 2018), the Workers Union General Secretary and SICTU President, Tony Kagovai, noted that the LAB had been recommending a minimum wage rate of SI\$8 for some time, since at least 2016.

Earlier consultation exercises by the Ministry had come up with a figure of SI\$10, based on officials visiting the bigger companies and workers. Collective bargaining in these workplaces sets rates significantly higher than the SI\$8 minimum. So, the 2019 increase did not impact most paid workers,

as the public sector and large private companies already paid above that rate; it was mainly those employed by shopkeepers or in domestic work who benefitted. According to the union, the collectively bargained rates at both GPPOL and SolTuna, even for apprentices, were already above SI\$8 prior to the 2019 increase. However, the companies wanted a lower minimum wage so that their contractors and workers who sign as individual contractors

with the companies (and are thus outside the collective agreement) could continue to be paid at lower rates. One tuba plantation, for example, has a permanent workforce of 200 but thousands of contractors who are paid at lower rates. The union stated that casualization of the workforce is a major issue that it is seeking to address, and “a uniform and realistic” minimum wage rate can help in this regard.



Photo: © ILO

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## 4.9. Kingdom of Tonga – Fakatu’i ‘o Tonga





### 4.9.1. Introduction

The Kingdom of Tonga is an island country of 171 islands, of which 45 are inhabited. Its total surface area is about 750 square kilometres, scattered over 700,000 square kilometres of ocean. The population is around 100,000 and 70 per cent reside on the main island of Tongatapu. Tonga faces many challenges typical of small island developing states, including geographical isolation, limited human and financial resources, and high costs associated with doing business and providing basic services. The economy has a narrow economic base and is dependent on inflows of remittances and external aid; the country is also vulnerable to external shocks including natural disasters. Tourism is low relative to other Pacific Island countries, though tourist receipts increased from a negligible sum in 2000/01 to T\$50 million by the end of the decade (MFNP 2010).

Tonga is remote from major markets and has an adverse balance of trade. Its exports are based on fishing and agricultural crops though much of its food is imported, mainly from New Zealand. Import dependency is most acute in terms of fuel for transport and energy. All grid-supplied electricity derives from diesel, leading to heavy dependency on imported fuel, which can account for a quarter of total imports (10 per cent of GDP). Rising fuel prices impact standards of living and business profitability.

#### Political and social context

Tonga became a monarchy in 1845 under King George Tupou I and his successor entered into a protectorate agreement with the UK in 1900 in order to secure his rule. Tonga withdrew from this arrangement to become independent in 1970. A pro-democracy movement gathered momentum in the early 2000s, culminating in riots in 2006 protesting at the lack of progress. A state of emergency was declared that lasted until 2011. Parliament assumed most of the executive authority in 2006 and two years later King George Tupou V announced he was relinquishing almost all of his powers.

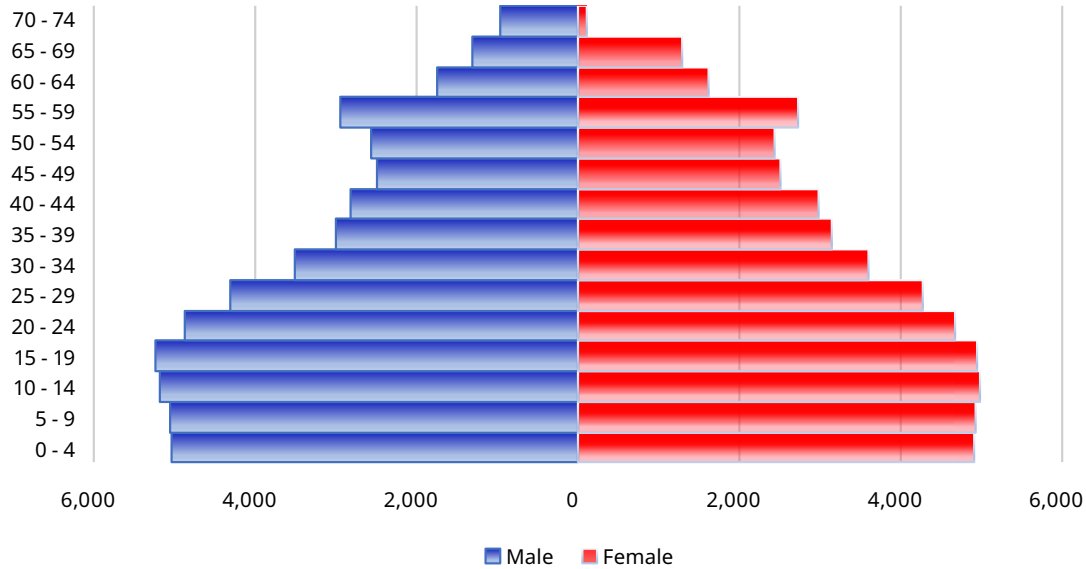
The parliamentary elections of 2010 were the first in which elected seats comprised the majority; nine of the current 26 seats remain reserved for hereditary nobles only (CIA 2024). Tonga remains a hierarchical society with a system of monarchy, nobles and commoners that encourages deference to those in authority. It is also highly religious. According to the 2011 Census, 36 per cent of the population affiliate to the Free Wesleyan Church; 18 per cent to the Church of Latter-Day Saints; 15 per cent to the Roman Catholic Church; and 12 per cent to the Free Church of Tonga.

Tonga's strong familial and collectivist culture and traditional social protection systems provide a buffer against social and economic shocks. Redistributive values are based on 'ofa (love), faka'apa'apa (respect) and fuakavenga (responsibility). Family groups rely on financial cooperation for important occasions such as weddings and funerals. Tongans who migrate overseas (a community of over 150,000, mainly in the United States, New Zealand and Australia) regularly remit money to family in Tonga. The 2006 Census reported that 82 per cent of households were in receipt of overseas remittances, accounting for a third of GDP.

#### Demography

The population has been declining in recent years and went below 100,000 in 2020 ([SDD](#)). Most of the population lives on the island of Tongatapu, with nearly a quarter (23,000) in the capital Nuku'alofa. Overall, just over one in five (23.2 per cent) live in urban areas. The overall population is young (figure 4.9.1), with nearly a third (30 per cent) aged under 15 and with a median age of 25. The birth rate is 20/1000 population (four times the death rate), with a fertility rate of 2.7 children per woman, but overall population growth is constrained by outward migration. The population grew steadily from 70,000 in 1961 to reach 100,000 in 1996. It peaked at 107,570 in 2011 then fell to under 105,000 in 2023, according to the [World Bank](#).

► Figure 4.9.1. Population pyramid, Tonga, 2025



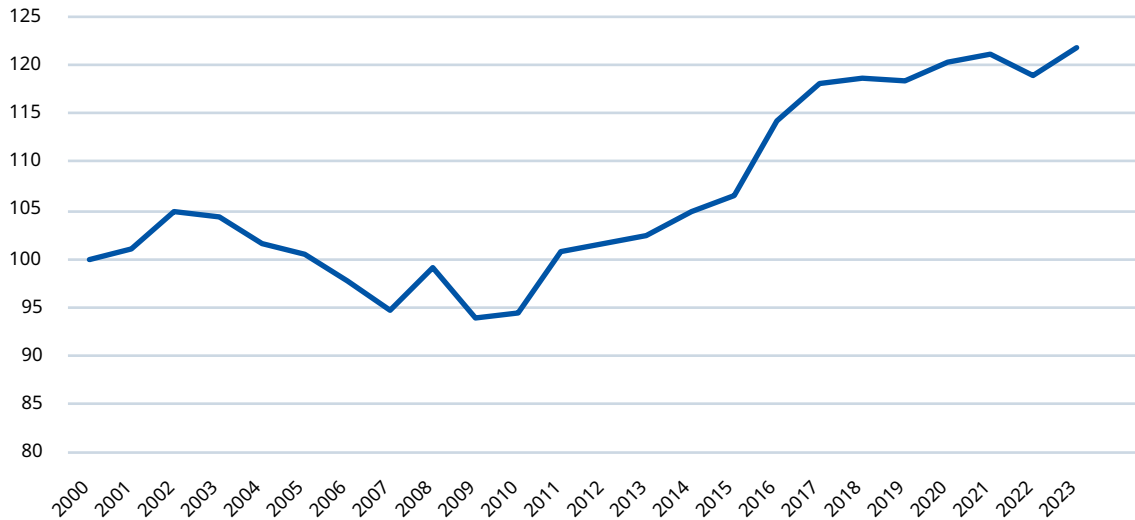
Current health expenditure is 5.3 per cent of GDP and there is around one physician per 1,000 population. There exists significant health issues related to obesity, which impacts 48 per cent of the population, and smoking (46.7 per cent men and 15.3 per cent women). Education expenditure is relatively high at 6.6 per cent of GDP. Taxes and other state revenues are high at 39.8 per cent of GDP (CIA 2024).

#### 4.9.2. Economy

Tonga registered moderate but steady economic gains through the 2010s, which is reflected in

its GDP per capita (figure 4.9.2). This economic upheaval was supported by remittances, aid, and small-scale tourism. The economy was hit by the COVID-19 border closures, which reduced mobility and inflows. In 2022, the Hunga Tonga–Hunga Ha’apai volcanic eruption and tsunami dealt a severe shock, damaging infrastructure and livelihoods. While per capita GDP dipped during this period, reconstruction and aid flows supported a modest rebound in 2023–2024. Tonga’s path highlights the compounding effect of natural disasters and external shocks on small island states.

► Figure 4.9.2. Index of GDP per capita in constant prices (2000 = 100), Tonga, 2000–23

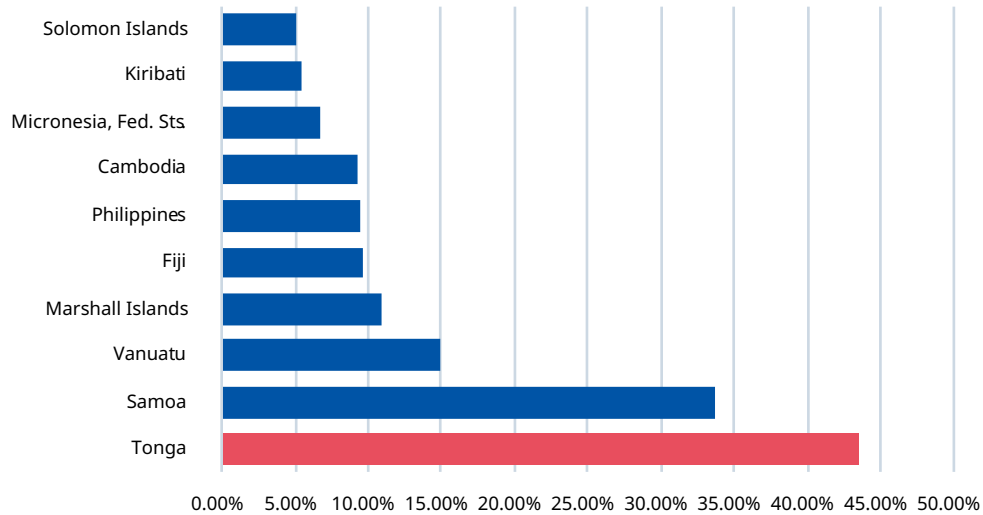


Source: Authors' calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

Exports are equivalent to 22.8 per cent of GDP and imports -68.5 per cent (CIA 2024). Exports amount to US\$58.7 million (2021), down from the pre-COVID figure of US\$112.5 million (2019). The main partners are the United States (22 per cent), South Africa (18 per cent), New Zealand (15 per cent), Australia (13 per cent) and South Korea (11 per cent). Imports are much higher at US\$2285.7 million (2021). These come mainly from New Zealand (36 per cent), China (20 per cent), Fiji (18 per cent), Australia (6 per cent) and the United States (6 per cent).

The economy is highly dependent on remittances, which fluctuate according to global economic conditions. For example, the [World Bank](#) estimates that remittances to Tonga fell from 30 per cent of GDP in 2008 to 19.4 per cent in 2012. This followed the global financial crisis (GFC) which impacted Tongans employed in the US and other countries, as well as exports and inward investments. Now, however, remittance income accounts for around 43.5 per cent of GDP (figure 4.9.3).

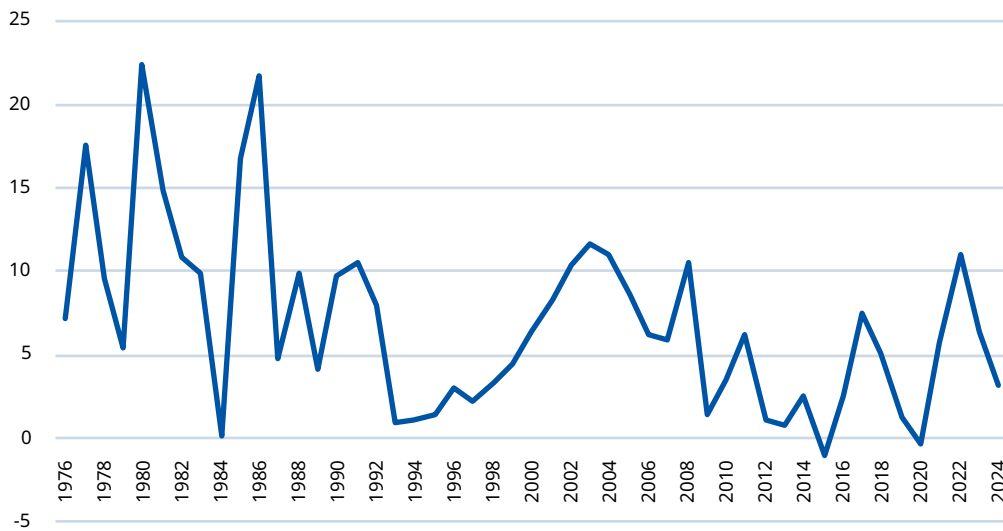
► **Figure 4.9.3. Remittance as proportion of GDP, Pacific region, 2022 (percentage)**



Source: Chandra 2023.

Living standards are also impacted by inflation which is volatile given Tonga is a small open economy (figure 4.9.4).

► **Figure 4.9.4. Inflation, Tonga, 1976–2024 (CPI, annual change, percentage)**



Source: World Bank. Consumer Price Index (CPI), annual % change (FP.CPI.TOTL.ZG). Retrieved from <https://data.world-bank.org/indicator/FP.CPI.TOTL.ZG>

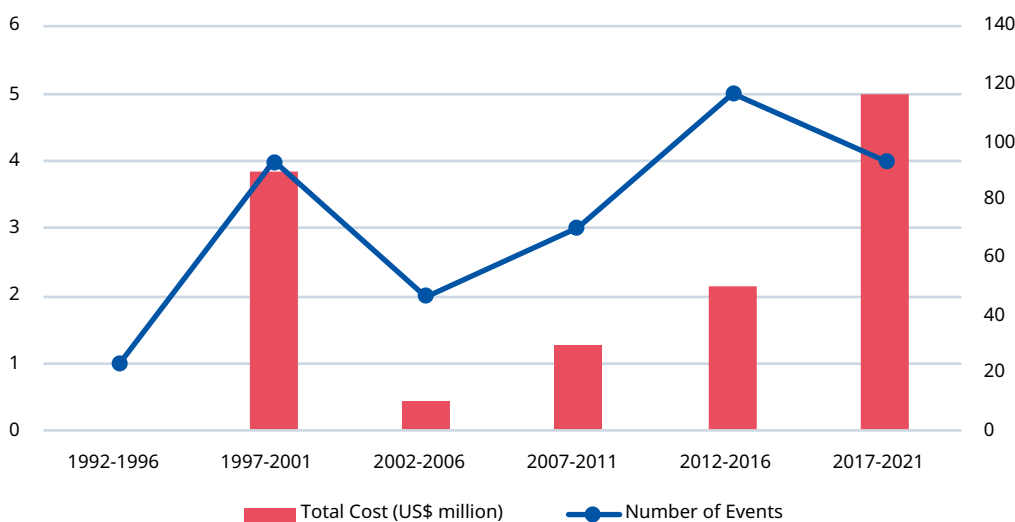
Agriculture accounts for 19.9 per cent of GDP, around the same as industry (20.3 per cent), with services making up 59.8 per cent, much of which is related to tourism. Around 43 per cent of the land is for agricultural use. Three-quarters of the land is owned by the royal family and nobility, and the rest by the State, though “commoners” can lease land for cultivation. The landed class also own many of the major businesses.

The first Ministry of Commerce, Tourism and Labour (MCTL)<sup>17</sup> business survey was conducted in 2013 and received 761 responses, representing 57 per cent of all formally recognized businesses in Tonga (MCTL 2014). It shows that most businesses are micro firms in the services sector. Around three quarters of respondents were sole traders, and where people were employed, the typical number was three or four; only 4 per cent employed more than 20 people. Two fifths of the surveyed firms were in the retail and wholesale trade; other sectors included professional services (17 per cent), export/import (8 per cent), food (7 per cent), tourism (6 per

cent), construction (4 per cent) and manufacturing (2 per cent). A majority (56 per cent) had an annual turnover of less than T\$10,000, with a further 29 per cent in the T\$10,000–T\$100,000 category. Another survey of 150 firms also indicates a high proportion of female involvement in business; 65 per cent had female participation in ownership and 56 per cent of full-time workers were women (World Bank/IFC 2009).

A major risk factor is exposure to natural disasters. The ILO (2022) notes that the four natural disasters in Tonga recorded between 2017 and 2021 caused damage amounting to US\$116 million. This represents an upward trend over the past two decades and compares to zero recorded in the early 1990s (figure 4.9.5). In 2021, the [World Risk Index](#) ranked Tonga as the third most at-risk among 181 countries facing constant threats due to earthquakes, sea level rise, tsunamis, volcanic eruptions, tropical cyclones and other related climatic hazards.

► **Figure 4.9.5. Number (left scale) and cost (US\$ million) of natural disasters, Tonga, 1992–2021**



Source: ILO (2022), Tonga: Employment and Environmental Sustainability Factsheet, based on data from EM-DAT: The International Disaster Database, Université catholique de Louvain (UCLouvain). Available at: <https://www.emdat.be>

In recent years two major events stand out. First, Tropical Cyclone Gita (February 2018) was the strongest storm to ever hit Tonga. According to the [ACP-EU Natural Disaster Risk Reduction Program](#), the total damage was estimated at US\$154.1 million, including US\$14.5 million damage to the power grid, which was equivalent to 37.8 per cent of the

nominal GDP. Then, in 2022 the eruption of Tonga’s Hunga Tonga-Hunga Ha’apai undersea volcano and the subsequent tsunami caused over US\$90 million in damages and impacted 85,000 Tongans (85 per cent of the population), including completely cutting off telecommunications, according to the World Bank (2022).

17 Later the Ministry of Commerce, Consumer, Trade, Innovation and Labour (MCCTIL).

According to the ADB (2024), Tonga's main challenges are sustaining economic recovery beyond the COVID-19 pandemic and volcanic eruption of January 2022; mitigating potential damages caused by disasters triggered by natural hazards; and creating jobs for its youth. However, it noted that Tonga's relatively limited business environment restricts the ability of development partners to source local contractors for reconstruction and growth.

### 4.9.3. Labour market dynamics

Tonga's labour market reflects a mix of gradual formalisation, persistent informality, and strong sectoral gender patterns, shaped by both economic shifts and subsistence traditions. Statistical data sources include: Census data (latest 2021, with results released in 2024), 2023 Labour Force Survey (LFS), and the 2021 Household Income and Expenditure Survey (HIES).

Labour force participation remains moderate and gendered. The 2023 LFS reported a LFPR of 44.6 per cent (51.1 per cent for men; 39.1 per cent for women). This aligns with earlier Census data showing lower female participation and higher involvement in family responsibilities. Participation is concentrated in the working-age group of 25–64, and spatially skewed towards rural areas.

Employment remains largely rural and informally structured. According to the 2021 Census, of the 30,734 employed persons, 76 per cent lived in rural areas. Just over half were wage or salaried workers (51 per cent), while 14 per cent were self-employed and 1 per cent were contributing family workers. A significant 31 per cent were categorised as “not classifiable,” though many undertook unpaid or subsistence-related work, underscoring the continued relevance of the informal and subsistence economies.

Informality and underemployment persist. In 2023, informal employment made up 58.9 per cent of total employment, with higher rates among men (60.5 per cent) than women (56.8 per cent). Informality was highest in agriculture, forestry and fishing (96.7 per cent), but also prevalent in industry (80.4 per cent) but less significant in services (31.4 per cent). These patterns highlight stark sectoral differences, where primary and industrial sectors are marked by vulnerability and limited access to social protection.

Tonga's sectoral employment profile is diverse but concentrated: agriculture (24.8 per cent), manufacturing (13.0 per cent) and public administration (13.8 per cent) were the leading sectors in 2023, followed by wholesale and retail (10.2 per cent), education (9.3 per cent), and construction (8.3 per cent). Women dominate education, public administration, and retail, while men are more predominant in agriculture, construction, and transport.

Unemployment is low overall, but youth face higher labour market barriers. The 2023 LFS recorded an unemployment rate of 1.7 per cent (slightly higher for women), and a youth unemployment rate of 4.8 per cent. Despite low headline unemployment, many engage in multiple forms of underemployment, either through low-paid informal jobs or long hours in subsistence work.

Occupationally, the workforce is concentrated in manual and primary sector jobs. According to the 2023 LFS, nearly 41 per cent of workers were engaged as skilled agricultural workers or in craft and trades. Just 15.8 per cent were professionals, and under 12.8 per cent worked in services or sales roles. This occupational structure reflects the persistent dominance of traditional and low-productivity work.

Wage data show high sectoral and gender disparities. In 2018, the highest average monthly wages were reported in agriculture (TOP1,789), followed by industry (TOP1,587) and services (TOP1,255). Men consistently earned more than women across most sectors and occupations, with the gender pay gap most pronounced in elementary occupations (63 per cent). Only managers, professionals and craft workers showed wage parity or reversals in favour of women.

Poverty remains a concern, despite slight improvements. According to the 2021 HIES, multidimensional poverty dropped from 27 per cent in 2015 to 24 per cent in 2021. Extreme poverty is negligible (<1 per cent), but the basic needs poverty rate still affects over 20 per cent of the population, particularly in 'Eua and Ongo Niua. Poor households are often clustered in three main groups: urban low-wage earners, outer island subsistence workers, and rural Tongatapu residents facing both constraints. Limited access to education, water, and income opportunities compounds these vulnerabilities.

These dynamics underscore the need for labour market policies that address persistent informality, gender gaps, and wage disparities. Targeted wage-setting, improved labour market monitoring, and support for subsistence and informal workers—especially women—will be key to promoting inclusive and resilient employment outcomes.

### National Employment Policy

Tonga's first-ever National Employment Policy aims to address key labour market issues, such as high youth unemployment, informality, and limited access to training. The policy outlines measures to enhance technical and vocational education and training, support vulnerable groups, improve working conditions, and formalise informal enterprises. It also introduces governance mechanisms for managing overseas labour mobility while promoting inclusive local economic growth.

Nationwide consultative workshops have been held, bringing together social partner and stakeholders from different sectors across Tonga. These workshops have gathered valuable insights for the policy's development, taking into account the unique context of post-COVID-19 recovery, digital and green transformations, and other contemporary workforce dynamics.

By the end of May 2025, government ministries, social partners, and relevant stakeholders, including civil society organisations and UN agencies, validated the draft of the Tonga National Employment Policy 2025–2028, with the cabinet adoption expected later this year.

#### 4.9.4. Employment regulation

The Kingdom of Tonga joined the UN in 1999 and was admitted to ILO membership in 2016. Since becoming a member, the ILO and Tonga have collaborated on Tonga's first Decent Work Country Programme covering the period 2018–22. However, no regulatory framework exists for managing individual and collective employment relations in Tonga except for the public service. The Public Service Act 2002, as amended, regulates matters of discipline, dispute resolution, dismissal and pay for public and civil servants. The lack of rights and protections for private sector workers became increasingly anomalous with the democratization campaign and now fails to align with the obligations of ILO membership.

Since joining the ILO, Tonga has ratified only the Worst Forms of Child Labour Convention (No. 182). According to information documented by Normlex, the Information System on International Labour Standards, the government of Tonga has not responded to requests for information relating to the implementation of the Child Labour Convention nor progress on the Labour Administration Convention (No. 150) and Labour Administration Recommendation (No. 150)), as well as various Conventions and Recommendations relating to discrimination and inclusion in employment.

### Social Partners

The Trade Unions Act 1964 (revised in 1988) provides for union registration and offers various rights and entitlements including peaceful picketing and immunity from prosecution for conspiracy. However, the government did not promulgate the necessary regulations on the formation of unions, collective bargaining or the right to strike, so no unions have been registered to date (USDS 2013). There are a number of "worker associations" registered under the Incorporated Societies Act "to promote the welfare of workers and to create better understanding and cooperation between employers and employees" (MLCI 2009: 18). The absence of a formal labour code means that these associations have no formal bargaining rights or legal protection from anti-union discrimination.

The Public Service Association (PSA) is by far the largest *de facto* union and was established in December 2005 following a six-week strike over pay which involved 90 per cent of the country's 4,000 public servants (PSA [NZ] 2007). The dispute was settled by wage increases of 60–80 per cent phased over two years, partly offset by a voluntary redundancy programme that reduced the workforce by 18 per cent (IMF 2008). Other public sector associations include the Friendly Islands Teachers Association and the Tonga Nurses Association; there are also associations for doctors and dentists.

The only private sector union is the Friendly Island Seafarers' Union Incorporated (FISUI). It is the only body to have collective agreements, which it has negotiated with individual shipping companies. It has around 900 subscriptions-paying members and is affiliated to the International Transport Workers' Federation. The union has developed

a strong cooperative relationship with the PSA, including lobbying for membership of the ILO and for the Employment Relations Bill. The FISUI is also lobbying for ratification of ILO's Maritime Labour Convention.

In a recent innovation, the PSA has led organizations of the [informal sector](#). This resulted in the formation of five new national workers' associations: Tonga National Agricultural Workers' Association; Tonga National Animal Husbandry Workers' Association; Tonga National Tapa-making Workers' Association; Tonga Weaving Workers' Association; and Tonga Handicraft & Small Tourism Workers' Association. These new associations have around 300 members. The initiative is designed to give informal workers and businesses a voice and was stimulated by the COVID-19 stimulus package of which most were unaware and/or could not access.

The Tonga Chamber of Commerce and Industry (TCCI) was incorporated in 1996 to represent the interests of private sector businesses and facilitate learning and networking for its members. It is governed by an elected 10-member council supported by three administrative staff and has over 100 members. The Council also includes four Affiliate Councillors representing Tourism Tonga, the Growers' Federation, the Tonga New Zealand Business Association and the Tonga Chinese Business Council Incorporated. There is a growing Chinese business community in Tonga, which is said to favour individualized and informal employment relations (Fisi'iahi 2008).

### Employment Relations Bill

An Employment Relations Bill (ERB) has repeatedly been proposed to address the regulatory deficit. Plans to introduce a legal and institutional framework governing private sector employment in Tonga were included in Bills introduced in 1982, 1993, 2002 and 2005. These failed due to opposition from politically well-connected business interests (Fisi'iahi 2008). A renewed effort in 2006 followed a major public service strike and civil unrest. After extensive consultation, there was a revised Bill

in 2013 but it too failed for the same reasons (Arrowsmith and Parker 2020). After the general election of 2014, in which the ruling party lost three of its 12 seats, the ERB disappeared from public view. Officials in the MCTL continued to advocate for the Bill, especially after the international obligations introduced by ILO membership in 2016.<sup>18</sup> The latest ERB was presented in 2020.

The business case for the ERB is that it will modernize employment relations. Although this will involve some transitional costs, the medium- and longer-term effects will be to increase labour market participation and reduce systemic problems of poor productivity, absenteeism and staff turnover as well as address issues of low pay and vulnerable employment (Fisi'iahi 2008). Furthermore, new procedural requirements such as record-keeping and mediation will assist employers against vexatious claims and help resolve disputes without recourse to the Courts. It will therefore promote fairness and efficiency in employment relations as a contribution to employment growth.

However, there is strong employer opposition because the ambition of the Bill is to go from zero employment law to a comprehensive model replicating in large part the systems of countries like New Zealand. The TCCI argues this will damage businesses by increasing costs, and points to other burdens such as COVID and the introduction of compulsory superannuation in 2012.

The draft 2013 Bill comprised 22 Parts covering contracts of employment; employers' record-keeping; pay and minimum wages; working time and holidays (including nursing and maternity breaks); discrimination and harassment; employment of children; occupational safety and health; trade unions and collective bargaining; industrial disputes and mediation; discipline and grievance processes; and redundancy and dismissal. It also provided for the establishment of a labour inspection system and a tripartite Employment Relations Advisory Committee (ERAC). The [2020 ERB](#) is likewise comprehensive in scope.

<sup>18</sup> Also relevant were internal political considerations relating to the resourcing and credibility of the MCTL and especially the Labour Division itself. The public service was restructured in 2012 under a World Bank programme and the Ministry of Labour, Commerce and Industries (MLCI) became the Ministry of Commerce, Tourism and Labour (MCTL), with the placement of "Labour" moving from first to last (reportedly there was discussion of removing it completely from the new title). This symbolic change was accompanied by a diminution of resourcing, with the Labour Division reduced to four employees (with one on long-term study leave) of a total of 65 staff. Important functions such as visa processing and the employment service were transferred to other Ministries.

Minimum wage provisions included in the 2020 ERB are summarized in table 4.9.1. It is likely that any worker covered by a minimum wage will be subject to little or no income tax. Current PAYE rates for annual earnings are T\$0–T\$12,000 = 0 per cent (tax

free); T\$12,001–T\$30,000 = 10 per cent; T\$30,001–T\$50,000 = 15 per cent; T\$50,001–T\$70,000 = 20 per cent; T\$70,001 and over = 25 per cent.

► **Table 4.9.1. Minimum wage provisions of the ERB 2020 (Part VIII), Tonga**

Section	
35: Establishment of minimum wages	The Cabinet may prescribe a minimum wage to apply to all employees or according to industry, occupation or region. This will be based on recommendations of a new Commission and extensive stakeholder consultations.
36: Review of minimum wages	ERAC will ensure that the Commission conducts a review every three years.
37: Procedure for minimum wage reviews	The Commission will consult employer and employee representatives, and any other interested parties and experts, and request information and analysis from the CEO.
38: Criteria for minimum wage reviews	“(a) needs of employees and their families, taking into account the general level of wages in the country, the cost of living and retirement benefits; (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment; (c) relevant poverty indices, consumer price indices and any other factors identified by the Committee and Ministry as being relevant for consideration by the Commission; and (d) any other information, including information submitted by representatives of employees and employers relating to the reasonableness of wages relating to any occupation, sector, industry or area.”
39: Minimum wage reports	The Commission shall submit a report to the Cabinet following the conclusion of a minimum wage review, setting out its recommendations and reasons.
40: Effect of a minimum wage order	No employment agreement can provide for payment lower than the minimum wage; an employer who fails to comply commits an offence and is liable to pay a penalty.
41: Notice of minimum wage	An employer must display a written notice in the workplace to inform employees of any minimum wage order affecting them. Non-compliance is an offence attracting a penalty.

The ERB 2020 was passed by the Legislative Assembly in September 2023 to become an Act of Parliament. The next step is for the Act to be presented to King Tupou VI for assent, and it needs to be gazetted before it becomes law. However, this has not yet happened. According to online [reports](#), the TCCI lobbied the government to delay enactment “until we are able to recover from the effects of this global pandemic ... with the current dire circumstances of the economy due to COVID-19, it is not the time to introduce new policies and legislation that may have a negative impact on the private sector”. The TCCI said, “We are trying to confirm an appointment with the relevant Ministry to request that they consider a deferment of the implementation date of the legislation until we are able to recover from the

effects of this global pandemic.”

Employment and labour rights remain limited in Tonga, and there is accordingly no labour or safety and health inspectorate. Neither is there any tripartite body until the ERB becomes law. A National Tripartite Consultation Committee was established for the purpose of consultations on the Bill but is now defunct and the new ERAC has yet to take effect.

**Union perspectives on the ERB<sup>19</sup>**

The unions are “fully supportive of the Bill” because it addresses the gaps in trade union and industrial relations law across the economy as a whole and progresses ILO membership. Its framework of minimum standards is seen as providing an

19 The sections on union and employer perspectives are based on fieldwork interviews relating to the 2013 ERB (Arrowsmith 2014). The 2020 Bill is much the same as the earlier version, and as there is no evidence to suggest employer and union perceptions have changed, this report draws on that older fieldwork.

important safety net for vulnerable workers, including in critical areas such as health and safety, and a platform for raising employment standards generally.

The proposals are also seen as advantageous by reducing the costs of poor productivity, high labour absenteeism and turnover, and hidden conflict such as damage and stock shrinkage. The unions also argue that mediation would reduce the costs involved of recourse to the law, for all parties.

The PSA believes that public servants should be covered by all the terms of the ERB for reasons of consistency and because its terms apply only minimum standards which are usually exceeded in the public sector (though terms concerning industrial action are more restrictive in the Bill).

The ERB also raises wider implications for the nascent trade union movement in terms of collaboration and potential growth.

- *Collaboration.* The six worker associations collaborated before the formation of the ERAC to ensure that the two assigned employee delegates are representative of employees as a whole and not just their own association. It is planned to register a joint body as the National Employees' Association, under the Civil Societies Act, which will be registered as a trade union body following ERB enactment. The ERAC is thus viewed as a mechanism to foster trade union collaboration.
- *Organization.* The ERB is seen to promote union growth by recognizing rights to freedom of association, collective bargaining and industrial action. The PSA has run awareness workshops in SOEs prominent in major sectors such as communications, the ports, Post Office, energy and water, printing, timber, tourism, banking, printing and transport. This could eventually lead to the registration of a public enterprise union. The FISUI, the membership of which was significantly hit by the GFC, aims to expand to other maritime workers, eventually including the transport sector more generally. The unions envisage that enactment of the ERB would enhance their growth objectives.

## Employer perspectives on the ERB

The TCCI expressed opposition to the ERB on the basis that it would “cripple businesses” by increasing costs. The result would be a reduction in investment and jobs, employment casualization and price increases. Specific concerns related to paid breaks and leave entitlements (20 days paid holiday, 10 days sick leave, 3 days bereavement leave and 30 days maternity leave). Other issues included compulsory mediation, restrictions on employers to recruit and dismiss, working time limits, record-keeping requirements and potential trade union growth. Interestingly minimum wages were not raised as a major potential concern.

There was also apprehension at the complexity and timing of the proposals. It would be difficult for small business owners to cope with the simultaneous introduction of a range of employment rights, which could increase legal costs in responding to worker claims. Timing was also perceived to be disadvantageous given the unhealthy state of the Tongan economy and costs already incurred with the introduction of compulsory superannuation.<sup>20</sup> As noted above, current concerns relate to the state of the post-COVID economy.

## MCTL implications

Responsibility for implementing and enforcing the ERB would fall within the remit of the MCTL (now MCCTIL). However, the Ministry has long faced severe resource and capacity constraints even without such responsibilities and obligations (Arrowsmith 2014). The employers' representatives also raise a number of further issues for the Ministry. First, employers' opposition to the ERB means that there is a need to allocate considerable resources to communication, education and liaison/education efforts with the business community to ensure effective implementation. Yet employer and trade associations such as the TCCI and Manufacturing Association of Tonga have reported limited take-up of services such as mentoring and seminars, so consideration will have to be given to innovative forms of communication and involvement. This could include SMS, radio and television messages, as well as Church participation in outreach.

<sup>20</sup> The National Retirement Benefits Scheme (NRBS) Act 2010 requires private sector workers and employers to contribute a sum equal to 5% of wages to the National Retirement Benefit Fund. It became effective July 2012 (though businesses could opt out for up to a year).

The TCCI also suggested that rationalization of the Bill along with a phased implementation, focusing initially at least on the eight core ILO Conventions, would improve general acceptance and implementation.<sup>21</sup> This leads to the second implication. Employers fear that non-compliance would provide some businesses with a competitive advantage; therefore, the provision of sufficient resources is required to ensure consistent and effective inspection and enforcement mechanisms.

The third implication concerns mediation. According to the TCCI's legal counsel, "Tonga is a highly litigious society, which reflects its culture and hierarchy." There are reportedly 62 lawyers in the country with most taking employment cases. Mediation requires sensitive and skilled professional services, but this is not always available in Tonga. There are a number of practical difficulties in ensuring an adequate number of appropriately trained mediators in various parts of the country to fulfil the requirements of the ERB.

#### 4.9.5. Conclusion

Despite signs of economic recovery following COVID-19, Tonga continues to face a high incidence of working poverty and a strong reliance on informal employment. Addressing the diverse needs across the country requires continued policy development aligned with the Decent Work Country Programme (DWCP) and broader national strategies. A key milestone in this regard is the validation of Tonga's draft National Employment Policy (NEP), which provides a foundation for improving labour market outcomes and guiding employment-related reforms.

The most urgent priority remains the extension of employment rights and regulations to the private sector. The Employment Relations Bill (ERB) must be implemented and backed by sufficient resources and institutional capacity to establish an effective and inclusive labour and employment law framework that aligns with international labour standards.

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21 Precedence for delayed implementation impacted the NRBS Act 2010 and the Foreign Investment Act 2002 which came into force in 2007. However, the TCCI also acknowledged that implementation of the ERB in its current form could be "just postponing problems".

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## 4.10. Tuvalu





### 4.10.1. Introduction

Tuvalu is the fourth smallest country in the world, located in the west-central Pacific Ocean. It consists of nine islands with a total land area of just 26 square kilometres but providing an Exclusive Economic Zone of 749,790 square kilometres. Tuvalu has a total population of 10,645 persons according to Census 2017, and almost half of the population live on the main island of Funafuti which is the capital of the country and is the primary centre of administrative and commercial activities. The other islands are Nanumanga, Nanumea, Niulakita, Niutao, Nui, Nukufetau, Nukulaelae and Vaitupu. All islands are low-lying, with no point in Tuvalu being higher than 4.5 metres above sea level, so the country is at existential risk because of rising sea levels.

Tuvalu was part of the British Gilbert and Ellice Islands Colony before independence in 1978. The country is governed through a system of parliamentary democracy under a constitutional monarchy. There are no formal political parties, but the 16 Members of Parliament align into informal groups at the time of government formation. Parliament is usually elected for a term of four years; the last elections were held in 2024. Tuvaluan and English are official languages and people also speak Samoan and Gilbertese, especially on Nui Island (CIA 2023).

The main sources of national income are fish revenues, foreign remittances, the sale of internet domain name (.tv), income from the Tuvalu Trust Fund (TTF; see below) and foreign aid. Economic growth and consumption are mainly driven by the public sector. The private sector is weak and mainly engaged in tourism services (which are very limited compared to other countries in the region). Tuvalu's import bill is much higher than its export earnings. Like many of its neighbours, Tuvalu's economic base is constrained by reliance on few income sources, lack of economies of scale and a lower-skilled and geographically scattered population.

Tropical Cyclone Tino caused extensive damage in January 2020, compounding the effects of COVID, which led to a decline in foreign remittances, fishing license revenue and tourism businesses. According to the IMF (2023: 1), "Natural disasters and climate change remain latent threats to the economy – including through their possible impact

on fishing license revenues, potential human and physical capital losses and food and water security."

### 4.10.2. Economy

Tuvalu is one of the most resource-poor and least-developed countries in the Pacific region. The country faces high economic vulnerability on account of its extremely narrow economic base, geographic dispersion, remoteness from the world markets, and lack of natural resources and infrastructure (Islam et al. 2023). However, per capita income in Tuvalu is significantly higher than in many other PICs, at US\$5,433, largely due to remittances from seafarers and others who work overseas (ILO 2024). The economy relies heavily on rents such as the sale of fishing and internet domain licenses as well as on remittances.

Tuvalu has an EEZ of 750,000 square kilometres, which it uses to earn fishing license revenue from international companies. These revenues represented 46 per cent of GDP in 2022, down from 59 per cent in 2020 due to the impact of COVID (IMF 2023).

Tuvalu was assigned .tv (also the worldwide abbreviation for "television") as the country's internet domain name. In 2001 domain rights were released to Verisign for US\$5 million annually. Recently, a deal with GoDaddy was made for US\$10 million annually (Ligaiula 2021). Fees from the domain name represented 6.8 per cent of GDP in 2022 though this is projected to fall to 5 per cent given increasing use of other internet domains (IMF 2023).

Personal remittances come from emigrants and overseas workers. Traditionally, Tuvaluan men work on foreign vessels as mariners and fishermen, but recently other opportunities include the New Zealand RSE scheme and Australia's PALM scheme. In the [2022/23](#) period, 234 Tuvaluans joined the RSE scheme and 58 were in PALM work. Although still of small magnitude, the IMF (2023: 16) notes that "they have at times also led to domestic labor shortages".

In 1986, Tuvalu was included in the LDC category by the UN which enables preferential access to development finance, multilateral trading arrangements and technical assistance. The country has recently met the criteria for graduation from LDC status based on improvements in per capita

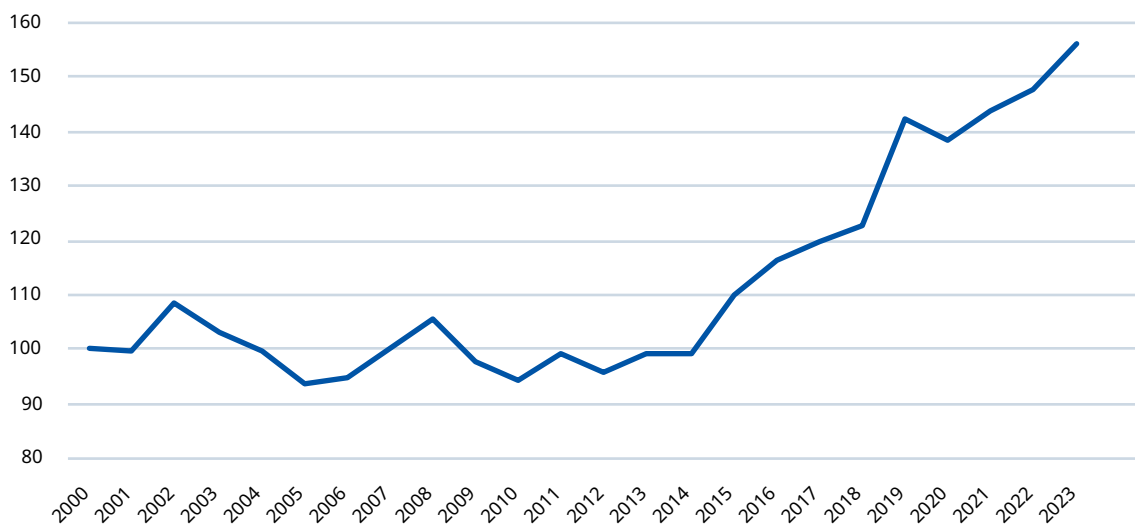
income and human development index. However, the government requested the UN to postpone LDC graduation in the wake of extreme exposure to climate change and COVID disruptions (DESA 2021). Otherwise, the drop in foreign aid may make it difficult to ensure the living standards of the people. As in other Pacific nations, economic problems in Tuvalu are compounded by environmental risks such as rising sea levels, the occurrence of cyclones, and lack of fertile land and freshwater sources. The UN Development Program has classified Tuvalu as “extremely vulnerable” to climate change. As the UN (2023: 4) notes, “More than other Pacific SIDS, Tuvalu faces challenges related to its small size, remoteness and isolation from major markets, high transportation costs, reliance on a limited range of economic activities and imports (70 per cent of GDP), and extreme vulnerability to climate change and hazards.”

Economic growth is limited, with an annual GDP of approximately US\$60 million, per capita GDP of

US\$5,221 and a GDP growth rate of 0.7 per cent in 2022 (World Bank 2023). Tuvalu is a significant net importer of goods, with US\$51.1 million worth of imports in 2021. These were mainly food products, refined petroleum, cargo and fishing vessels, and construction equipment with China and Japan being the largest import partners. Over the same period, exports were only US\$2.69 million, mainly fish and copra (CIA 2023).

Tuvalu shows one of the strongest improvements in per capita GDP (figure 4.10.1) in the region. While performance was weak in the early 2000s, growth accelerated from 2014 due to fisheries license revenues, strong donor support, and sound fiscal management of external revenues. The economy dipped briefly in 2019–2020 due to COVID-19 trade disruptions but rebounded quickly, recording a cumulative 56% increase in per capita GDP by 2024 since 2000. Tuvalu’s resilience illustrates the value of effective management of external rents and strong international partnerships.

► **Figure 4.10.1. Index of GDP per capita in constant prices (2000 = 100), Tuvalu, 2000–23**



Source: Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

The agriculture sector is the mainstay of the national economy, with a total value of AU\$10.5 million and an 18.7 per cent contribution to GDP in 2017 (CSD 2021). Subsistence activities dominate the agriculture and fisheries sector, especially in the outer islands. Land quality is greatly affected by

seawater intrusion, and a lack of modern agriculture methods and limited freshwater resources make it difficult to cultivate high-value crops. Hence, most landowners grow food crops for subsistence purposes.

The formal economy is dominated by the services sector, accounting for around two thirds of GDP in 2019 (SIDS 2021). This is dominated by public sector enterprises which provide services in the areas of banking, telecommunication, electricity generation and transmission, maritime and fishing, and hospitality. The private sector is relatively weak and mainly provides tourism services. Small operators dominate and include accommodation providers, tour operators, handicraft vendors and car rental businesses. However, tourism is quite limited in the country with around 2,000–3,000 visitors pre-COVID and 3,136 recorded in 2023. This supported 87 workers in employment in 2016 (PSDI 2021). Lack of infrastructure and limited international air travel connectivity contribute to the weak tourism sector. Funafuti has the main airport, which receives international flights only from Suva and Tarawa.

The TTF provides a safety net against fluctuations in government income. It was established in 1987 as a public-owned investment fund and its earnings are used to help meet government budget deficits and support economic development. The governments of Tuvalu, Australia, New Zealand and the UK are major contributors to the TTF and its market value was AU\$205.66 million in 2021.

### 4.10.3. Labour market dynamics

Tuvalu faces major data limitations due to its dispersed geography and the capacity constraints of national institutions. Labour market data is primarily drawn from the decennial Census (latest 2022), the mini-Census (2017), and HIES (latest 2022). There is no Labour Force Survey.

The 2022 HIES reveals a young population (median age 24), with 34 per cent below 15 years and a high dependency ratio of 66. Household duties dominate among persons aged 15+, with only 35 per cent engaged in employment-related activities. Nevertheless, around 78 per cent of households report engagement in primary activities—mainly livestock, fisheries, and agriculture—suggesting the continued relevance of subsistence livelihoods.

Labour force participation is low 43.9 per cent in 2022 (52.4 per cent for men and 35.2 per cent for women). According to Census 2022 data accessed by the ILO, employment is largely concentrated in services (72.2 per cent), followed by industry

(20.3 per cent) and agriculture (7.4 per cent). Informality remains significant: around 20.2 per cent of employed persons are in the informal economy, with almost similar share for both men and women.

Most jobs are in the public sector— 71.4 per cent of workers are employed by government or SOEs. The private sector remains small, employing fewer than 800 workers. The unemployment rate stood at 7.3 per cent in 2022, but youth unemployment remains high at 14.1 per cent, with 34.3 per cent of youth in NEET.

Subsistence work plays a critical economic and social role, with over 2,000 persons classified as economically inactive but engaged in home production or domestic duties. This reflects both limited formal employment opportunities and a strong reliance on traditional livelihoods. However, formal wages remain central to household income—comprising 71 per cent of household earnings in 2022, particularly in urban Funafuti (78 per cent).

Labour migration is a structural feature of Tuvalu's development. Around 20 per cent of the resident population lives abroad, with remittances contributing 3.2 per cent of GDP in 2023. Overseas employment—especially in the maritime sector—offers a key income stream, supported by the Tuvalu Maritime Training Institute. However, participation in regional seasonal worker schemes remains modest, hindered by high upfront costs.

In summary, Tuvalu's labour market is characterized by low labour force participation, high underemployment, a dominant public sector, and heavy reliance on subsistence and migration. Improving employment outcomes will require a coordinated response to expand private sector opportunities, support youth transitions, and leverage migration pathways with better protection and returns.

### 4.10.4. Policy and regulatory context

Tuvalu has been a member of the ILO since September 2008. To date, the country has ratified two Conventions including one Fundamental Convention, Worst Forms of Child Labour Convention, 1999 (No. 182), in 2019. The other is

the Maritime Labour Convention, 2006 (No. 186) which was ratified in 2012. However, it has failed to complete [reports](#) on their application.

A Decent Work Country Programme was operationalized with the technical support of the ILO during 2010–12 based on consultation with the Tuvalu National Chamber of Commerce, Tuvalu Overseas Seamen’s Union, and Department of Foreign Affairs and Labour. Its three priority areas were: capacity building of tripartite partners; improvement of the labour market information and analysis system; and improving overseas employment opportunities. There has been mixed progress on these. Tripartite constituents collaborate on important employment issues but there is no national tripartite body yet (related to priority 1). Tuvalu faces many constraints in collecting timely and robust data on the labour market and employment indicators, with no LFS conducted (related to priority 2). However, a National Labour Migration Policy 2015 was formulated to enhance worker skills, create more employment opportunities and provide better support to overseas workers (related to priority 3).

The DWCP has not been renewed but a National Strategy for Sustainable Development ([NSSD](#)) 2021–30 (and previous NSSD 2005–15) helps inform policymaking on different dimensions linked to sustainable development. It encompasses various decent work-related outcomes including creating an enabling legal environment for employment relations (especially in the private sector), job creation (both in local and overseas markets) and income generation.

The NSSD prioritizes five strategic areas to enhance economic and social development in Tuvalu: enabling environment; economic development; social development; island and cultural development; and infrastructure development. For example, under the economic development strategy (National Outcome 9), special consideration is given to developing the private sector by providing business requisite finance and technical assistance, which is expected to create more jobs leading to less dependence on public sector employment.

The NSSD also highlights the importance of developing the fisheries sector beyond food security and fish license revenue. Developing local marine infrastructure could help the country increase fish exports and thereby promote local

employment and ensure better wages. Regarding equal opportunities, the NSSD provides national outcomes and action areas around inclusive participation of men, women, young, and disabled persons in economic and social spheres. This includes introducing legislation to ensure equal employment opportunities and equal remuneration for all. Equal opportunities and related outcomes are also reiterated in the Tuvalu National Gender Policy 2014.

### Tripartism

There is no formal standing tripartite institution though consultation of the social partners occurs over the DWCP and other policy initiatives, and there was also a tripartite Maritime Labour Convention (MLC) Committee related to ratification of the MLC in 2012. Provision was made for a tripartite Minimum Wage Board under the LERA 2017, but this has yet to be convened by the concerned Minister. The tripartite partners are the Tuvalu Overseas Seamen’s Union (TOSU), the Tuvalu National Chamber of Commerce (TNCC), the Tuvalu National Private Sector Organization (TNPSO) and the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour (MFATTEL).

- TOSU was established in 1988 to represent seamen on foreign vessels and is the only registered union in the country. It is a member of the International Transportation Workers’ Federation, which assists in matters related to wage negotiations, working conditions and disciplinary actions. At the time of the DWCP 2010–12, there were 800 to 900 members. The main challenges faced by TOSU include lack of financial resources, physical offices, management capabilities and reliable data. According to the USDS (2022), under the current law, public sector employees such as nurses, teachers and civil servants cannot form or join unions, but they are permitted to join professional associations and have the right to collectively bargain (but not to strike).
- The TNCC was established in 1978 to create an enabling business environment and serve the needs of the private sector in Tuvalu. Like the union, TNCC is constrained by limited financial resources and an inability to provide trade services to its members

(e.g. promotion and investment events). The TNPSO is one of 15 national members of the Pacific Islands Private Sector Organization. This was established through the mandate of the Forum Economic Ministers in 2005 to be the representative body of the Pacific region's private sector and to ensure dialogue between public and private sectors for strengthening regional policymaking.

- The Department of Labour under the MFATTEL is responsible for labour and employment matters including compliance with international labour standards, labour law reform and developing a labour market information system. However, the department too has limited technical and human resources and is mostly focused on managing the overseas seasonal work schemes. The Ministry of Finance and Public Service Commission are other government stakeholders in employment matters.

### Legislation

The primary legislation regulating employment matters is the Labour and Employment Relations Act 2017. This was enacted to better comply with international labour standards and reflect changing cultural norms (e.g. there is more acceptance of women working at night, which was prohibited under the previous law). The ILO played a key role in this reform, and all tripartite partners were consulted in this process. The LERA 2017 repealed the Employment Act 1966 (revised in 2008), Trade Union Act 1946 (revised in 2008) and Industrial Code 1975 (revised in 2008). It applies to all public and private organizations (though some parts do not apply to police officers) and lays down provisions relating to the formation of employment contracts, child and forced labour, equal employment opportunities, occupational health and safety, collective bargaining and the right to form/join a union, industrial action and dispute settlements, minimum wage settings, leave entitlements and employment termination/redundancy.

The Act provides protection not covered in the previous legislation; these protections are relatively advanced, for example concerning maternity/paternity leave and pay. Section 50 (2) states

that everyone should have equal employment opportunities (e.g. recruitment, training and promotions) irrespective of ethnic origin, gender, age, religion, trade union membership and/or involvement in legal proceedings. There are also provisions that employers must pay male and female workers equal remuneration for equal-value work (section 52). In terms of OSH, the Act requires employers to identify, reduce, and communicate work hazards. Moreover, all workplaces should provide clean drinking water, adequate sanitary facilities and medical care. Employees are required to follow workplace health and safety instructions, and have the right to remove themselves from dangerous situations.

However, in case of employment termination and redundancy, employees are not entitled to redundancy or severance pay and employers are only required to provide one week's notice. Although section 20 (1) mentions overtime pay, it does not outline any rates; therefore, regulations are needed in this regard.

The LERA 2017 also attempted to establish the minimum wage system on a strong footing by making provision for a Minimum Wage Board, comprising representatives of all tripartite partners, and outlining the process and criteria for fixing and reviewing minimum wages in the country.

#### 4.10.5. Minimum wage regulatory framework

In Tuvalu, provision for minimum wage regulation was introduced through the Employment Act 1966, but no minimum wage rate was ever fixed. Section 27 (1) of the Employment Act 2008 asserted: "The Minister may by order fix minimum rates of wages for workers in any occupation in Tuvalu, either generally or in any specified area or district, in any case in which he is satisfied that the minimum rate of wages being paid to any persons employed in any such occupation is unreasonably low." It was stipulated that before fixing minimum wages, the Minister shall consult with worker and employer representatives, but no formal mechanism was instituted to facilitate this. The Minister could issue a minimum wage exemption (e.g. for disabled or infirm employees) to certain businesses and impose penalties for non-compliance on others.

These provisions seemed to favour ad hoc management of minimum wages since there was no mention of the process, period and criteria for their reviews. The LERA 2017 repealed the Employment Act and provided more detailed provisions, including formal consultation through an MWB, as well as enforcement. However there remains no legal minimum wage in force.

### Minimum wage setting and review process

Under the LERA 2017, the MWB is mandated to undertake a minimum wage review and make recommendations to the Minister every three years. This constitutes the first attempt to establish a standing tripartite framework in the country for employment matters. The MWB is to consist of: three members representing the worker associations, three representing the employer associations, and three members from government authorities (i.e. one each from the Public Service Commission, Ministry of Finance and Ministry of Labour who is the Chair). All Board members are to be appointed by the Minister for a period of five years and to receive appropriate remuneration and reimbursement.

Before making a minimum wage recommendation, the Board is required to consult with social partners, source wage and other related analyses from government authorities (e.g. the National Statistics Office and the Ministry of Finance) and invite submissions from other related parties including the general public. The minimum wage rate may be recommended as universal or specific to any occupation, geographic area, sector and industry. Different minimum wage rates can also be suggested for different types of work: casual, fixed-term, piece rate and task-based (section 123 (3)).

The following criteria are to be considered while making recommendations (section 124 (1)): the

needs of employees and their families; the general level of wages in Tuvalu; the cost of living and its effect on the real value of minimum wages; other social protection measures which could compensate for the increase in living costs; the relative standard of other social groups; economic factors relating to economic development, labour productivity and level of employment in Tuvalu; the right to equal remuneration for work of equal value; and any other information submitted by social partners and other stakeholders.

The Board can form subcommittees and engage external advisors on matters relating to fixing minimum wages. After receiving a minimum wage recommendation, the Minister is required to consult other ministers especially if their area is being impacted. The Minister is not obliged to make a minimum wage order as per the MWB's recommendation (section 129).

Finally, non-compliance with the provisions of the minimum wage order would be considered an offence but no specific regulations are yet developed.

### 4.10.6. Conclusion

While Tuvalu has introduced a comprehensive framework for employment and labour law through the LERA 2017, which includes minimum wage regulation, it has not yet constituted a Minimum Wage Board and no minimum wage rate is in place. This may in part be due to the subsequent focus on COVID as well as the very small size of the formal private sector in Tuvalu. Nevertheless, introducing a minimum wage would strengthen tripartite processes and help address some of the key goals of the NSSD. Investment in capacity-building and outreach activities of the Ministry as well as improved labour market statistics are pivotal in this regard.

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## 4.11. Vanuatu



### 4.11.1. Introduction

Vanuatu is made up of around 80 islands that stretch 1,300 kilometres, providing an EEZ of 200 nautical miles. It has a population of around 313,000 of which nearly a third (31.7 per cent) are under the age of 15 and the median age is 24.2. Three-quarters of the population lives in rural areas. The urban populace lives primarily in two cities, Port-Vila and Lugenville. The three largest islands – Espiritu Santo, Malakal, and Efate – accommodate over half of the population. The economy is dominated by subsistence agriculture and tourism, with a real GDP per capita of US\$2,800 (CIA 2024).

Vanuatu is one of the world's most vulnerable countries to natural disasters (Terauds 2022). The World Risk Report has ranked it as having the highest natural disaster risk of all 173 countries, from its first edition in 2011 until the most recent in 2020, normally followed by Tonga and the Philippines (Behlert et al. 2020). This is because of its location along the Pacific Ring of Fire of volcanoes and at the centre of the Southwest Pacific basin, one of the world's seven cyclogenesis zones. The location makes the country vulnerable to a high number of earthquakes, volcanic eruptions, cyclones, tsunamis, storm surges, droughts, coastal flooding and landslides.

According to the International Disaster Database, Vanuatu experienced 49 natural disasters from 1940 to 2020, including eight earthquakes and 27 tropical cyclones. Other recorded disasters include landslides, floods, ash falls from volcanoes and a tsunami in 1997. These disasters cause injuries and death, damage infrastructure and crops, and threaten livelihoods and food security. For example, the Category-5 Tropical Cyclone Pam in March 2015 caused 11 deaths and displaced 75,000 people, costing VT48.6 billion (US\$450 million), equivalent to 64 per cent of GDP. In April 2020, shortly after the onset of the COVID pandemic, Category-5 Tropical Cyclone Harold inflicted three deaths, displaced 18,358 people and caused economic damage of VT56 billion (US\$503 million).

Climate change is likely to enhance these risks and expose the country's dependence on tourism (Terauds 2022). As a result, Vanuatu scored 39.6 on the 2021 Economic and Environmental Vulnerability Index (EVI) making it the 39th most vulnerable of 143 countries, level with Fiji but less vulnerable than Tonga (43.7), Solomon Islands (45.1), the Federated

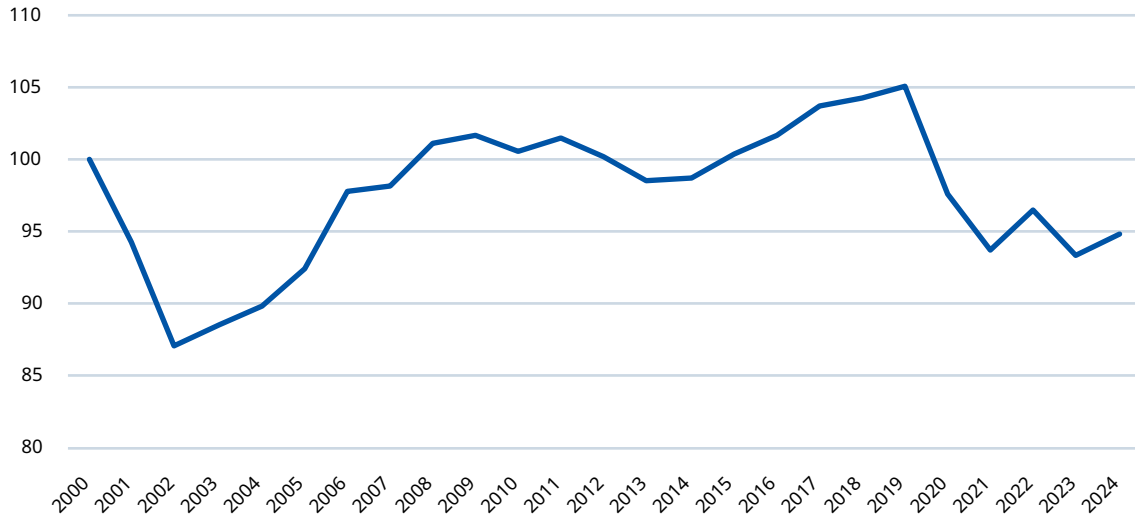
States of Micronesia (50.1), Kiribati (51.7) and the two most vulnerable countries in the EVI: Tuvalu (57.1) and Marshall Islands (59.9) (Terauds 2022).

The Parliament of Vanuatu is unicameral and has 52 members elected by popular vote every four years. The national Council of Chiefs (Malvatu Mauri) is elected by district councils of chiefs and advises the government on all matters concerning ni-Vanuatu culture and language. Vanuatu was subject to joint French and British rule from 1906 until independence in 1980. A legacy of this division is political instability, with the Prime Minister being ousted through no-confidence motions or temporary procedural issues more than a dozen times since 2008 (CIA 2024), and three changes of government in 2023 alone. On 29 May 2024, there was a referendum on whether to endorse two Constitutional amendments passed by Parliament to introduce more stability. Article 17A prevents "party hopping" by having the seats of individuals withdrawing support to a particular party automatically vacated, and 17B compels Members of Parliament to join political parties rather than act as Independents (or a party of one). Both measures achieved the support of nearly six in ten voters. In the event, a vote of no confidence in the Prime Minister led to the dissolution of Parliament in November. Fresh elections were held in January 2025 in the aftermath of a major earthquake on 17 December.

### 4.11.2. Economy

Vanuatu's economic trajectory has been highly volatile. Prior to the pandemic, GDP reached USD 907 million in 2019, growing at an average of 4.2 per cent annually since 2010 (Terauds 2022). The economy is dominated by services (63 per cent, mainly tourism), followed by agriculture (18 per cent) and industry (11 per cent). After modest recovery from earlier declines in the 2000s, growth picked up in the 2010s, but the country was severely hit in 2020 by a dual shock: Cyclone Harold and the collapse of international tourism due to COVID-19. These events triggered one of the sharpest contractions in the Pacific. While GDP rebounded to USD 1.13 billion in 2023, per capita GDP stood at only USD 3,515, still below the pre-pandemic trend. Figure 4.11.1 on GDP per capita shows, recovery has been incomplete, reflecting Vanuatu's persistent vulnerability to climate shocks and its structural reliance on a single sector.

► **Figure 4.11.1. Index of GDP per capita in constant prices (2000 = 100), Vanuatu, 2000–24**



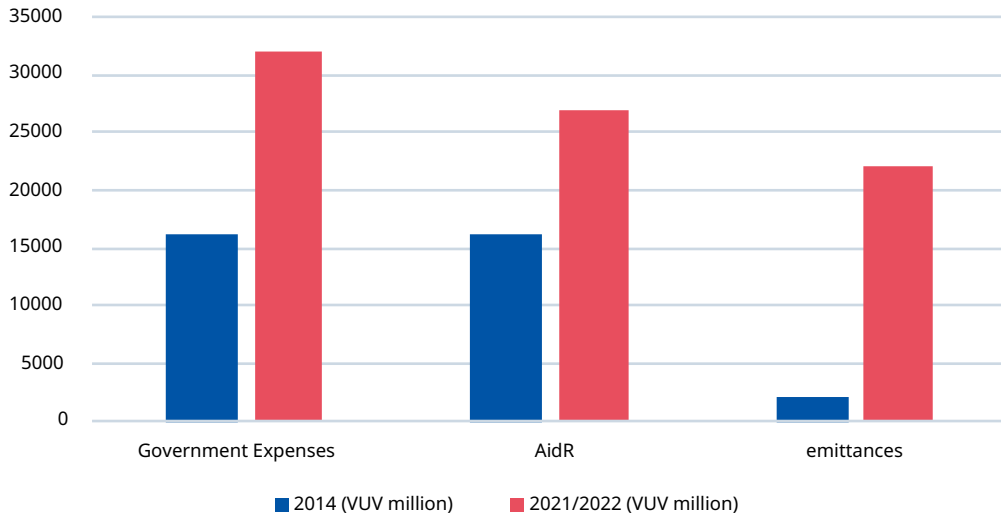
**Source:** Authors’ calculations based on World Bank, World Development Indicators – GDP per capita, PPP (constant 2021 US\$ PPP values). Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

However, agricultural products are important export goods, in the form of kava, coconut products (copra and oil) and cocoa. According to the 2020 Census, 42 per cent of households planted kava; exports of kava are estimated to reach VT4,000 million in 2023, a 366 per cent increase compared to 2014. Services are the most valuable source of foreign exchange and this combined with remittances ensures that the deficit in goods trade is normally offset. In 2019 there was a deficit of US\$276 million on goods but a surplus of US\$194

million on services and US\$158 million received in remittances (Terauds 2022).

With the tourism industry non-functional during COVID, Vanuatu depended on remittances, aid and government spending to navigate the pandemic as the after-effects have been long-lasting (figure 4.11.2). Public sector employee remuneration accounts for the highest expenditure, at VT17,124 million in 2022.

► Figure 4.11.2. Key economic drivers in Vanuatu, 2022 (VT million)



Source: Adapted from VCCI (2023), Vanuatu Private Sector Economic Update, Figure 2.

The tourism industry was developed by the British and French after the Second World War when the country was known as the New Hebrides. It accelerated after independence in 1980 especially with low-cost air travel from Australia and New Zealand (Cheer et al. 2018). International tourist arrivals by air almost trebled from 44,000 in 1995 to 121,000 in 2019, and cruise ship arrivals grew from 124,000 in 2009 to 234,000 in 2018 (Terauds 2022). International tourism generated an average of US\$282 million per year from 2011 to 2018, equivalent to an average of 72.8 per cent of total exports and 35.6 per cent of GDP.

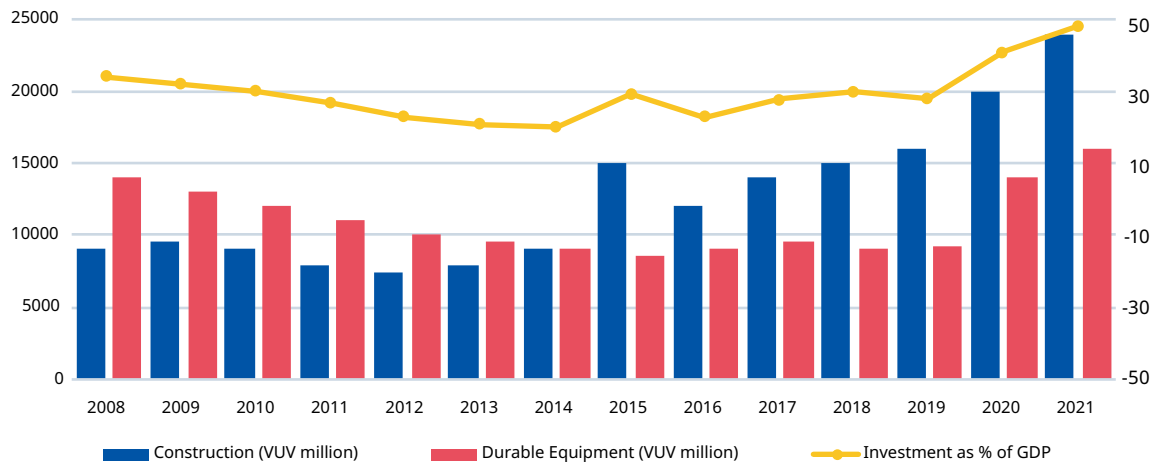
The World Travel and Tourism Council estimated that tourism supported a total of 29,000 direct and indirect jobs in Vanuatu in 2019 (Terauds 2022). The loss of tourism jobs during the pandemic disproportionately impacted women, as they are over-represented in the sector, especially in

informal and lower-skilled work. As in other Pacific countries, many of those retained had hours and/or wages reduced (Sheyvens and Movono 2020).

Tourism numbers have been slowly recovering since borders were reopened, with air arrivals reaching 71 per cent of 2019 levels (in Efate Island only) in the first half of 2023. However, in the outer islands, international visitor numbers are just 40 per cent of 2019 levels (VCCI 2023b). Poor national and international air connectivity, insufficient cash flows and low confidence among tourism operators are the main hurdles to tourism development in the outer islands (VCCI 2023b).

Prior to COVID, construction was an important driver of economic growth as typhoon recovery work was underway, supported by overseas aid (figure 4.11.3).

► Figure 4.11.3. Investment in Vanuatu, 2008–21, (VT million)



Source: VCCI 2023b.

Overall, the economy presents a mixed picture after the pandemic. Most of the private sector managed to limit business closure and unemployment, and 72 per cent of private businesses are now achieving revenue corresponding to 2019 levels (VCCI 2023b). This has helped to significantly boost government revenue through VAT collection, which increased by 32 per cent in 2023 compared to 2019. However, high costs are a pressure, with cumulative inflation reaching 29 per cent over this period in 2023 (VCCI 2023b). The balance of trade also worsened. Total imports were estimated at VT286,000 million in 2023, 35 per cent higher than in 2019 due to the rising cost of petroleum, basic foods and building materials. On the other hand, merchandise exports (excluding kava) are estimated to be 71 per cent lower in 2023 compared to 2014 levels (VCCI 2023b).

More fundamentally, the economy has generally low productivity and development potential. An indicator of economic development potential is the UNCTAD Productive Capacities Index which measures human capital, infrastructure and institutional capacity (UNCTAD 2021). The overall score for Vanuatu was 29.4 in 2018, placing it 124th among 195 economies in the index (and eighth of the 11 ILO member PICs). Another risk factor is government revenue and investment. There are no taxes on income in Vanuatu (though employers and workers must each contribute 4 per cent pay to the Vanuatu National Provident Fund, VNPF), nor on inheritance or capital gains

(though there are taxes on some property rental incomes). The principal tax revenue is from VAT, introduced in 1998 as part of the Comprehensive Reform Program; initially imposed at the rate of 12.5 per cent, it was raised to 15 per cent from 2018.

However, the main source of government revenue comprises two so-called “citizenship-for-sale” schemes which grant citizenship to qualifying high-net-worth applicants in return for a fee of over US\$100,000 (Terauds 2022). The Vanuatu Development Support Program (VDSP) is available to most nationalities, while the Vanuatu Contribution Program (VCP), run through Hong Kong, is for Chinese nationals. The government launched a third such scheme in 2021, the Real Estate Option Program (REO). After their launch in 2017, the VDSP and VCP quickly became the main source of government revenue, generating VT3.5 billion (US\$32 million), or 16 per cent of total government revenue in 2017, rising to VT14.34 billion in 2020 or 42 per cent of total revenues. These provided an important source of funding through the pandemic as consumption-based tax revenues sharply declined.

### 4.11.3. Labour market dynamics

Vanuatu’s labour market is shaped by widespread informality, limited wage employment, and a heavy reliance on the primary sector. The main sources of data include the 2020 Population and Housing Census, the 2019 HIES, and the 2021 Labour Force Survey (results pending).

According to the 2020 Census, and following ICLS 19th standards, the labour force numbered 79 thousand persons, with 75.8 thousand employed (42.2 thousand men and 33.7 thousand women) and an unemployment rate of 4 per cent—slightly higher for women (4.1 per cent) and in urban areas. Only 40.1 per cent of employed persons were wage or salaried workers, highlighting the limited scope of formal employment. Employment status varied widely: 23.2 per cent were self-employed, and 20.5 per cent worked in the public sector. Urban areas are more oriented toward formal sector employment, whereas rural workers are concentrated in own-account and subsistence work.

Agriculture, forestry, and fisheries dominate employment, accounting for 41.5 per cent of the employed population. In terms of occupations, 37.1 per cent of workers are skilled agricultural and fishery workers, followed by service and sales workers (16 per cent) and elementary occupations (13.8 per cent). Women are concentrated in agriculture, elementary occupations, and services.

The 2019 HIES and NSDP Baseline Survey confirm high levels of informality, with 67 per cent of employed persons (and 69 per cent of employed women) working in informal arrangements. Informality is strongly correlated with low educational attainment: 95 per cent of those with less than primary education are informally employed, compared to just 15 per cent among tertiary-educated workers. Informal employment is near-universal in agriculture (95 per cent), but also prevalent in industry (62 per cent) and services (45 per cent).

Wage distribution is relatively low and compressed. Most workers earn between VT20,000 and VT60,000 per month. Food expenditure accounts for 60 per cent of total spending, with 39 per cent of food sourced from own production. Around 21 per cent of the population faces moderate food insecurity, underlining the vulnerability of subsistence-based livelihoods.

Labour migration plays an important role in employment and income generation. As of 2020, over 6,100 individuals (predominantly men) were working overseas—mainly through New Zealand's RSE programme and Australia's Seasonal Worker Program. The number of female overseas workers has declined significantly since 2009. While overseas employment offers critical income opportunities, its reach remains limited relative to the working-age population.

In summary, Vanuatu's labour market is characterized by a large informal economy, low-paid and low-productivity jobs, and heavy reliance on agriculture. Gender disparities persist, particularly in access to wage employment and overseas job opportunities. Increasing access to education, strengthening employment services, and expanding pathways to decent work, including through overseas employment, will be critical to improving labour market outcomes.

#### 4.11.4. Policy and regulatory context

Vanuatu became a member of the ILO in 2004 and has since ratified nine ILO Conventions (table 4.11.1).

► **Table 4.11.1. ILO Conventions ratified by Vanuatu**

Number	Convention Title	Date Ratified
<i>Fundamental Conventions</i>		
C029	Forced Labour Convention, 1930	28 Aug 2006
C087	Freedom of Association and Protection of the Right to Organise Convention	28 Aug 2006
C098	Right to Organise and Collective Bargaining Convention, 1949	28 Aug 2006
C100	Equal Remuneration Convention, 1951	28 Jul 2006
C105	Abolition of Forced Labour Convention, 1957	28 Aug 2006
C111	Discrimination (Employment and Occupation) Convention, 1958	28 Jul 2006
C138	Minimum Age Convention, 1973	24 Jun 2019
C182	Worst Forms of Child Labour Convention, 1999	28 Aug 2006
<i>Technical Conventions</i>		
C185	Seafarers' Identity Documents Convention (Revised), 2003	28 Aug 2006

The first [Decent Work Country Programme](#) was operationalized during 2009–12 after consultation with the tripartite constituents (Vanuatu Council of Trade Unions, Vanuatu Chamber of Commerce and Department of Labour). It provided policies, strategies and key result areas for making progress towards the following priorities:

- *Priority 1.* Labour legislation reform and application of International Labour Standards;
- *Priority 2.* Promotion of decent employment opportunities, particularly for young women and men, and inclusive of persons with disabilities;
- *Priority 3.* Capacity building of tripartite partners and improvement of social dialogue; and
- *Priority 4.* Increasing social protection.

There has been mixed progress so far. For instance, the country was successful in establishing a formal Tripartite Labour Advisory Council, including representation of all stakeholders, though work is still needed to improve its role and functioning (e.g. its involvement in the latest minimum wage increase has been controversial). Labour law reforms are underway though the Employment Relations Bill remains in a consultation phase. Since there is a high rate of unemployment rate among young individuals, the government also needs to improve education, skills enhancement programmes and employment opportunities to people under the age of 25 years.

Overall national development is guided by the Vanuatu National Sustainable Development Plan 2030 – The People’s Plan. Economic and employment-related matters are included under the Economy Pillar which includes specific objectives on increasing the number of decent, productive employment opportunities, particularly for young women and men, and people with disabilities. It also includes the objective of increasing labour mobility.

The development of a National Employment Policy is now at an advanced stage, following a series of consultations with social partners and key stakeholders. The policy is set to address critical issues such as skills development, labour market

information and analysis, and social protection, aiming to boost job creation in priority economic sectors, including agriculture, construction, and tourism. Once adopted, the NEP will serve as a strategic framework to guide inclusive employment growth and strengthen labour market governance.

### Tripartism

The TLAC was established in [2010](#) as the first formal tripartite body to facilitate dialogue and consultation between social partners on employment matters including law reforms and minimum wage regulations.<sup>22</sup> Vanuatu’s social partners are the Department of Labour and Employment Services, Vanuatu Trade Unions Combined (VTUC) (the earlier version being the Vanuatu Council of Trade Unions, VCTU), and Vanuatu Chamber of Commerce and Industry (VCCI).

The VCTU was established in 1985 to represent public and private sector employees. Although the law provides for the right to join trade unions, membership numbers have been limited by the dominance of informal and subsistence work, and there had been only four collective agreements by the time of the DWCP (ILO 2009). The VCTU unions had a combined membership of 1,900 in 2008 and about 2,000 in 2019 (VDP 2021). In 2020 the VCTU was reconstituted as the Vanuatu Trade Unions Combined (VTUC) comprising the four registered unions: the private sector Vanuatu National Workers Union, the Vanuatu Association of Public Service Employees, the National Farmers Union and the Vanuatu Teachers Union. This consolidation followed job losses due to COVID especially in the tourism sector (VDP 2021).

The VCCI was established in 1995 to represent private sector businesses and create an enabling business environment. It provides business training, information and advice relating to trade and investment opportunities to its member businesses. The VCCI mainly relies on government funding, with two thirds of its budget being financed by the State. As with the trade unions, the VCCI has capacity issues relating to physical infrastructure and technical resources. The ILO has provided training to VCCI personnel in the areas of labour law

<sup>22</sup> Provision had been made for a tripartite Labour Advisory Board under an amendment to the Employment Act, but it does not appear to have been activated.

reforms, employment relations, social dialogue and tripartism, and employment dispute settlement.

Labour issues are overseen by the Department of Labour (DoL), which is part of the Ministry of Internal Affairs, and headed by the Labour Commissioner. Specifically, DoL is responsible for compliance with ILS, undertaking law reform, developing the regulatory framework and labour information systems, and maintaining labour enforcement and inspections. The DoL too has capacity constraints which inhibit its effective functioning.

### Legislation

The principal laws governing labour are the Employment Act; the Labour (Work Permits) Act; the Minimum Wage and Minimum Wage Board Act; the Trade Disputes Act; the Trade Union Act; the Workmen's Compensation Act; the Occupational Health and Safety Act; and the Seasonal Employment Act.

The Employment Act 1983 applies to all public and private sector employees except for the police, armed forces and prison service. It makes provisions with respect to employment contracts, remuneration, work hours and overtime pay, annual and sick leave, employment of women and young persons, health and safety, employee repatriation, termination of contract and severance pay. Employment Act (Cap 160)<sup>23</sup> specifies that every employee who has been in continuous employment for 12 consecutive months shall receive a severance payment equivalent to one month's wage per year of service on the termination of employment. The Act does not have explicit provisions for collective bargaining and trade unions as these are dealt with elsewhere. In 2008/09, major changes were introduced in provisions relating to severance pay, annual leave and maternity leave. For example, a woman on maternity leave shall be entitled to 66 per cent of the remuneration she would have earned. In 2010, an amendment to this Act placed the TLAC on a statutory basis, replacing the Labour and Minimum Wage Boards.

The Minimum Wage and Minimum Wage Board Act [1984](#) laid down provisions for fixing and reviewing minimum wages in the country. An

MWB was established with equal representation of social partners and government representatives, and was mandated to make minimum wage recommendations to the Minister. The Act set out matters relating to functions and powers of the Board, the process and factors to consider for making wage proposals, the appointment of wage officers and wage offences. However, no provision was made concerning the frequency of reviews.

After the establishment of the TLAC and with the technical assistance of the ILO, an Employment Relations Bill was drafted to consolidate and develop existing employment laws. An ERB was first drafted in 2006 and the revised draft was issued in 2012 for consultation among stakeholders. The ERB is still in the consultation phase and has not been enacted. It is intended to replace the Employment Act, Minimum Wage and Minimum Wage Board Act, Trade Union Act and Trade Disputes Act. It provides stronger protection in the areas of formulating and terminating employment contracts, payments for termination (e.g. severance and redundancy) and leave rules (e.g. three days of compassion leave per year, length of maternity leave increased to 14 weeks). The ERB also confirms the Minister's right to make the final decision on minimum wages.

### 4.11.5. Minimum wage regulatory framework

#### Regulation and rates

Minimum wage regulations were introduced through the Minimum Wage and Minimum Wage Board Act 1984 and the first minimum wage order was issued in 1984 to fix the minimum monthly wages for all workers in Vanuatu. Along with setting the minimum wage rate, the Act established an advisory body (the Minimum Wage Board) and made provisions in matters relating to the minimum wage review process, criteria for adjusting wages and penalties for non-compliance. However, the review period was not specified, and wage orders were passed intermittently rather than on a regular basis. This has prompted some significant increases, the most recent being a 36 per cent raise in 2023 (table 4.11.2).

<sup>23</sup> Employment Act (Cap 160) is the primary legislation governing employment matters in Vanuatu, identified by its chapter number "160" within the Vanuatu legal code. It has been regularly amended, most recently in [2019](#).

► **Table 4.11.2. Minimum wage rates, Vanuatu, 1984–2023**

Year	Hourly	Monthly (VT)	Change (%)
1984	(40)	7,000	-
1988	(48; 44)	8,500 urban; 7,700 rural	21/ 10
1992	(75; 65)	13,200 urban; 11,440 rural	55/ 49
1996	(91)	16,000	21/ 40
2005	(114)	20,000	25
2008	(148)	26,000	30
2012	170	(29,920)	15
2018	200	(35,200)	18
2019	220	(38,720)	10
2023	300	(52,800)	36

**Notes:** Monthly wage rates were based on 8 hours per day and 22 working days per month. The rate was specified as hourly from 2012. Figures in parentheses are the authors' calculations.

The rate has been universal except for varying rates for rural and urban areas made under two early orders (Order 56 of 1987 and Order 27 of 1991), and there remain different specifications for certain categories of workers (seasonal copra and cocoa cutters, school students and children). The hourly minimum wage is the rate that must be paid for regular hours of work of up to 44 hours per week, or 8 hours per day, after which overtime must be paid in accordance with the law.

The minimum wage rate is inclusive of employees' VNPF contribution but excludes that of employers. All employees in Vanuatu earning a minimum monthly salary of VT3,000 are required to contribute to the VNPF. The VNPF is a social security fund set up in 1986 and had 2,815 registered members in 2022, with VT11 million collected in contributions, plus VT18 million from seasonal workers. The current rate is 4 per cent of the salary for both employers and workers, though this is set to increase in order to fund health care and provide better pensions for low-paid workers.

### Review process

The original review process as laid down by the 1984 Act provided for a tripartite MWB to advise the Minister, who retains the power to make the final decision. The Act (section 7(3)) set out the

responsibilities of the Board as: (a) the needs of workers and their families; (b) the general level of wages in Vanuatu; (c) the cost of living and changes therein; (d) social security benefits; (e) the relative living standards of other social groups; and (f) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

Aligned with the DWCP, the MWB was replaced by the TLAC in 2010 by an amendment to the Employment Act 1983. The Council is composed of 10 members appointed by the Minister of Internal Affairs representing worker associations (three members from the VTUC), employer organizations (three members from the VCCI), and government agencies (i.e. Commissioner of Labour and three government representatives). The Minister also appoints a Chairperson and two Vice-Chairpersons of the Council. In July 2012 the TLAC resolved to conduct reviews at least every two years but this is not reflected in practice.

The Council can submit a proposal to the Minister for fixing the wages for workers in any occupation or class or grade of occupation, whether generally or in any area of Vanuatu. Council members are required to consider six criteria set out in the 1984 Act before making any wage proposal. In addition, the proposal should also be made available to the general public for eight days for submission of any comments and concerns in writing. In the absence of a recommendation by the TLAC, the Minister still has the authority to issue minimum wage orders.

The TLAC's 2019 wage proposal was published for public consultation, with the following factors assessed to recommend a new minimum wage rate.

- The needs of workers and their families were evaluated through the BNPL and an increase in the CPI. It was observed that "the current minimum wage is well above the individual basic needs poverty line" but that "workers are likely to be supporting dependent family members so the individual basic needs poverty line should not be used as the benchmark for minimum wage setting. The 2012 Minimum Wage Proposal took into account the needs of workers' families too."

- ▶ The general level of wages should be assessed through median wages (not the mean which can be skewed by outliers) based on the Kaitz index. However, there was no data available for this criterion.
- ▶ The cost of living was measured by the annual increase in CPI inflation.
- ▶ Social security benefits were examined in the light of recent changes in severance pay, maternity leave and annual leave. These increased employers' costs and provided an indirect benefit for workers, and evidence from the VCCI indicated they had a dampening effect on wages.
- ▶ The relative standard of living of different social groups was examined by calculating the Gini coefficient (i.e. 0.31 in 2010). This indicated low inequality (even lower in the urban areas of Port Villa and Luganville at 0.25 and 0.28 respectively), suggesting "no particular need for the minimum wage to increase to address problems of income inequality".
- ▶ Economic factors were not specifically evaluated (though the 2017 proposal considered indicators such as economic development and FDI, growth in tourism and other sectors, and levels of productivity and of employment).

The most recent change to the minimum wage was, in fact, driven by the government, which was returned after a snap election in October 2022. According to the [VCCI](#), the TLAC never gave full consideration nor recommended the rate increase. Previously, in June 2022, the DoL, under direction of the then Minister for Internal Affairs, was tasked to undertake analysis and consultation on what a wage increase strategy could look like. The DoL met with three department officers representing the Vanuatu National Statistics Office, the Price Control Unit and the Department of Industry. This produced a "consultation report", discussed at the TLAC Board meeting on 16 December 2022. The DoL was mandated to undertake a second national minimum wage consultation in February and March 2023, after which it was to "table its consultation report to the TLAC Board". However, that report was never presented to the TLAC Board, and VCCI

said no direct consultation was undertaken with the Chamber either.

The increase came into effect from 1 June 2023 and was justified with reference to the cost-of-living crisis, especially accelerating food prices, and because no change had been made for several years due to the pandemic. The Minister of Internal Affairs, Rich Tchamako Mahe, said the VT300 (US\$2.49) minimum wage would be a relief to those living in hardship and unable to save money due to the challenges of high prices. He assured that the Ministry would ramp up its enforcement functions to ensure the minimum wage is implemented. This needs to include awareness raising measures as VCCI stated that more than 80 per cent of businesses in their survey were not aware of the correct minimum wage rate (VCCI 2023a). In a press conference to announce the gazetting of the order, Minister Mahe asked the private sector to accept the increase as both the private sector and government would benefit from it:

Vanuatu as a tax haven country has provided so many benefits for business operations. Businesses do not pay taxes that other non-tax haven countries are paying. Therefore, it's only proper that minimum wage is increased to maximise the profit benefits that have been accruing over many years but importantly, distribute wealth and stimulate economic growth. In normal times the government has not interfered with the market, however this challenging times of high inflation warrants its intervention to stimulate the economy. Increasing minimum wage has been a holistic approach that will benefit all sectors and ensures that businesses are not affected significantly hence the call for the Price Control to actively engage in the pricing of goods and services during the implementation of the new increase. The government is of the view that investing in the welfare and wellbeing of workers will increase productivity for business, as businesses rely heavily on workforce for sustainability and growth (VDP 2023).

### Enforcement

In terms of enforcement, labour inspections are carried out on a weekly basis by Inspection Officers of the Inspection and Compliance Unit of the Department of Labour and Employment Services. There are four Units of the Department of Labour and Employment Services dealing with Industrial

Relations, Employment Services, Health and Safety, and Work Permits. The Industrial Relations Unit deals almost exclusively with unionized workplaces, handling grievances and disputes as well as advising on good practice. The Employment Services Unit was established in 2006 to manage the labour mobility schemes.

Enforcement of the minimum wage, alongside other employment rights, includes recourse to a dispute resolution process. Employee complaints may be lodged at Labour Department offices located in Shefa, Malampa, Tafea and Sanma provinces. If the complaint is registered, mediation is facilitated by a Labour Officer and, if a resolution is reached, an agreement is written and signed by all parties present. If a resolution is unable to be found, the matter will be referred to the new Trade Dispute Tribunal and the case will be heard by the adjudicator.

#### 4.11.6. Stakeholder evaluation

##### Employer representatives

The VCCI recently published a report on the private sector highlighting the economic outlook, business successes and state of minimum wages in the country. It is based on 152 interviews and 367 in-person surveys with member businesses. About the recent increase in minimum wages, nearly all interviewed businesses and 68 per cent of surveyed businesses agreed that the increase was justified. However, the majority of the respondents expressed concerns over the lack of consultation, lack of notice period and its implementation. Moreover, these changes were backdated which also extended severance liabilities.

Due to the sudden increase and inability to plan for minimum wages, some businesses had to rethink their operations, employee shifts and purchase of business supplies/raw materials. It was stressed that businesses are also experiencing high operational costs due to supply chain disruptions and inflation; therefore, many private firms reduced working hours and, in some cases, staff numbers in response to the wage hike, which also had a ripple effect on people paid above the minimum rate. There were also many instances where businesses increased product prices to absorb

the extra staffing cost (e.g. 46 per cent of retailers increased prices).

Businesses are also concerned about the enforcement validity of the new minimum wage rates, especially in the outer islands where employers are less aware of the changes and the government has limited implementation capacity. While there are some exceptions to the payment of minimum wages (e.g. students), respondents questioned the suitability of paying the same rate to new staff, who are learning the job and are of limited productive value. As a result, businesses may be reluctant to hire new staff, especially school leavers. The VCCI said that Vanuatu already has the highest labour costs in the region (VBR, 2023), and recommended a separate minimum wage rate for trainees, to encourage businesses to hire new employees.

However, the minimum wage increase was also reported as helping to improve motivation and productivity in some respondent firms. Overall, many established businesses were prepared in advance or had the financial leverage to absorb the increase in labour costs. On the other hand, small businesses struggled to plan ahead and needed more time to understand the implications of new rates. These were the ones who responded by increasing prices and reducing working hours (VCCI 2023b), which could have deleterious effects overall on inflation and employment.

Similar concerns were raised during an ILO workshop on national employment policy held in September 2023. Employer representatives highlighted the absence of a consultative process in relation to the recent increase in the minimum wage rate (RNZ 2023). The VCCI suggested the rate should be matched with CPI, which was 17.5 per cent, and that consultation needs to be full and effective.

##### Employee representatives

Feedback from worker representatives suggests a focus on strengthening the existing minimum wage system by using evidence-based analysis of wage-related indicators. In particular, attention should be paid to real minimum wages in the wake of increasing inflation and living costs. Moreover, it was suggested that a discussion should start

around paying living wages to help households and communities live a better life. Initiatives beyond wages could also address living costs, for example the government could use price control measures and subsidies on essential items such as food and fuel.

Overall, employees were positive about the recent minimum wage increase but concerned that overall earnings might not rise so much in cases where hours were reduced.

### Government

Government stakeholders recognize that TLAC meetings should be held regularly and be informed by robust data and analyses. The existing minimum wage system could be improved by more thorough consultation, evidence-based decision-making, regular adjustment and stronger compliance. Considerations relating to informal work also need to be represented within the scope of minimum wage consultations. The general view is that a universal minimum wage is the simplest and most effective mechanism. Sector rates, for example, will further complicate the wage system, and the country lacks the technical and human resources to enforce multiple minimum wages.

### 4.11.7. Conclusion

Looking ahead in terms of the development of an NEP, as well as wage policy, the country could consider the following aspects:

- ▶ enhancing the tripartite structure through a review of TLAC functions to ensure best practice is followed in consultation. This may include improving the technical capacity of the members and inclusion of external experts in this process.
- ▶ decisions to be supported with robust data (e.g. commissioned or regular labour force surveys) to make objectively informed decisions and help in reaching agreement;
- ▶ improving existing legislation, particularly finalizing the Employment Relations Bill, based on a gap analysis to reflect the changing labour market landscape;
- ▶ measures to help transition the informal economy and employment to the formal sectors, which can contribute to minimum wage effectiveness;
- ▶ regular reviews to protect real wages and avoid major or unanticipated hikes which can negatively impact inflation and employment.

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