Can Fiji’s Skills Shortage be addressed through a more Receptive Labour Immigration Policies?

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Sothea Oum, Asian Development Bank – Pacific Region
Outline of Presentation

1. Introduction: Fundamental Problems of the Labour Market in Fiji
2. Labour Market Overview
3. Wage Rates and Labour Laws
4. Migration and Sector Constraints
5. Concluding Remarks
Introduction

Characteristics of Fiji’s Labour Market

1) Small Labour Market
2) Skills Shortage – Local high-skilled and experienced workers are missing
3) Low Productivity and Low wage rates
4) Outward Migration
5) Immigration policies not clear and restrictive
Labour Market Overview

- The size of the labor force is a small 0.38 million.

- According to available World Bank data, Fiji’s labor force grew by a slow 1.26% a year from 1990 to 2017.

- A key reason for this was the high number of emigrants during the years.

World Bank data show that since Fiji’s independence in 1970, the net migration rate (number of immigrants minus number of emigrants per 1,000 population) has been negative:

  i) highs of -18.6 in 1990
  ii) -10.7 in 2000, and
  iii) -15.1 in 2005
  iv) -6.5 in 2017
Labour Market Overview

The National Strategic Human Resource Plan for 2011–15 identified continuing migration of skilled and experienced professionals as a key reason for the skills gap. For the technical trades (blue-collar jobs), the shortage arises from the perception that these jobs are of a lower stature and are less well-paid compared with white-collar professions. This is exacerbated by the unfavorable perception of technical and vocational education and training (TVET) compared with higher education. As a result, enterprises have to depend on workers from other countries.

Fiji National Productivity Plan (2021-2036), page 51.
Labour Market Overview

Besides work attitudes and behaviors, the skills of workers, both generic and functional, fall short of employers’ expectations. Fiji’s National Strategic Human Resource Plan for 2011–15 concluded that “survey after survey of employers in Fiji point to lack of practical experience of new employees as the biggest labor market problem that they face.”

A study by the Fiji National University (FNU) in 2013 identified certain areas that were lacking: quality workers in various occupations in the construction industry; math and science skills in all industries; practical skills; workplace readiness and attitude to work; and knowledge and experience working with modern technology and equipment. These findings were corroborated by a training needs assessment survey of major employers undertaken by National Training and Productivity Centre (NTPC) in 2013.

Fiji National Productivity Plan (2021-2036), page 51.
Low Productivity and Low Wage Rates

A high-productivity growth strategy is required to improve Fiji’s productivity performance substantially.

Strategies must adopt a holistic approach to manage the proximate factors (enterprises, economic sectors, and economic structure) and enablers (business and macro enabling Institutions) affecting national productivity.

Only by such approach that capital deepening and total factor productivity, driven by innovation, can be enhanced to raise the country’s overall productivity.

This will then support the GDP growth target of 4–5% a year in the 20-year National Development Plan 2017–2036. What is critical is the agility in foreseeing future trends that impact all the drivers of national productivity, and quickly adapting and seizing opportunities to improve the drivers.
# Structural Economic Transformation

## Sectoral Shares of GDP in Fiji Compared with Upper-Middle-Income Countries

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<td>25.3</td>
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**Source:** World Bank, World Development Indicators.

**Note:** % share of GDP is based on GDP at current purchase price. Latest figures are for 2016.
We need to disaggregate these sectors further and examine what exactly has happened and what needs to be done to expand value addition.

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<td>19.9</td>
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</table>
The Service Sectors’ Shares have grown but Productivity has not grown as it should have

<table>
<thead>
<tr>
<th>Services</th>
<th>Fiji</th>
<th>42.2</th>
<th>51.2</th>
<th>48.9</th>
<th>53.1</th>
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<td>50.0</td>
<td>55.3</td>
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<td>(2004)</td>
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</table>
These issues may become clearer when you look at employment shares

The variance in Agriculture Sector is Obvious

| SECTORAL SHARES OF EMPLOYMENT IN FIJI COMPARED WITH UPPER-MIDDLE-INCOME COUNTRIES |
|---------------------------------|--------|--------|--------|--------|
|                                 | % share of employment |
| Agriculture                     |        |        |        |        |
| Fiji                           | 53.2 (1991) | 47.5   | 42.9   | 39.2   |
| Upper-middle-income countries   | 45.7 (1991) | 37.1   | 23.2   | 17.1   |
| Industry                        |        |        |        |        |
| Fiji                           | 11.7 (1991) | 12.5   | 13.7   | 13.2   |
| Upper-middle-income countries   | 26.6 (1991) | 26.6   | 27.9   | 25.8   |
| Services                        |        |        |        |        |
| Fiji                           | 35.1 (1991) | 40.0   | 43.4   | 47.6   |
| Upper-middle-income countries   | 27.7 (1991) | 36.4   | 48.9   | 57.1   |
Low Productivity and Low Wage Rates

Fiji’s Productivity Growth Compared with APO20

Source: APO.
Note: Productivity growth refers to average annual growth of GDP at constant basic prices per worker, using 2011 PPP.

SOURCE: FIJI NATIONAL PRODUCTIVITY MASTER PLAN 2021–2036
Fiji’s Labour Productivity Growth

<table>
<thead>
<tr>
<th>Period</th>
<th>Labor productivity growth (%)</th>
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<tr>
<td>1990–95</td>
<td>−0.4</td>
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<tr>
<td>1995–2000</td>
<td>1.2</td>
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<tr>
<td>2000–05</td>
<td>−0.3</td>
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<tr>
<td>2005–10</td>
<td>1.7</td>
</tr>
<tr>
<td>2010–16</td>
<td>1.3</td>
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</tbody>
</table>

Source: APO.  
Note: Labor productivity growth refers to average annual growth rate of constant-price GDP per hour worked.

SOURCE: FIJI NATIONAL PRODUCTIVITY MASTER PLAN 2021–2036

Mauritius Labour Productivity growth from 2005 to 2018, averaged 3.04 %
PRODUCTIVITY LEVEL OF SECTORS

Source: World Development Indicators.
Note: Productivity level = constant 2010 USD.

SOURCE: FIJI NATIONAL PRODUCTIVITY MASTER PLAN 2021–2036
Productivity Shortfall and the Target for Future Growth

To achieve the target of 3.2% average annual growth for the economy, the productivity of the agriculture sector must grow by 2.53% a year and the productivity of the industry and services sectors by 3.23% each a year. The targets can be set as 2.6% for the agriculture sector and 3.3% each for the industry and services sectors. All these are much higher than what was historically recorded for the agriculture (−0.20%), industry (0.63%), and services (0.59%) sectors for the period 2000–16.
Productivity Shortfall and the Target for Future Growth

<table>
<thead>
<tr>
<th>Average annual productivity growth (%) 2021–36</th>
<th>Average annual GDP growth (%) 2021–36</th>
<th>GDP in 2036 (USD ‘B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2</td>
<td>4.0%</td>
<td>8.25</td>
</tr>
<tr>
<td>1.2</td>
<td>2.0%</td>
<td>5.70</td>
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</table>

Absolute gain 2.55

SOURCE: FIJI NATIONAL PRODUCTIVITY MASTER PLAN 2021–2036
Distribution of Paid Employees for the Major Occupational Groups by Sex and by Wages and Salary: 2016.

<table>
<thead>
<tr>
<th>Major Occupation Group</th>
<th>Male</th>
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<th>Female</th>
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<th></th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Wage</td>
<td>Total</td>
<td>Salary</td>
<td>Wage</td>
<td>Total</td>
<td>Salary</td>
<td>Wage</td>
<td>Total</td>
<td>Salary</td>
<td>Wage</td>
</tr>
<tr>
<td>Legislator, Senior Officials and Managers</td>
<td>3,710</td>
<td>2,103</td>
<td>5,813</td>
<td>1,778</td>
<td>1,028</td>
<td>2,806</td>
<td>5,488</td>
<td>3,131</td>
<td>8,619</td>
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<tr>
<td>Professionals</td>
<td>9,480</td>
<td>2,313</td>
<td>11,793</td>
<td>11,726</td>
<td>1,413</td>
<td>13,139</td>
<td>21,206</td>
<td>3,726</td>
<td>24,932</td>
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<tr>
<td>Technicians and Associate Professionals</td>
<td>6,862</td>
<td>6,020</td>
<td>12,882</td>
<td>6,254</td>
<td>2,936</td>
<td>9,190</td>
<td>13,116</td>
<td>8,956</td>
<td>22,072</td>
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<td>Clerks</td>
<td>2,983</td>
<td>6,843</td>
<td>9,826</td>
<td>3,629</td>
<td>9,098</td>
<td>12,727</td>
<td>6,612</td>
<td>15,941</td>
<td>22,553</td>
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<tr>
<td>Service Workers, Shops and market sales</td>
<td>5,593</td>
<td>13,961</td>
<td>19,554</td>
<td>1,943</td>
<td>10,607</td>
<td>12,550</td>
<td>7,536</td>
<td>24,568</td>
<td>32,104</td>
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FIBoS: January 2019
## Employment Data Continued

Distribution of Paid Employees for the Major Occupational Groups by Sex and by Wages and Salary: 2016.

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<tr>
<th>Major Occupation Group</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Wage</td>
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<td>workers</td>
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<tr>
<td>Skilled Agricultural &amp; Fishery Workers</td>
<td>286</td>
<td>1,295</td>
<td>1,581</td>
<td>139</td>
<td>248</td>
<td>387</td>
<td>425</td>
<td>1,543</td>
<td>1,968</td>
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<td>Craft and Related workers</td>
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<td>385</td>
<td>1,641</td>
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<td>2,197</td>
<td>13,894</td>
<td>16,091</td>
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<td>Plant and Machinery Operators and Assemblers</td>
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<td>3,203</td>
<td>3,579</td>
<td>2,011</td>
<td>12,726</td>
<td>14,737</td>
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<td>Elementary Occupations</td>
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<td>16,253</td>
<td>17,655</td>
<td>528</td>
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<td>5,347</td>
<td>1,930</td>
<td>21,072</td>
<td>23,002</td>
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<td>Armed Forces</td>
<td>4,039</td>
<td>73</td>
<td>4,112</td>
<td>376</td>
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<td>380</td>
<td>4,415</td>
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<td>4,492</td>
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<td><strong>Total</strong></td>
<td>37,802</td>
<td>70,637</td>
<td>108,439</td>
<td>27,134</td>
<td>34,997</td>
<td>62,131</td>
<td>64,936</td>
<td>105,634</td>
<td>170,570</td>
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Human Resource Development Needs Serious Attention

Institutions and their Output:

1) USP – Mostly White Collar Professional
2) FNU – (Former FIT – now mostly white collar professionals)
3) University of Fiji – Mostly white Collar – Accounting/economics and Medicine; Law
4) Sangam Nursing School
5) Private Training Schools – Mostly Computer Services
6) APTC – Australia Pacific Training Coalition

Huge gap exists in technical training
Deficits Exist in the Following Areas:

Technical Areas

1) Mechanical Technicians – Auto Mechanics
2) Construction – Carpentry (Painters; Block layers; Plastering etc.);
3) Plumbing; Electricians; Refrigeration
4) Joinery; fitting; Machine operators
5) Mechanical Equipment Operators (grader drivers, delivery drivers, forklift drivers, mixer operators etc.)
6) Surveyors – land and property

Accountants (Office Assistants) – who are Qualified to do the FRCA; FNPF and Labour Law requirements (Tax calculations; FNPF calculations; Wages)

These requirements place a huge demand on the Businesses, particularly small businesses. Small business have to cope with these requirements, either by employing qualified personnel of acquiring skills of existing employees.
Other Problems relating to Labour Shortage:

1) Lack of skills and Experience;
2) Lack of skill in higher end IT, Communication Technology and managerial skills for small and medium enterprises;
3) Labour Shortage in Rural Areas – New Appropriate Technologies are needed – Structural Reforms are needed at all levels
4) Decisive move towards high value crops is needed. This can only happen over time.
5) Aging Farmers is a serious concern.

National Employment Centre is there but seems to be ineffective - Role has changed over the years (No longer job finding agency).
Can Immigration Policies Solve our Problems

1) Yes but only partially
2) Can happen if a proactive approach is needed by government
3) Policies so far have not been developed to address the problems of the economic sectors
4) Currently it is time consuming and costly
5) Ask USP and FNU Human Resource Departments
Work permit applications are required to be considered by a work permit committee (WPC). This committee meets on a weekly basis and deliberates on work permit cases put to it by the secretariat who are made up of permit processing officers.

The WPC consists of the Director of Immigration (Chair) and representatives of the Ministry of Labour, the Fiji Police Force (Special Branch) the Prime Ministers Office, Ministry of Justice and the Chief Immigration Officer (Permits).
Migration and Labour Mobility:

Migration must be discouraged – Long-term policy prescription are needed.

NZ-Australia labour mobility policies do not auger well for Fiji. May be ok for other PICs but not for Fiji

Policies for Reforms:

Appropriate Education and Training Policies are needed

Thank you