

Demographic Changes and PNG's Labour Market Developments: Challenges and Prospects

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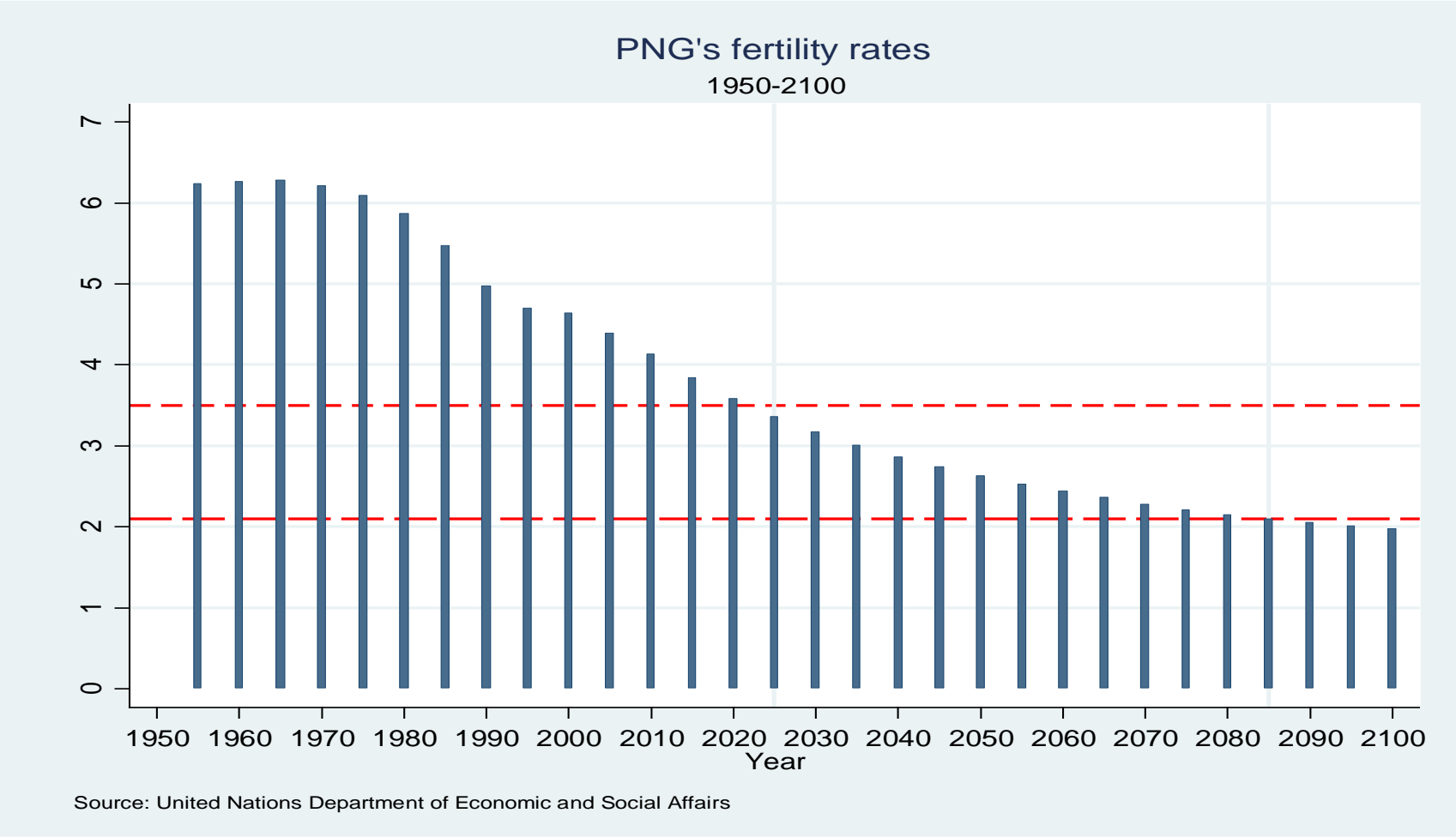
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Introduction

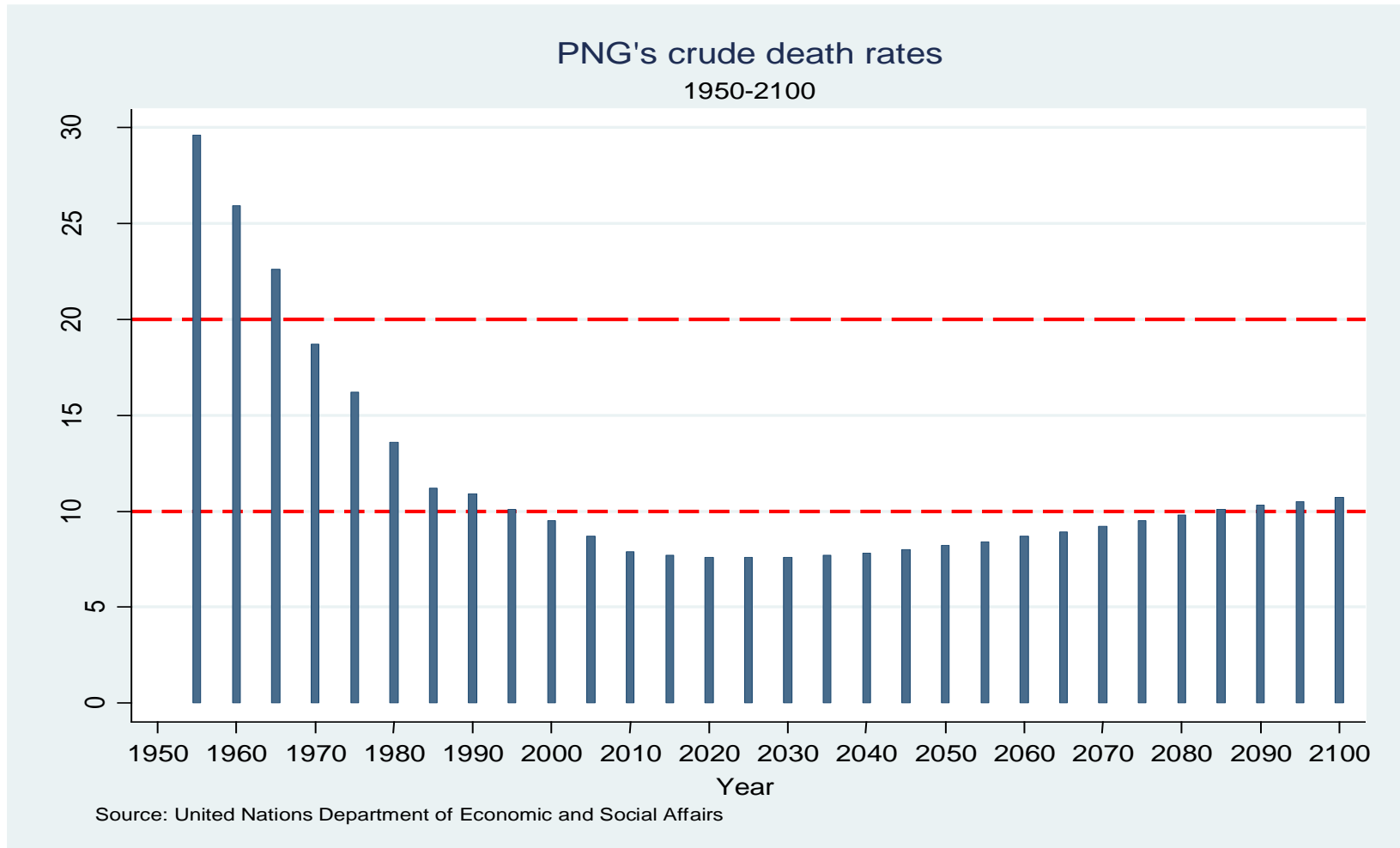
- **Demographic changes**
- **Labour market developments**
- **Challenges**
- **Prospects and remarks**

PNG's Demographic Changes

Higher FR but Declining Trend

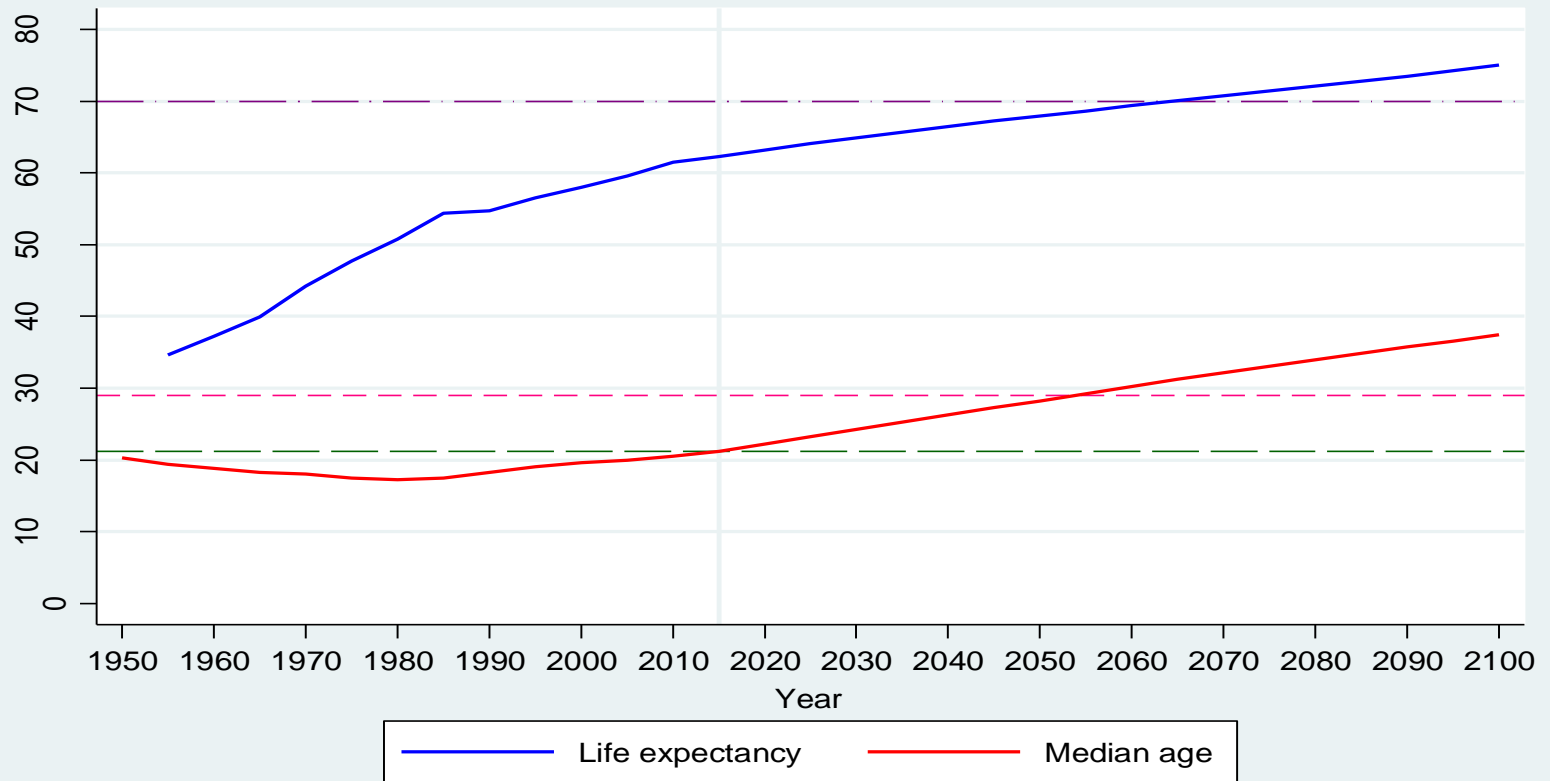


Lowest ever MR, will bounce back later



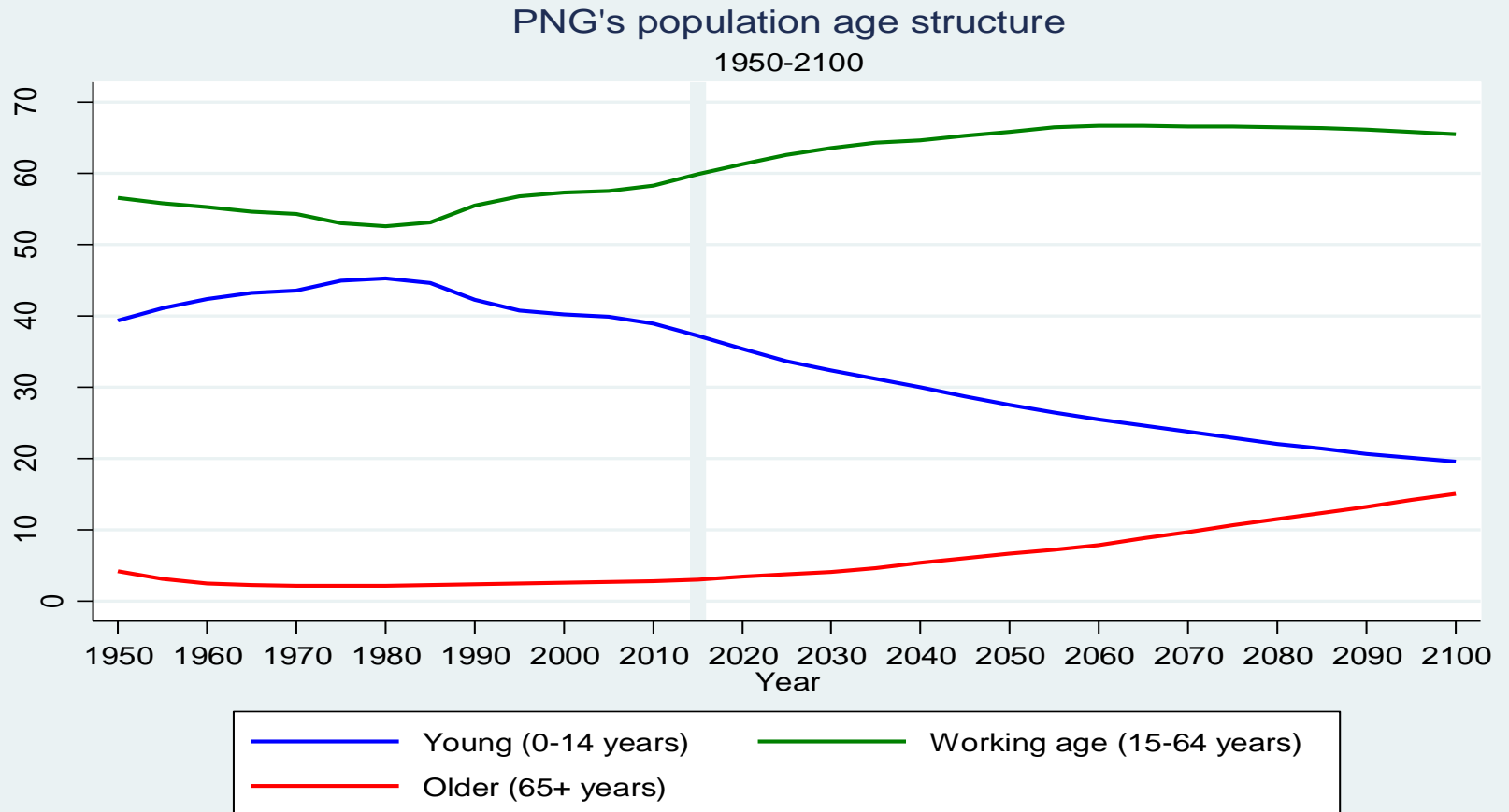
Young Population with low LE

PNG's Life expectancy and Median age
1950-2100



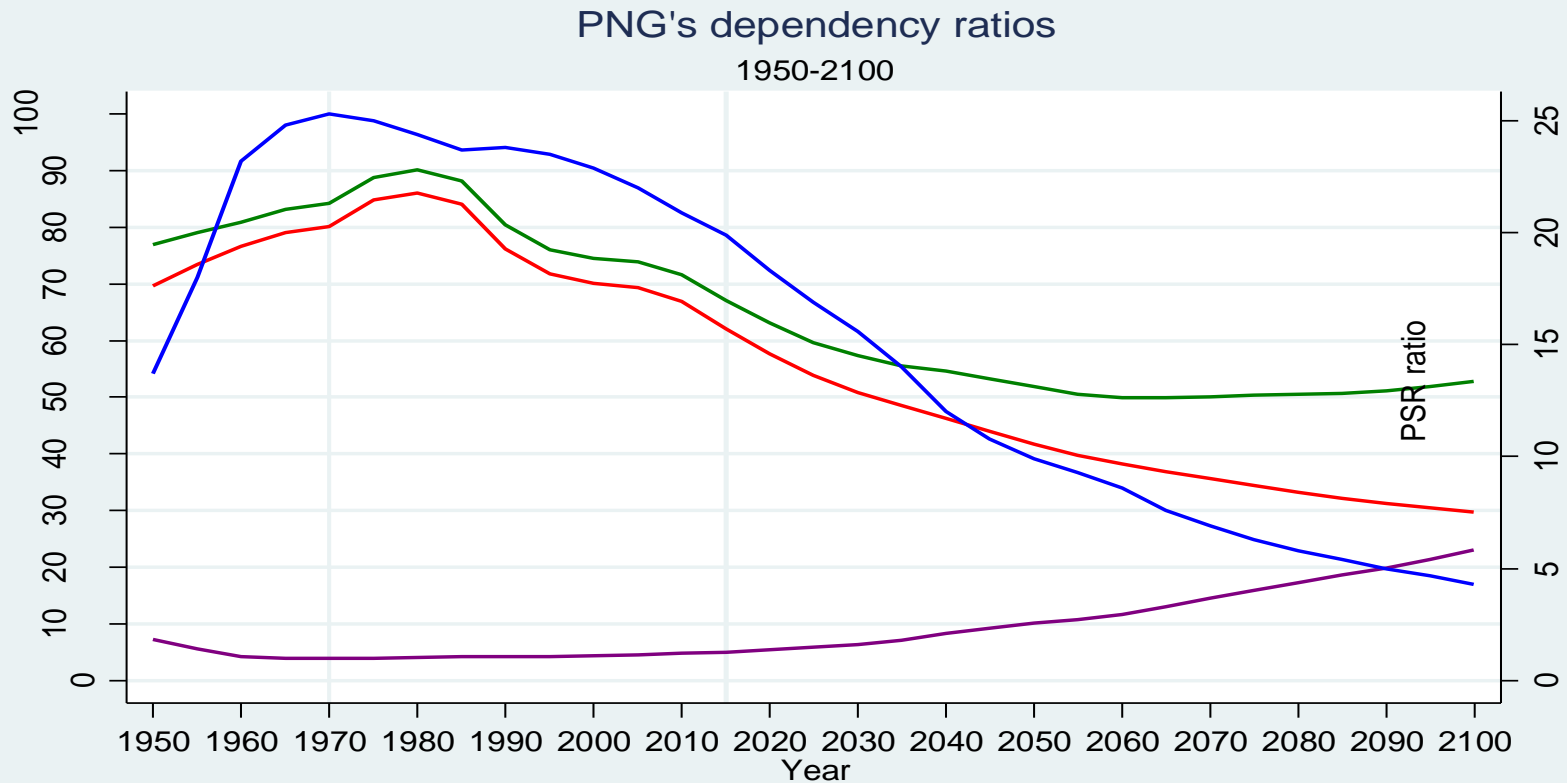
Source: United Nations Department of Economic and Social Affairs

Growing Working and the old population, Declining Young



Source: United Nations Department of Economic and Social Affairs

PSR high but falling



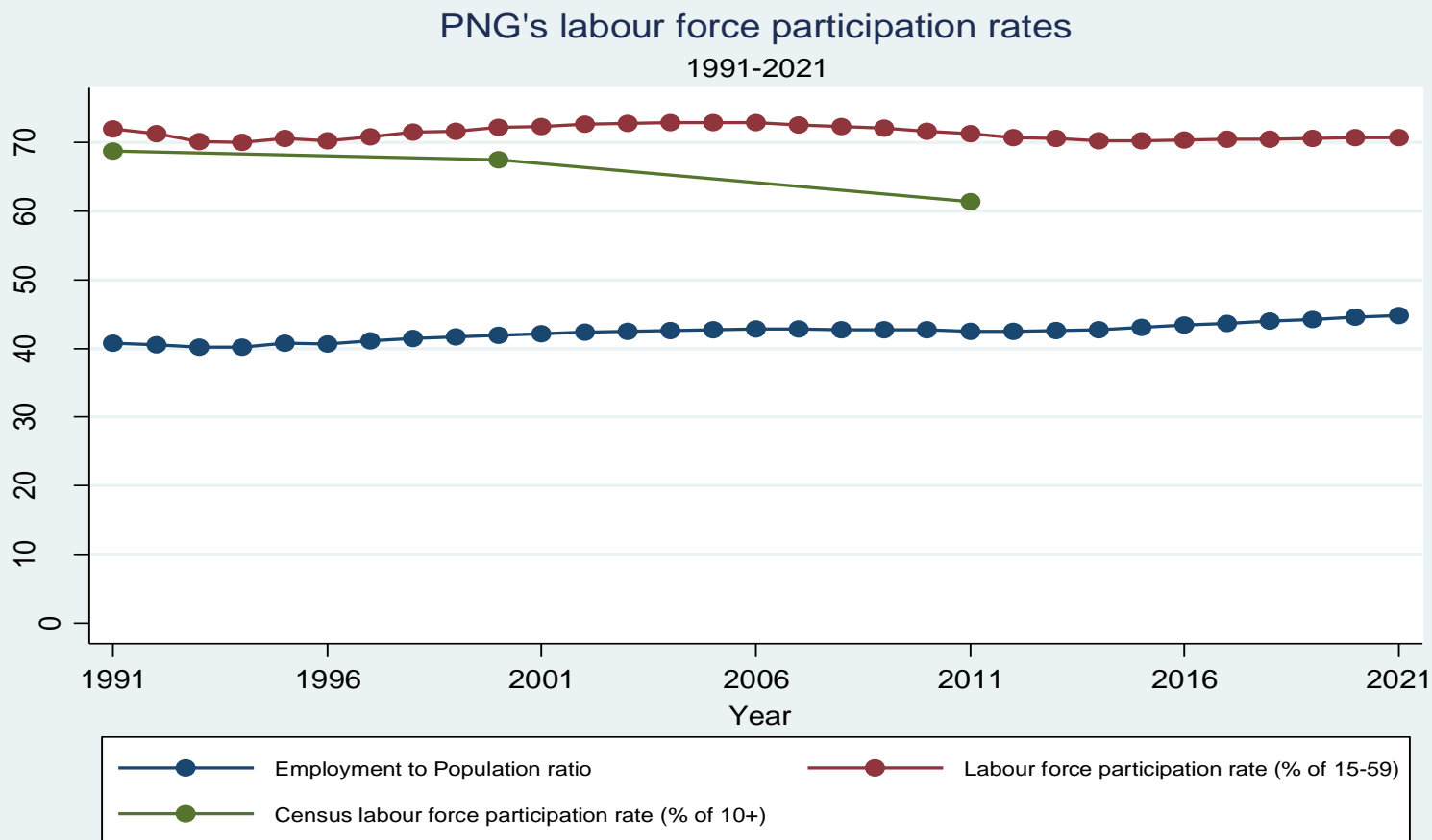
Source: United Nations Department of Economic and Social Affairs

Summary

- Overall, PNG has a still high but declining fertility rates, moderate mortality rate with a tendency to bounce back later, median age lower than the world, and life expectancy increasing.
- As a consequence of these demographic factors, while share of young population declining, both old age and the working age population will continue to increase.
- Reduction in potential support ratio might start showing pressure on the economy in coming decades.

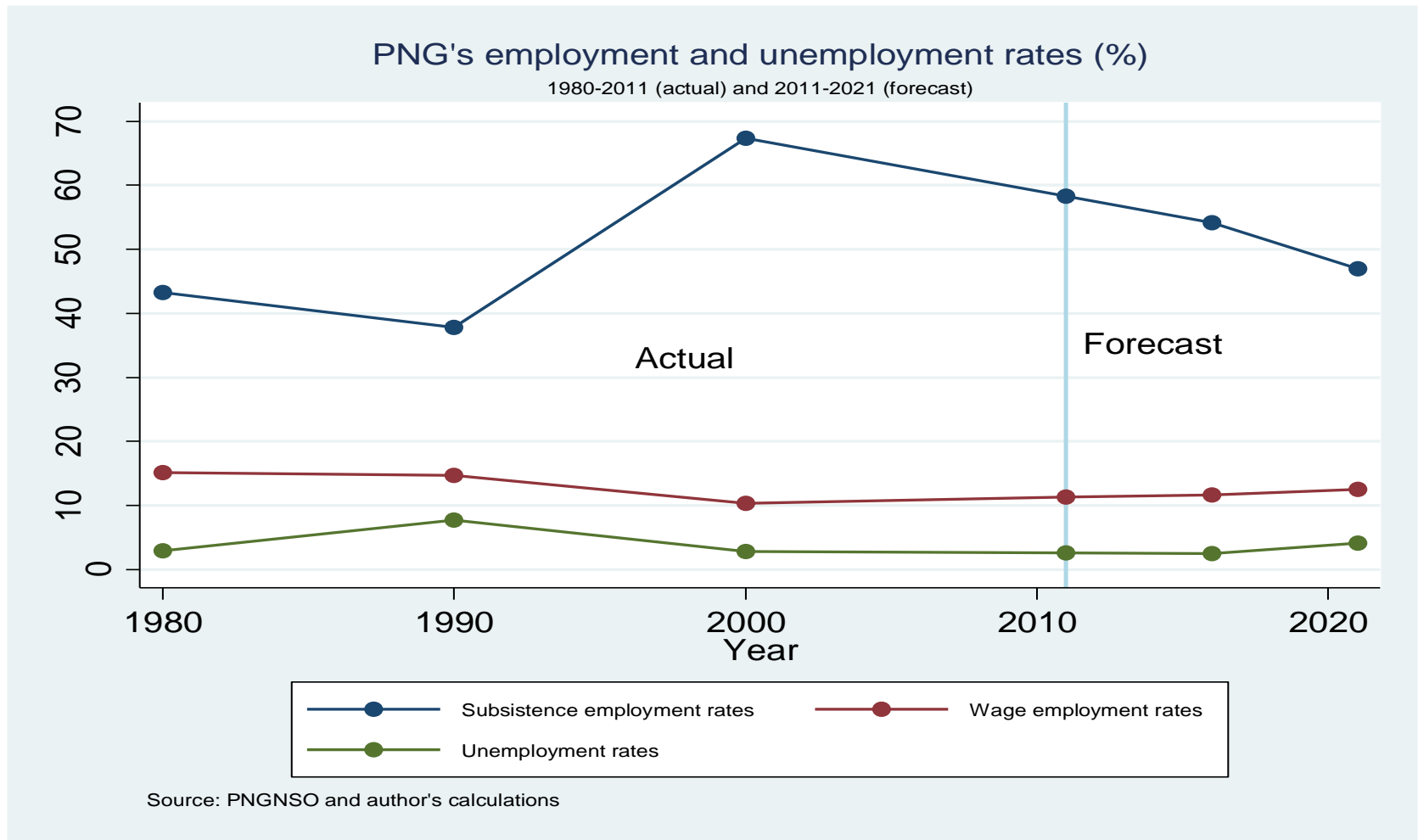
PNG's Labour Market Outcomes

LFPR remains close to 70%, E2PR to 45%



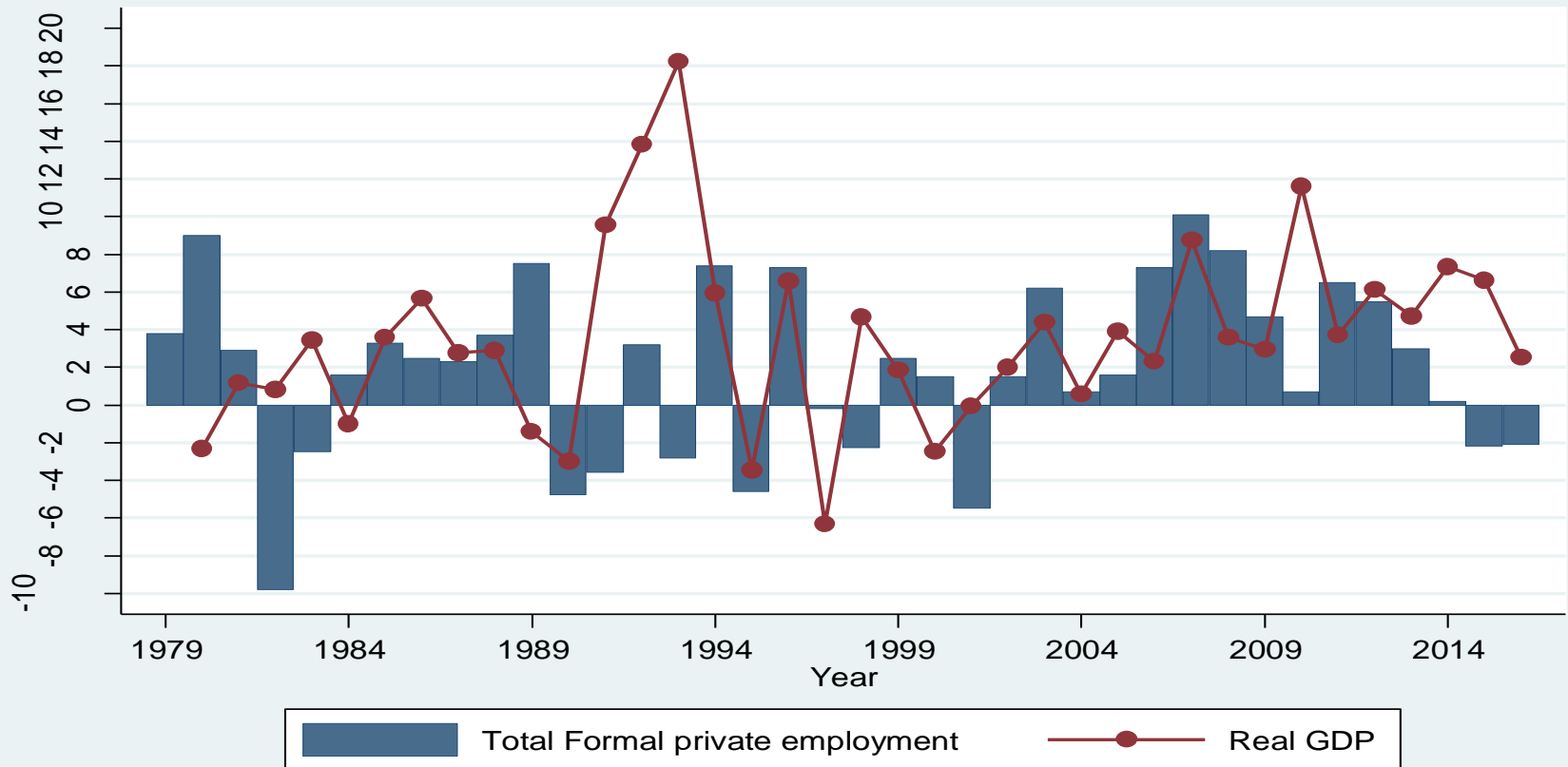
Source: PNG NSO and International Labour Organisation

Subsistence employment remains high but wage employment not catching up



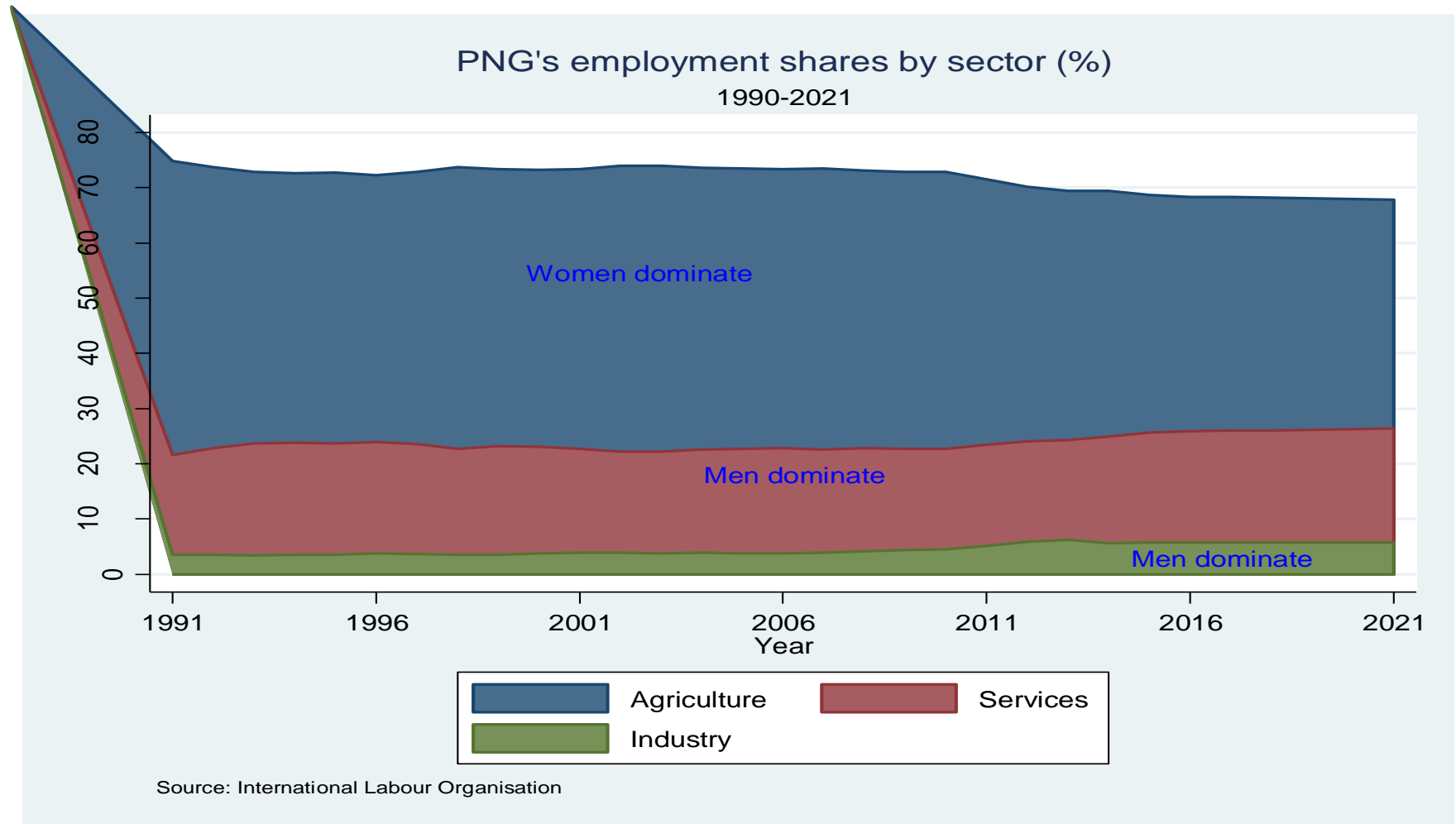
Declining GDP and Negative FE growth in recent years

PNG's formal private sector employment and real GDP rates
1979-2016



Source: Bank of Papua New Guinea QEB

Falling employment shares for Agri, slow growth in the service & industry

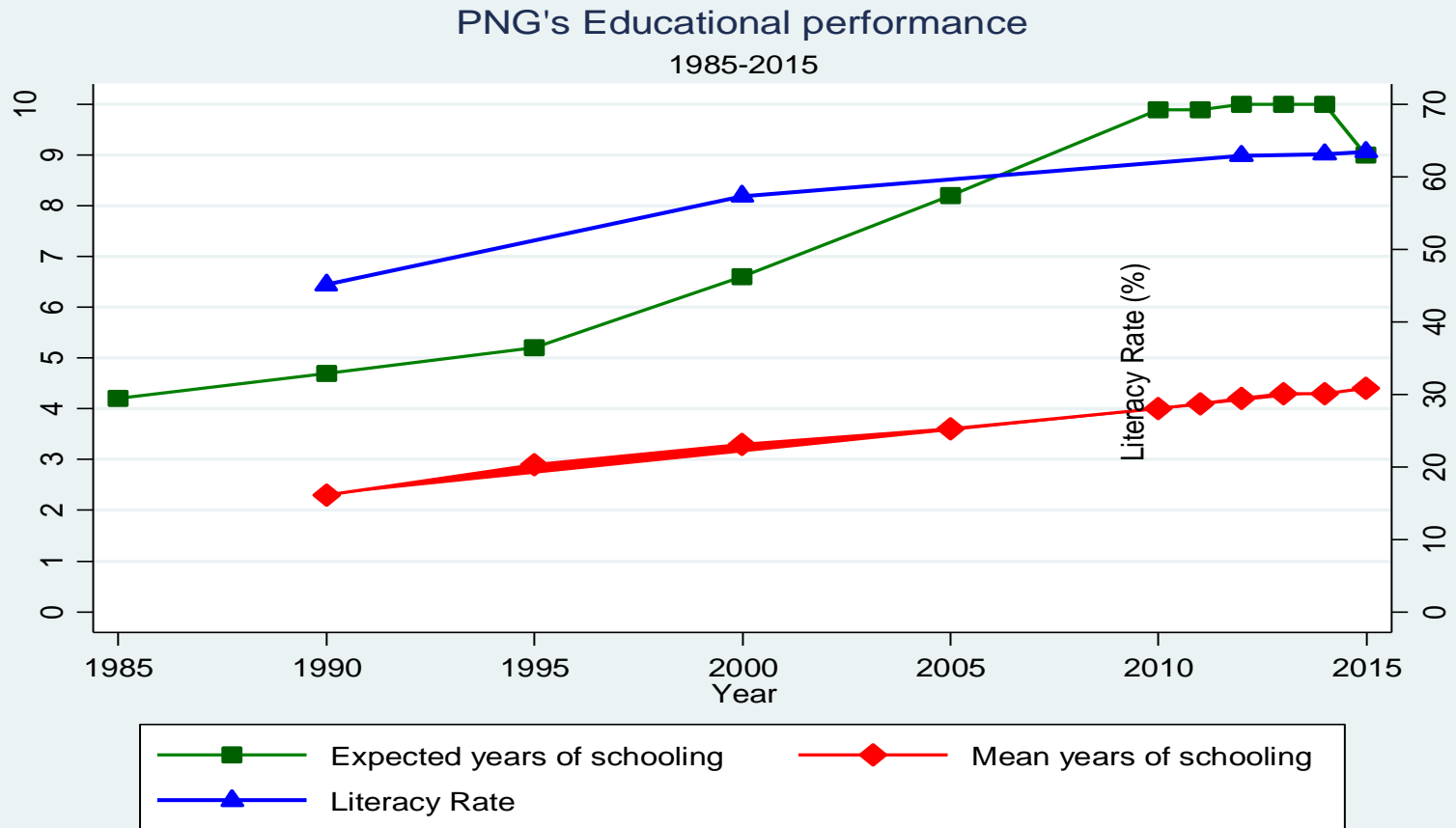


Summary

- LFPR remains high at around 70 %
- Since 2014, GDP growth declined but growth in the formal sector employment has declined even more and is negative since then.
- Agriculture remains a major source of employment in PNG with dominance of women over men workers.
- Service and industry sector job providing performance remains poor

Challenges

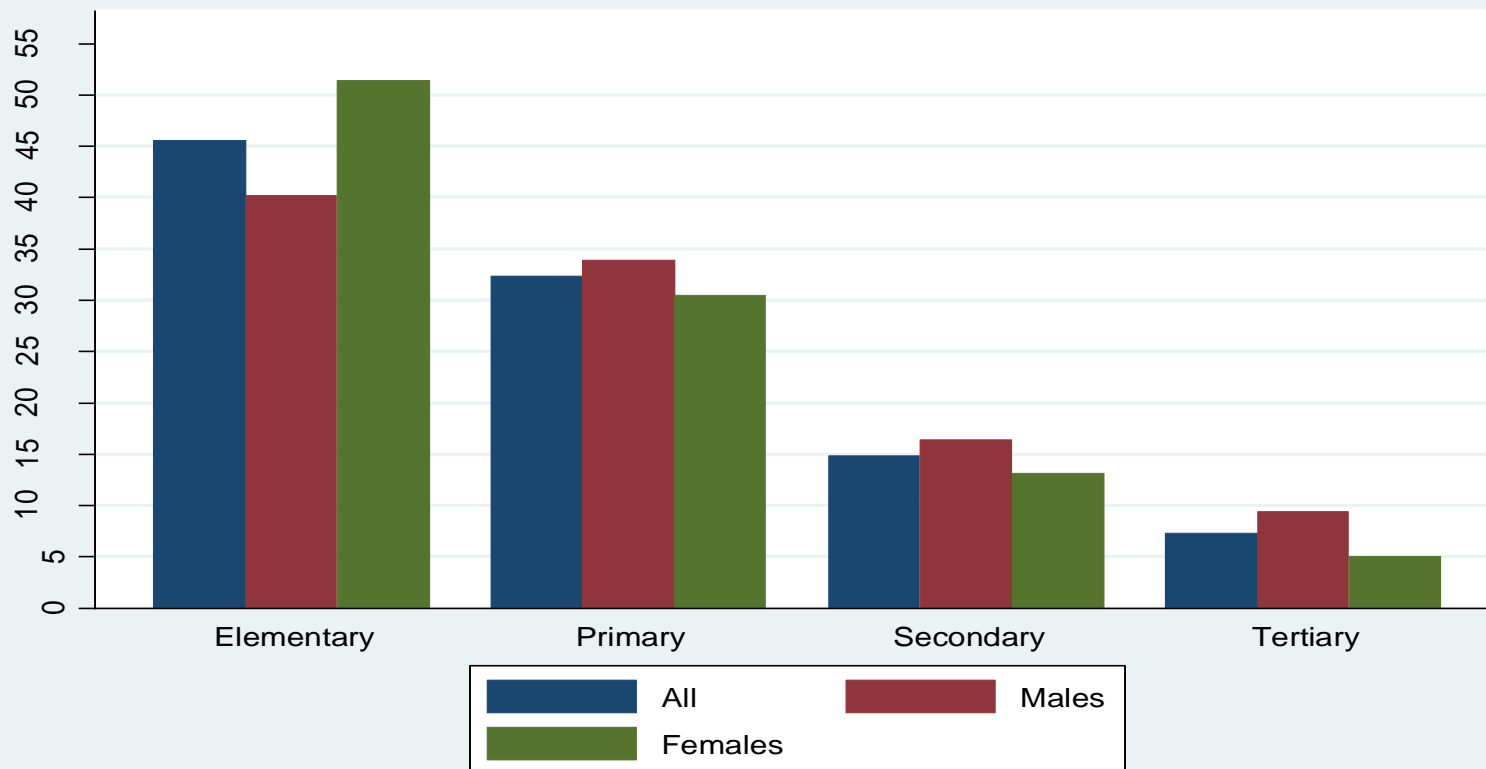
Literacy rate catching up but mean years of schooling is below 4 years



Source: UNDP Human Development Report and PNG NSO

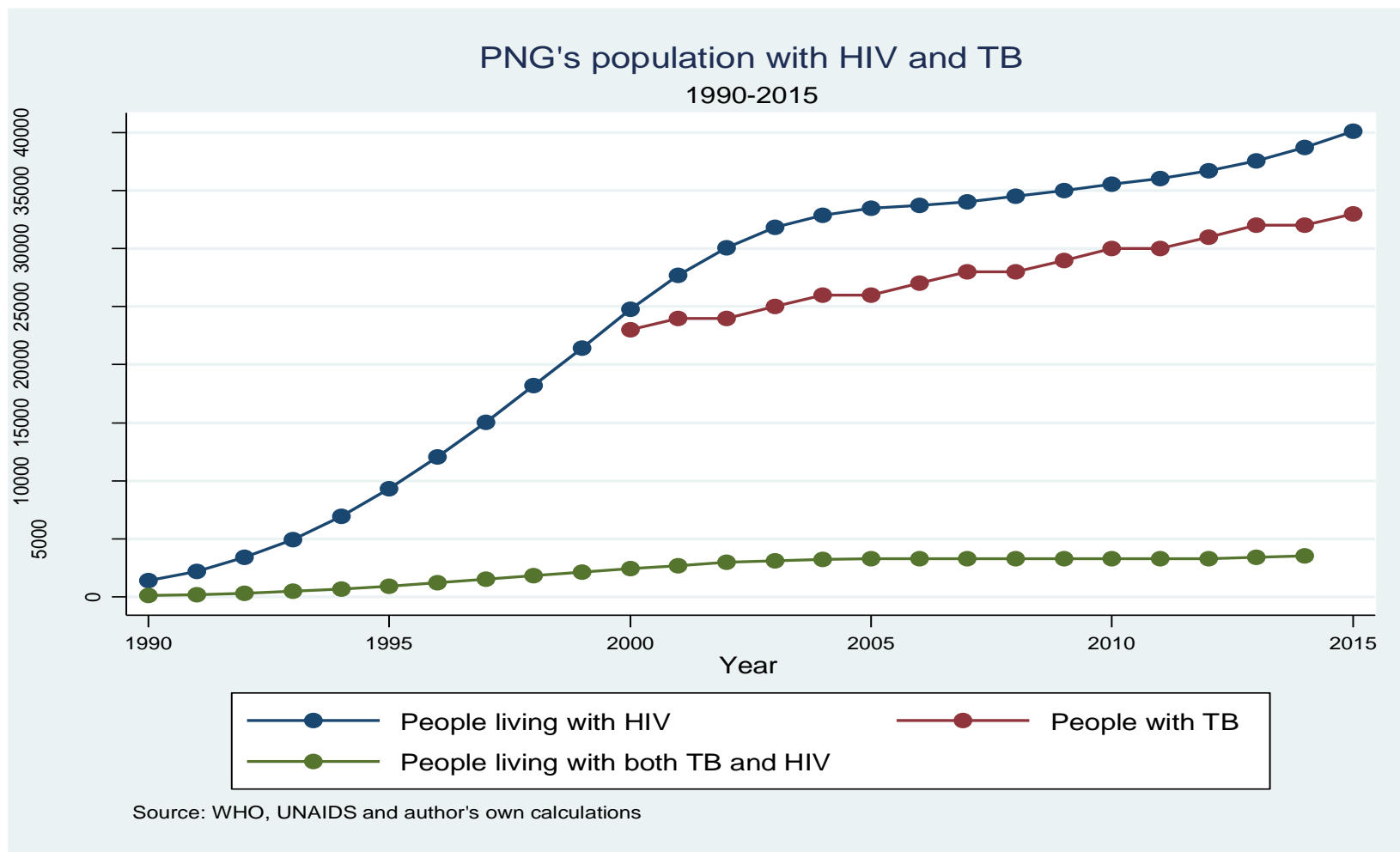
Very low Secondary and Tertiary educational attainment

PNG's highest educational attainment by sex
2009-10

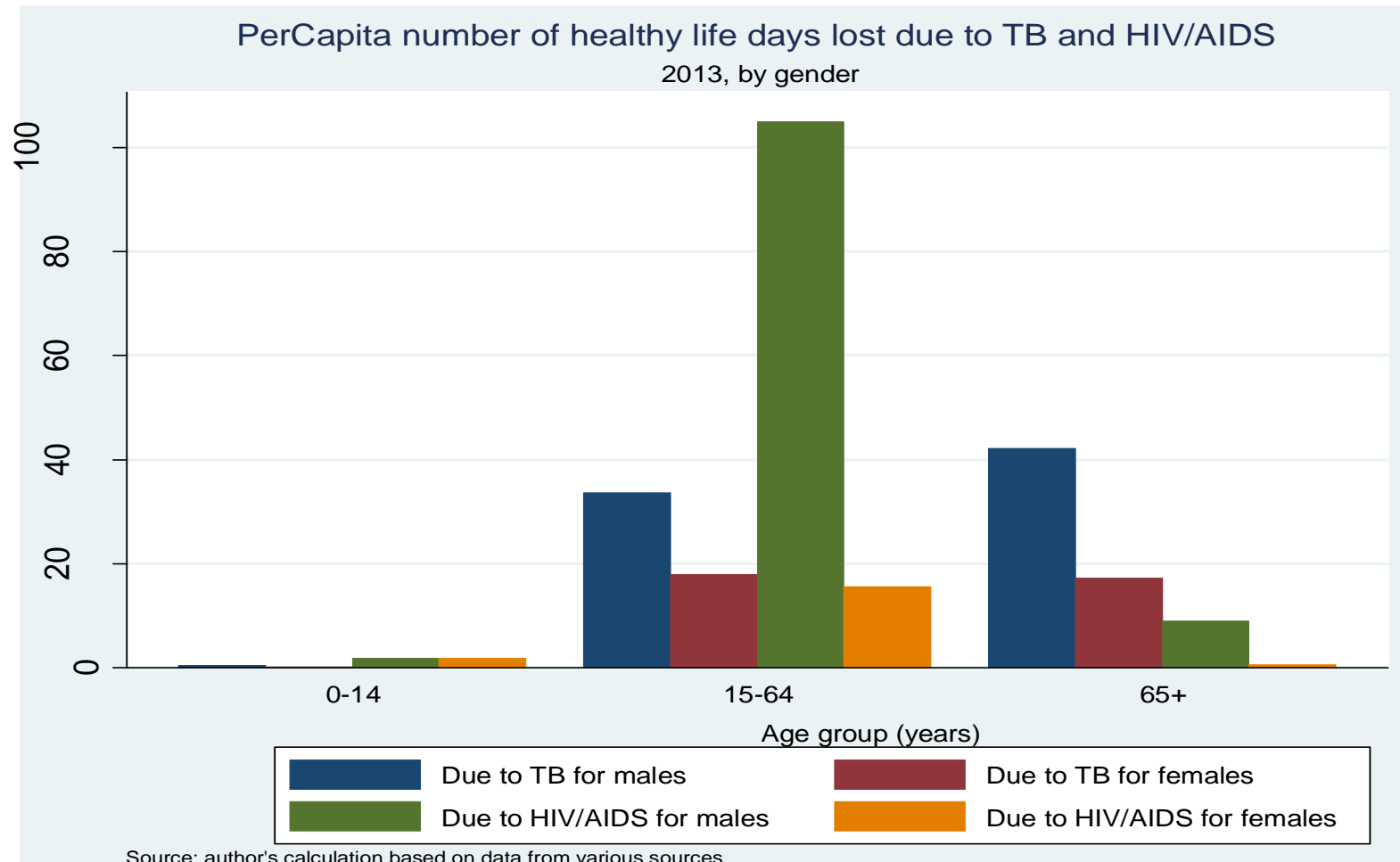


Source: Household Income and Expenditure Survey, 2009-10

Is working population healthy?

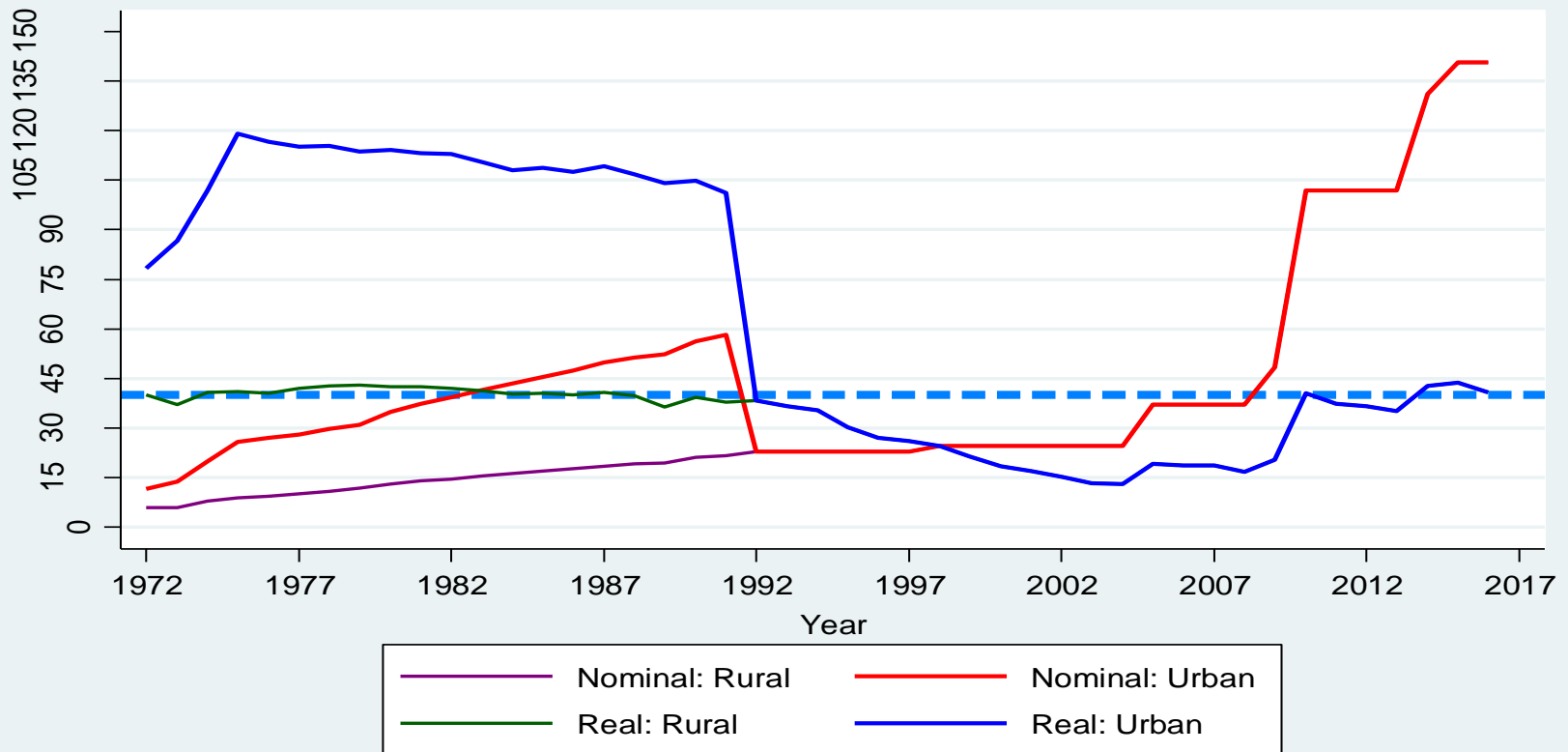


Lost healthy life days per person



Minimum Wage: Nominal-real paradox

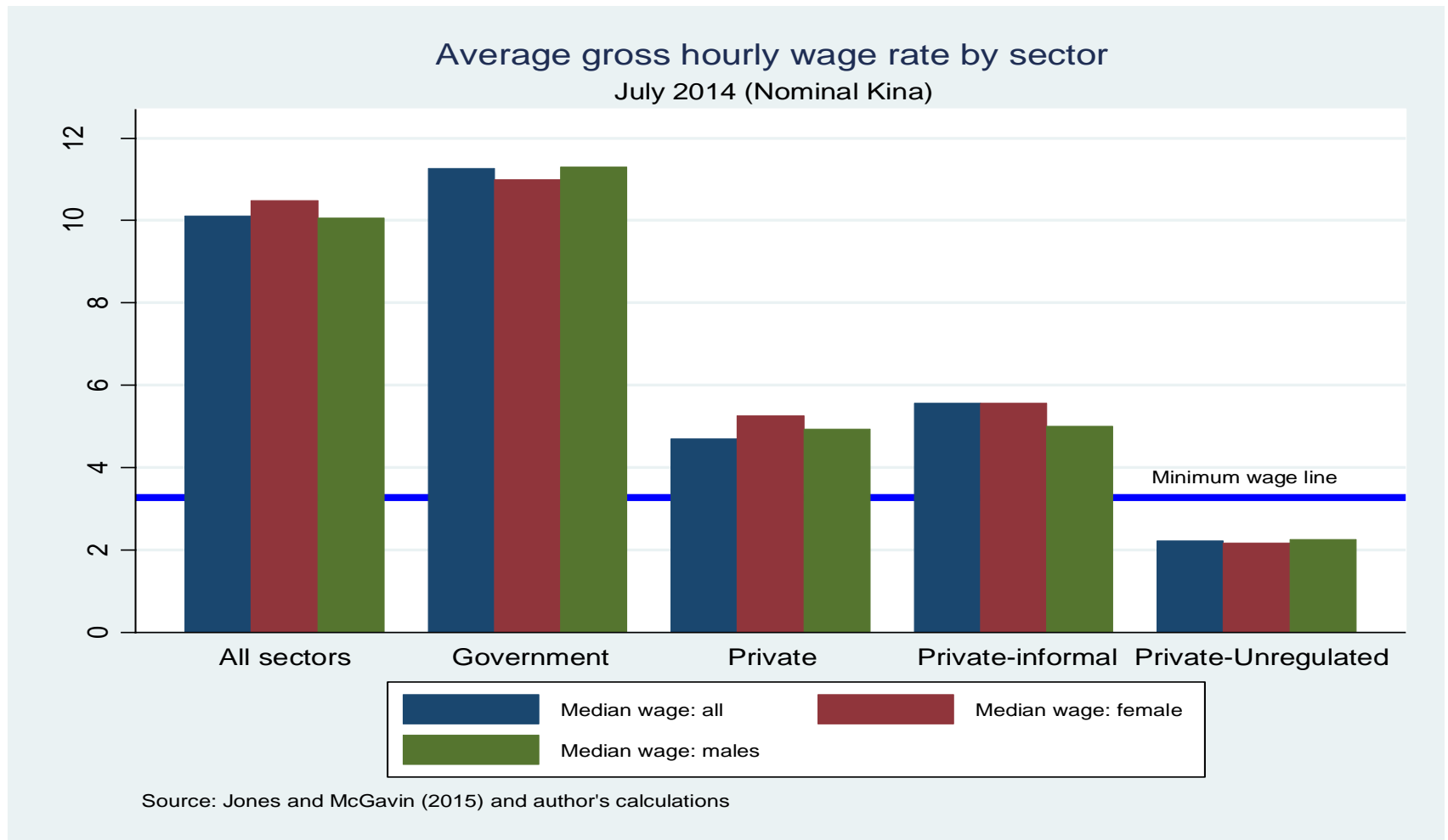
PNG's nominal and real minimum wage (Kina per week)
1972-2016



Notes: Real wages data are at the constant prices 1977=100.

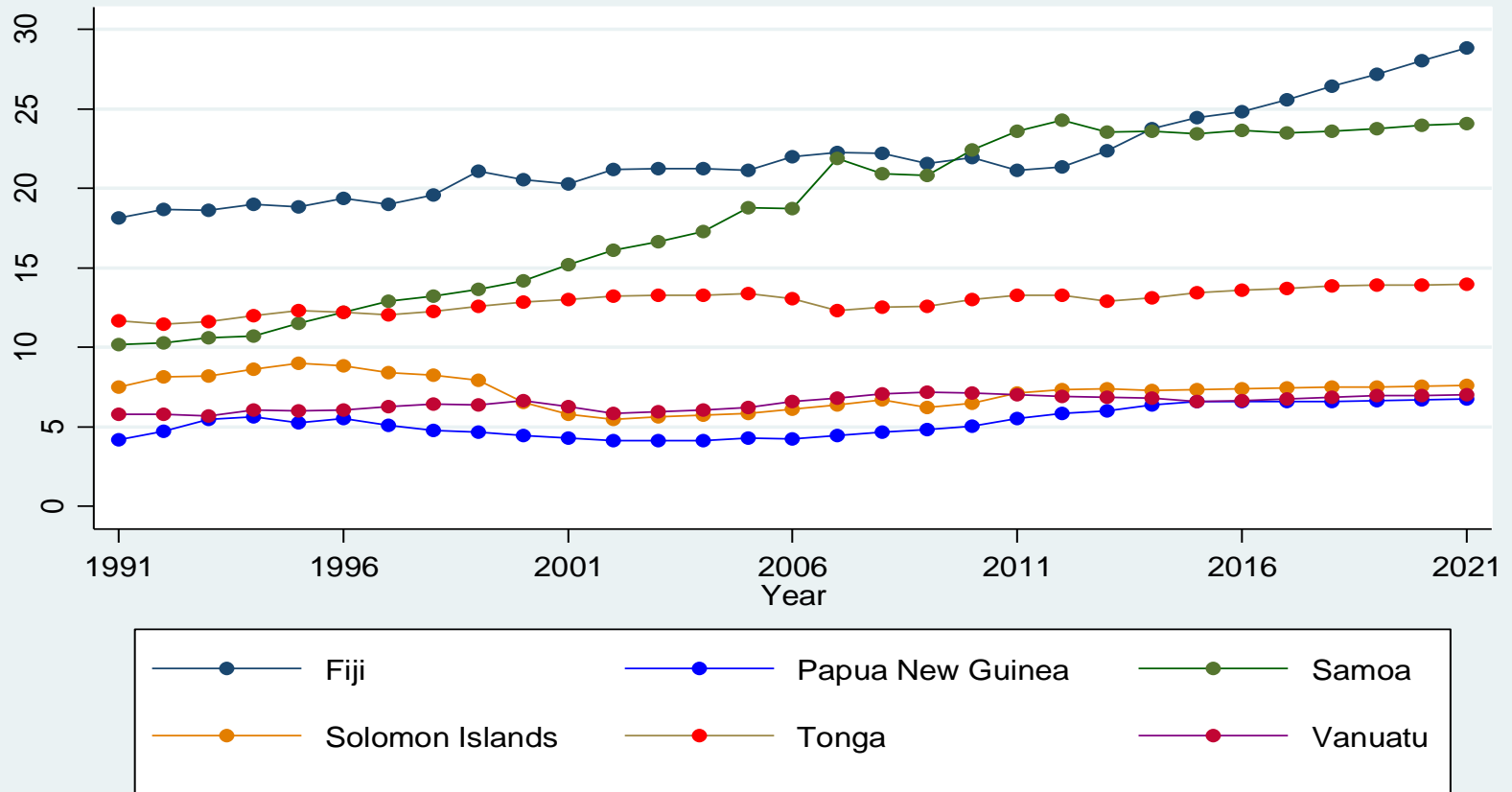
Source: McGavin (2001), BPNG and author's calculations

Is minimum wage for all, despite low in real terms?



Very low labour productivity

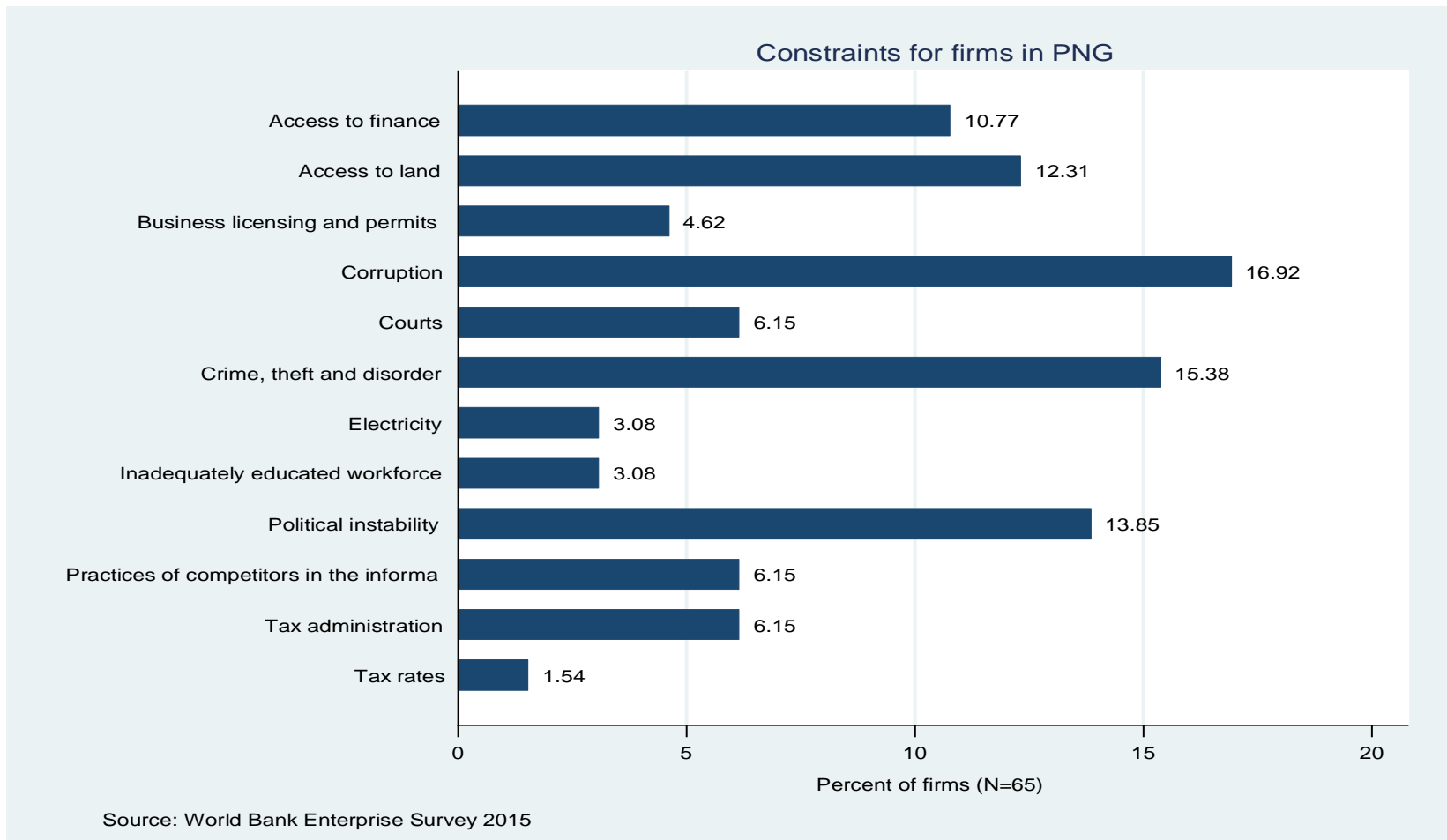
PNG and the select Pacific countries' labour productivity
1991-2021



Note: Labour productivity is measured in terms of GDP per worker in constant 2011 international dollars in PPP terms

Source: International Labour Organisation

Business Environment Obstacles for Firms



Summary

- **Lower educational attainment** at secondary and tertiary levels-Learn from East-Timore
- **Poor health causing loss of healthy years to working** population poses serious challenge to the labour market—today and in near future
- Very low labour productivity, low-skilled workers, shortage of skilled workers
- Despite real minimum wage picking up in recent times, it is still same as 2010, and lower than 1974-1987 real minimum wage. Implementation of minimum wage in the informal sector that adjusts costs of living remains a big issue.

Summary

- **Poor labour statistics:** HIES and Census. No periodic labour force survey, Business Liaison Survey for formal sector by BPNG and is very thin
- **SME Policy 2016** is not very effective due to lack of access to finance and restrictive w.r.t foreign investment
- **Weak formal economy:** not able to generate enough formal jobs to reduce reliance on subsistence economy

Prospects and Remarks

Prospects

- Invest in health and education
- Promote skills and technology driven trainings
- Promote health and safety (at work & in general)
- Cost of living adjusted minimum wage: to incentivise otherwise low paid workers
- Improve law and order issues to boost investments
- Reduce costs of public utilities and infrastructure: roads, electricity etc.
- Create favourable business environment

Remarks

- PNG is young country with very high human capital potential But
- at very high risk if not properly invested in health, education and skill development
- Structural changes are desirable in the employment policy.

Thank you!