



The labour market in Tuvalu

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Tuvalu is the world's smallest developing nation state, extremely isolated and environmentally vulnerable, and has only very limited and infertile land resources. However, conventional poverty is largely non-existent, adult literacy is near universal, and socioeconomic living standards are relatively high by South Pacific regional standards. The apparent paradox is explored in this review of the labour market in Tuvalu, highlighting the ongoing importance of the non-monetary, subsistence sector and its complex interaction with the significant monetised sector of the economy.

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There are very few Tuvaluan households that do not engage regularly in subsistence production in one or more of its various forms. As in most other Pacific island countries, subsistence production in Tuvalu is now essentially in a mixed subsistence-cash mode, and there would be few households totally reliant on subsistence production for their economic wellbeing (Mellor 2003). Results from the 1991 Population and Housing Census indicated that around 20 per cent of home production was sold, including output from handicrafts, fishing, land work and housework (Tuvalu 1992). Due to the ease of entry to (and exit from) subsistence production and the lack of unemployment benefits, conventional

unemployment is essentially non-existent, as effectively all citizens can participate in subsistence production in the absence of opportunities for wage employment.

In the monetary sector, there are five main sources of income: maritime (merchant marine) employment, other external employment, externally derived income from special activities, international aid, and the Tuvalu Trust Fund.

The fundamental importance of maritime employment for the economy of Tuvalu is not widely understood and perhaps even underestimated. Industry sources estimate that this form of offshore employment currently generates about A\$5 million per annum in remittances. While there are



competitive pressures from other lower wage sources (especially in Asia), the consensus within the industry is that the medium to longer-term prospects for maritime employment of Tuvaluan seamen are solid.

Other external sources of income from Tuvaluans working abroad continue to be a significant source of cash income, in addition to 'in kind' income from goods imported from overseas workers. While comparatively little is known about the current scale of these remittances, recent studies of the remittance behaviour of Tuvaluan migrants in New Zealand suggest that they may be sustainable.

Population and labour force

Information on the labour market in Tuvalu is limited; there has not been a formal employment survey since the 1991 Population and Housing Census. A similar survey was conducted in 2002, but only preliminary results are available and the full results are not expected to be released until late in 2004. There are reasonably good data available on the civil service, based on the establishment register and civil list maintained by the Personnel and Training Division of the Office of the Prime Minister. Supporting data are available from the National Provident Fund.

When referring to data from the 1991 Census, it is important to note that it contains two definitions of the population. First, some population estimates are expressed on a *de facto* basis and refer to the population enumerated in Tuvalu on the night of the census, which totalled 9,043 persons. A second definition used in some of the census reporting is the *de jure* population, which was obtained by adding Tuvaluans temporarily overseas to the resident population. The estimated *de jure* population in 1991 was 10,114 persons, 12 per cent higher than the enumerated resident population.

Another potentially complicating factor in the 1991 Census reporting is that some tabulations exclude non-Tuvaluan residents, who numbered 132 in 1991 (or 1.5 per cent of the *de facto* population). Also, some tabulations exclude non-resident Tuvaluans enumerated in the *de facto* population, who numbered 161 in 1991 (or 1.8 per cent of the *de facto* population). Last, there appear to be some errors in the published tabulations of the 1991 Census.

Based on the 1991 Census, the working-age population (15–64 years) was around 60 per cent of the total population: 59 per cent (5,370 persons) for the *de facto* total, and 61 per cent (6,207 persons) for the *de jure* total. The published labour force participation rate was very high, variously estimated to be in the range 86–89 per cent. The high rate is explained in part by the inclusion of housework as an economic activity; although 'housework' in a Tuvaluan sense includes a range of subsistence production activities that have undisputed economic value.

The 1991 Census reported that few persons were recorded as being unemployed throughout most of the year. Based on 'current activity' (that is, work done in the previous week), only 18 persons out of a total of 4,865 economically active persons were identified as being unemployed, less than 0.4 per cent. Those persons who were not engaged in economic activities were mainly students, elderly and infirm persons.

Based on current activity, the 1991 Census indicated that around 1,500 persons were engaged in formal cash employment (including wage and salary employment and self-employed persons in private business), comprising 1,468 resident Tuvaluans and 26 foreigners. This formal employment provided for around 30 per cent of total employment, that is, around 3,500 persons (or 70 per cent of the economically active population aged 15 years and over) were engaged in subsistence production, including housework, with some



earning supplementary cash income from the sale of subsistence products such as fish, handicrafts, crops and livestock.

Formal cash sector employment is dominated by the public sector, as shown in the 1991 Census (Table 1).

Overall, the labour market in Tuvalu can be segmented into six broad categories, namely government employment (civil service), public corporations, private sector (formal cash sector), subsistence employment (informal sector employment), offshore maritime employment, and other offshore employment.

Since the 1991 Census employment in the formal sector (government, public corporations and private sector) grew at an estimated annual rate of some 2 per cent over the period 1991 to 2001. There has been some modest expansion in the number of established civil service positions; more rapid growth in employment in the public corporations; and limited growth in private sector employment. Subsistence employment appears to have declined somewhat but remains an important source of employment. Offshore maritime employment has continued to increase, while other offshore employment has probably declined with the winding

down in recent years of phosphate production on Nauru (where around 735 Tuvaluans were based in 1991, including contract workers and their families).

Formal employment

Employment in the formal sector can be grouped into three segments: the civil service, public corporations and the private sector. In addition, there is significant offshore employment, primarily maritime employment. Data on these five sources of formal employment are reviewed below.

Government employment

The civil service provides the largest source of formal employment. As of 2003, the Establishment Register totalled 856 positions, up from 672 in 1991—an annual average rate of growth of 2 per cent (Tuvalu 2003a). Actual government employment varies somewhat, due to unfilled positions, some casual employment, in-service training undertaken outside Tuvalu, and some temporary contract appointments. As of mid 2003, civil service vacancies were estimated to be 110 and there were around 40 staff overseas on in-service

Table 1 **Tuvalu: formal employment by industry group, 1991** (per cent of total employment)

Industry group	Percentage of total formal employment
Agriculture	7.4
Manufacturing	2.2
Utilities	0.9
Construction	2.2
Commerce	14.1
Transport	3.1
Finance	1.4
Administration	56.2
Other community services	12.5
Total	100.0

Source: Tuvalu, 1992. *Tuvalu: 1991 Population and Housing Census, Volumes 1 and 2*, Government of Tuvalu, Funafuti.



training. Civil service employment is highly concentrated on the island of Funafuti. Of the estimated 765 positions filled in mid 2003, around 74 per cent were located on Funafuti, 14 per cent on Vaitupu, and the remaining 12 per cent on the other outer islands.

The dominant role of the government sector in the formal labour market tends to determine the wage and salary structure. Government pay scales in 2003 ranged from A\$3,223 to A\$18,098 per annum and some government employment conditions are quite attractive, such as the relatively high allowances paid to civil servants when travelling overseas.

Employment by public corporations

Tuvalu has ten state-owned enterprises, as follows

- National Bank of Tuvalu
- Tuvalu National Provident Fund
- Development Bank of Tuvalu
- National Fishing Corporation of Tuvalu
- Tuvalu Philatelic Bureau
- Vaiaku Lagi Hotel Corporation
- Tuvalu Electricity Corporation
- Tuvalu Media Corporation
- Tuvalu Telecommunications Corporation
- Tuvalu Maritime Training Institute.

Based on contributions to the Tuvalu National Provident Fund, public enterprise employment in 2001 was estimated to be around 270 persons, up from around 160 in 1991 (an annual average rate of growth over 5 per cent) (Asian Development Bank 2002). In part, however, this reported growth reflects the switch of former government employees to newly corporatised bodies, such as the Broadcasting and Media Office, which was corporatised into the Tuvalu Media Corporation in 1999, and the Tuvalu Maritime School, which was corporatised in 2000.

The outlook for public enterprise employment in Tuvalu is uncertain. With the exception of the National Bank of Tuvalu, which consistently returns a dividend to the government, the state-owned corporations generally have operating difficulties and rely on grants and transfers from government to cover losses. However, despite occasional calls from various parties to sell, lease or contract out some of these activities to the private sector (such as the Vaiaku Lagi Hotel), there seems to be no intention by government to proceed in such a direction in the short to medium term.

Private sector employment

Total private sector employment is difficult to estimate, given the significant number of self-employed persons in small businesses of various kinds who are not members of the Tuvalu National Provident Fund, particularly those in retailing, restaurants, guest houses, mechanical repairs, construction and transport. Also, the extent of compliance by private sector employers with requirements to pay fund contributions is unclear. In this context, 'private sector employment' also covers a diverse range of activities, including non-governmental organisations, church groups, various employees of aid agencies and international organisations, cooperatives (in particular, the sizeable Tuvalu Cooperative Society), and employment agencies (in particular for seamen).

Based on Tuvalu National Provident Fund records, private sector employment is estimated to have increased from 444 persons in 1991 to 487 persons in 2001 (an average annual growth rate of less than one per cent). However, as noted above, this growth is undoubtedly understated. It is evident from available business and telephone directories that formal private sector employment in Tuvalu is predominantly located on Funafuti and, to a very limited extent, on Vaitupu. There was some new private sector activity in recent



years arising from the investment passport scheme, involving several migrants from Asia, but this scheme no longer operates.

Offshore maritime employment

As of mid 2003, industry sources estimate that around 450 Tuvaluans were working abroad in maritime (merchant marine) employment—up from the reported number of 272 in the 1991 Census. This increase represents an average annual growth rate over the 12-year period of 4.3 per cent. Most Tuvaluan seamen are trained at the Tuvalu Maritime Training Institute located on Amatuku, the second main island on Funafuti Atoll. Graduates from the Institute are in demand internationally because of their recognised seafaring skills and aptitude; they also have good English language skills; and they are generally considered to be reliable and diligent workers.

Other offshore employment

Little data are available on Tuvaluans engaged in other offshore employment. The 1991 Census reported 90 Tuvaluan contract workers in New Zealand under the official New Zealand Working Scheme then in operation. There was also reported to be a total of 735 Tuvaluans in Nauru (being contract workers and their families) in 1991. It is understood that with the winding down of phosphate production on Nauru in recent years, this number may have declined. The temporary migration of contract workers to New Zealand is understood to be ongoing, though the current participation in these arrangements by Tuvaluan workers is not known. Under a new scheme, however, up to 75 Tuvaluans are to be permitted to enter New Zealand each year as permanent residents. Also, there are arrangements in place for Tuvaluans to resettle in Niue, although the precise details of this arrangement are not known.

Informal sector employment

Tuvalu has an active informal employment sector that is based largely on subsistence production. A sizeable proportion of this production is for sale, providing some cash income—estimated in the 1991 Census at 18 per cent of total subsistence production on Funafuti and around 22 per cent on the outer islands. Also, a high proportion of persons said to be engaged in formal employment undertake subsistence production activities. The types of subsistence production undertaken vary significantly from island to island, based on the demand for products as well as the resources of the island. For example, the 1991 Census reported that only 10 per cent of households on Funafuti were engaged in copra production, compared to 80 per cent or more on the outer islands of Vaitupu, Nanumaga and Niutao.

Informal employment is of particular importance in the context of the labour market, as it essentially provides a form of ‘safety net’ for persons who might otherwise be unemployed. Subsistence production will continue to play an important role in the economy of Tuvalu for the foreseeable future, though its importance relative to the monetary sector appears to be declining. The extent to which participation in the subsistence sector may have declined in recent years is unclear. The decline should be revealed when the detailed results of the 2002 Census become available.

Government provides a measure of support to subsistence production (especially agriculture and fisheries) through various interventions and supporting legislation and regulations. In the past, the Development Bank of Tuvalu has provided finance for small-scale agriculture, although the bank suffers from ongoing operating losses and is reportedly burdened with defaulted loans. Financial support has been provided to copra producers through price subsidies, but



copra production has declined markedly in recent years. Other government activities providing support for the informal subsistence sector include agricultural extension efforts to spread improved plant varieties and breeds; efforts to prevent entry of pests and diseases; and assistance with the community fisheries centres on the outer islands. Efforts at environmental management by government also are intended in part to protect natural resources of importance to subsistence producers.

Public policy and employment generation

Employment generation has been a central public policy issue in Tuvalu for many years. Following independence, Tuvalu embarked on a series of fairly conventional national economic development plans, culminating in the Fourth Plan covering the period 1988–1991 (Tuvalu 1978, 1980, 1984, 1988). These public policy documents have been of varying quality and increasingly larger and more cumbersome (the Fourth Plan was a veritable tome at 261 pages). While of some use as a compendium of facts, statistics of varying quality, government policies, and the like, these national planning documents appear to have been of limited operational value. Nevertheless, they gave coverage to employment generation strategies, including

- workforce planning, with the focus on technical and on-the-job skills training
- expanding local employment, with a focus on the private sector
- promoting overseas employment, including support for seamen joining the merchant marine, as well as other overseas contract work opportunities.

By the early 1990s, 'national plan fatigue' had set in, and there was an hiatus of some seven years before the next attempt

at national economic planning was undertaken, the National Development Strategy 1995–1998 (Tuvalu 1995). This document (of around 100 pages) is well written and continues to be a useful source document, albeit dated. The document contains a comprehensive mix of initiatives designed to address employment generation and labour market issues, including

- industry development—commercial fisheries, tourism, manufacturing, agriculture, other private sector industry and small business
- improving economic infrastructure—transport, communications, energy and land
- decentralisation—to address labour market 'stresses' on Funafuti
- expansion of overseas employment opportunities
- macroeconomic stability and various structural policies to support investment, including linking public sector pay scales to inflation as well as to growth in productivity; taxation; public corporations and utility pricing; competition policy; trade and investment policy; facilitation of foreign investment; consumer affairs; and the provision of credit.

The only document subsequently issued by government in this vein is the slim (11 page) *Vision 2015: The Next Four Years*, being the 1998 State of the Nation Address by the Governor-General. This document stated that it was proposed to free up the civil service by eliminating the burden of having to draft large, cumbersome and time-consuming planning documents, such as the 1995–1998 National Development Strategy. Rather, the intention was to draw up a clear national policy statement that sets out key performance indicators over the next four years.

This national policy statement addressed five 'key areas', all of which are related to



employment generation and labour market issues in one form or another, including

- human resource development—building on earlier education and training initiatives to put more focus on health care and gender equality
 - public sector reform—with a focus on commercialisation and privatisation of government services where possible and appropriate; extension of user-pays principles; output budgeting for the civil service; and decentralisation of government support to the outer islands
 - private sector development—through privatisation of some government functions; contracting out of services; prompt payment of debts by government to the private sector; financial support for business start-ups; and general facilitation of both local and foreign business ventures
 - outer island development—promoting decentralisation, in particular through the Falekaupule Act, to enhance the responsibilities of island communities and making funding available for local development initiatives (through the Falekaupule Trust Fund)
 - infrastructure development—in particular transport, communications and energy facilities.
- employment, workers compensation and immigration laws
 - tax, business and investment laws
 - foreign exchange controls
 - consumer protection and competition policies
 - land and natural resources laws
 - town and island council regulations
 - environmental regulations and building codes
 - sanitation, health and safety codes.

Access to the legal system is surprisingly good for the average citizen in Tuvalu, particularly on Funafuti (though presumably less so on the outer islands), through the Office of the People's Lawyer. Tuvalu is not a member of the International Labour Organization. However, the Industrial Relations Code (1978) reportedly provides for conciliation, arbitration and settlement procedures in cases of labour disputes, and employees are free to organise unions and elect their own labour representatives. There is a very small Labour Division in the Office of the Prime Minister, with one Labour Officer and two support staff. The role of this office appears to be focused on monitoring and coordinating various work schemes, including local recruitment and establishing a National employment register, though its stated mission in the 2003 Budget is 'to promote sound labour relations and safety standards and employment'.

Legislation and regulations

The formal legal system in Tuvalu is based on English common law. According to the People's Lawyer, this common law basis remains as of 1 January 1961 for reasons not immediately clear but presumably related to some administrative concern in colonial times. Since independence in 1978, there has been a range of Tuvaluan legislation implemented that is potentially of relevance to the labour market, including

The right to strike is provided for in the law, as well as provisions for collective bargaining, but wages are typically set by employers. However, it is understood that the legal procedures for resolving labour disputes are rarely (if ever) used, and there has apparently never been a strike in Tuvalu as the two sides reportedly deliberate on grievances without confrontation. The only trade union is the Tuvalu Overseas Seamen's Union covering members working on foreign



merchant marine vessels. The Union is a member of the International Transportation Workers' Federation. Employees in the civil service and in publicly owned enterprises are grouped into various staff associations, which do not have the legal status of unions.

There are reportedly no price controls in practice in Tuvalu, and there is a Price Control Act (1991) and some limited provision in the 2003 national budget for a Price Control Board. It is understood that government officials monitor retail mark-ups from time to time. The private sector is free to set its own wage rates, though as noted earlier, these tend to follow the level and structure of public sector wages and salaries. There is understood to be some measure of minimum wage setting by government, although the practical relevance of this is unclear as the private sector typically adopts government pay scales.

Prospects for employment generation

Tuvalu faces a wide array of economic development constraints, though these are generally accepted as being more extreme in Tuvalu than elsewhere in the South Pacific region. Some of the constraints can be overcome, at least in part, by the application of appropriate investments as well as by the adoption of appropriate public policy. There are still major physical infrastructure inadequacies in Tuvalu, related particularly to power and water supply, sea transport facilities and telecommunications networks. There are also recognised inadequacies in the supporting social infrastructure, such as inadequately skilled health workers and, to a lesser extent, weaknesses in the national education system. All of these areas provide scope for improvement in the short to medium term, both by nationally funded efforts (as well as with the financial support of the

international community) and by adopting appropriate policies.

Many of the economic development constraints in Tuvalu are more fundamental however, such as the paucity of natural resources—especially its small and fragmented land areas, isolation from major world markets, small domestic market with a weak private sector, high internal transport costs, susceptibility to natural disasters, and environmental fragility. In these circumstances, there may be only limited scope for public policy initiatives to affect outcomes.

For example, the government welcomes foreign investment, as shown by its Foreign Direct Investment Act (1996), which has provision for easy availability of work permits for expatriates and streamlined procedures for investment approvals. However, the reality is that there is very little attraction for international investors, given the small domestic market and the practical difficulties of production for export from Tuvalu (South Pacific Forum Secretariat 2001). It is conceivable that at some future time new tourism projects might be attractive to foreign investors and there might possibly be new investment opportunities in other, as yet unknown and/or unproven activities (such as offshore mining and large scale fisheries ventures). However, it does not appear that such ventures are currently being deterred by inappropriate public policy.

At the local level there appear to be some limited opportunities for public policy initiatives, many of which have been detailed in the national planning documents referred to above. Some of these initiatives seem to have been misguided, such as the notion raised in the 1995–1998 National Development Strategy of promoting export-oriented manufacturing. Other public policy initiatives appear to have been appropriate, but need more detailed attention and funding. For example, access to credit for small business ventures in Tuvalu continues to be difficult,



given the lack of funding for the Development Bank of Tuvalu as well as its poor operating performance.

Access to land remains a significant problem, even for small-scale local investors. In part this is an intractable issue, given the overall paucity of land. However, recent initiatives on Funafuti to expand the road network to the north and south of the main island of Fongafale, as well as the ongoing reclamation of former borrow pits created during World War II when the airport was constructed, are providing some measure of relief. In the possibly unlikely event that land access is identified as a crucial issue impeding a potential foreign investor, existing government powers to acquire land for any 'public purpose' (subject to reasonable compensation) appear to be adequate to facilitate any such investments supported by government.

It appears that the best approach to employment generation in Tuvalu is to focus on those activities where it is currently successful, both internationally and domestically. Much can be done to improve the efficiency and effectiveness of the economy through reforms in the civil service and enhanced performance of its many public enterprises. Government can also improve the setting of its expenditure priorities, reduce wasteful expenditures, better manage the substantial aid received from the international community, and give better attention to public policies impacting on employment generation and national economic planning.

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