



**Pacific Economic Update 2019**

**05<sup>th</sup> July 2019**

**ICT Centre USP, Suva**

## **Can Fiji's Skills Shortage be addressed through a more Receptive Labour Immigration Policies?**

Sunil Kumar, School of Economics, USP

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

Sector	1966	1970	1980	1990	2000	2010	2016
	% share of GDP						
<b>Agriculture</b>							
Fiji	29.1	25.1	20.3	18.0	14.9	9.4	11.1
Upper-middle-income countries	28.8	25.3	20.9	17.8	9.9	7.0	6.8
<b>Industry</b>							
Fiji	22.5	20.8	20.2	21.1	19.5	17.0	14.3
Upper-middle-income countries	33.0	35.6	42.0	38.7	37.8	37.6	32.6
<b>Manufacturing</b>							
Fiji	15.3	12.4	10.9	11.9	12.2	12.3	10.1
Upper-middle-income countries					22.8 (2004)	21.4	19.9
<b>Services</b>							
Fiji	39.3	42.2	51.2	48.9	53.1	57.5	56.4
Upper-middle-income countries					47.8 (2004)	50.0	55.3

**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.

### Agriculture

Fiji	29.1	25.1	20.3	18.0	14.9	9.4	11.1
Upper-middle-income countries	28.8	25.3	20.9	17.8	9.9	7.0	6.8

### Industry

Fiji	22.5	20.8	20.2	21.1	19.5	17.0	14.3
Upper-middle-income countries	33.0	35.6	42.0	38.7	37.8	37.6	32.6

### Manufacturing

Fiji	15.3	12.4	10.9	11.9	12.2	12.3	10.1
Upper-middle-income countries					22.8 (2004)	21.4	19.9

# The Service Sectors' Shares have grown but Productivity has not grown as it should have

## Services

Fiji	39.3	42.2	51.2	48.9	53.1	57.5	56.4
Upper-middle-income countries					47.8 (2004)	50.0	55.3

# These issues may become clearer when you look at employment shares

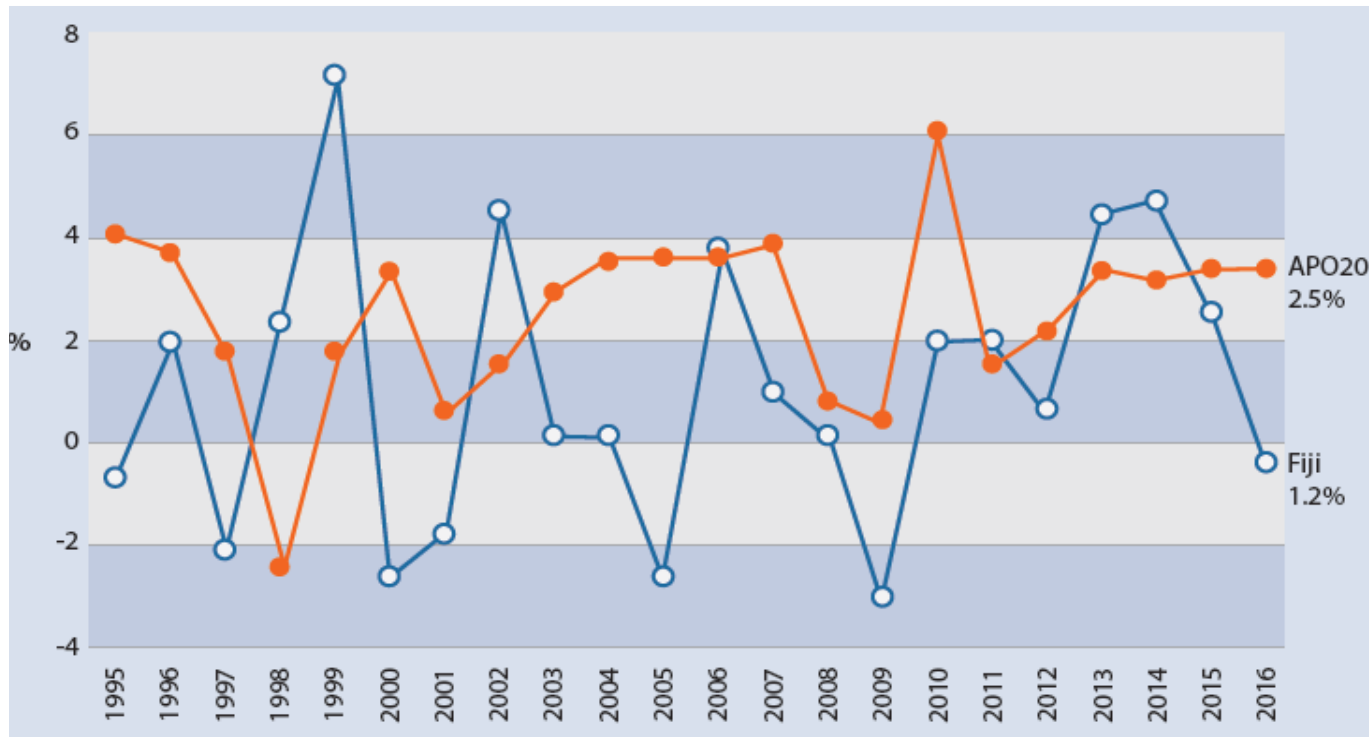
## The variance in Agriculture Sector is Obvious

### SECTORAL SHARES OF EMPLOYMENT IN FIJI COMPARED WITH UPPER-MIDDLE-INCOME COUNTRIES

Sector	1990	2000	2010	2016
	% share of employment			
<b>Agriculture</b>				
Fiji	53.2 (1991)	47.5	42.9	39.2
Upper-middle-income countries	45.7 (1991)	37.1	23.2	17.1
<b>Industry</b>				
Fiji	11.7 (1991)	12.5	13.7	13.2
Upper-middle-income countries	26.6 (1991)	26.6	27.9	25.8
<b>Services</b>				
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

Period	Labor productivity growth (%)
1990–95	–0.4
1995–2000	1.2
2000–05	–0.3
2005–10	1.7
2010–16	1.3

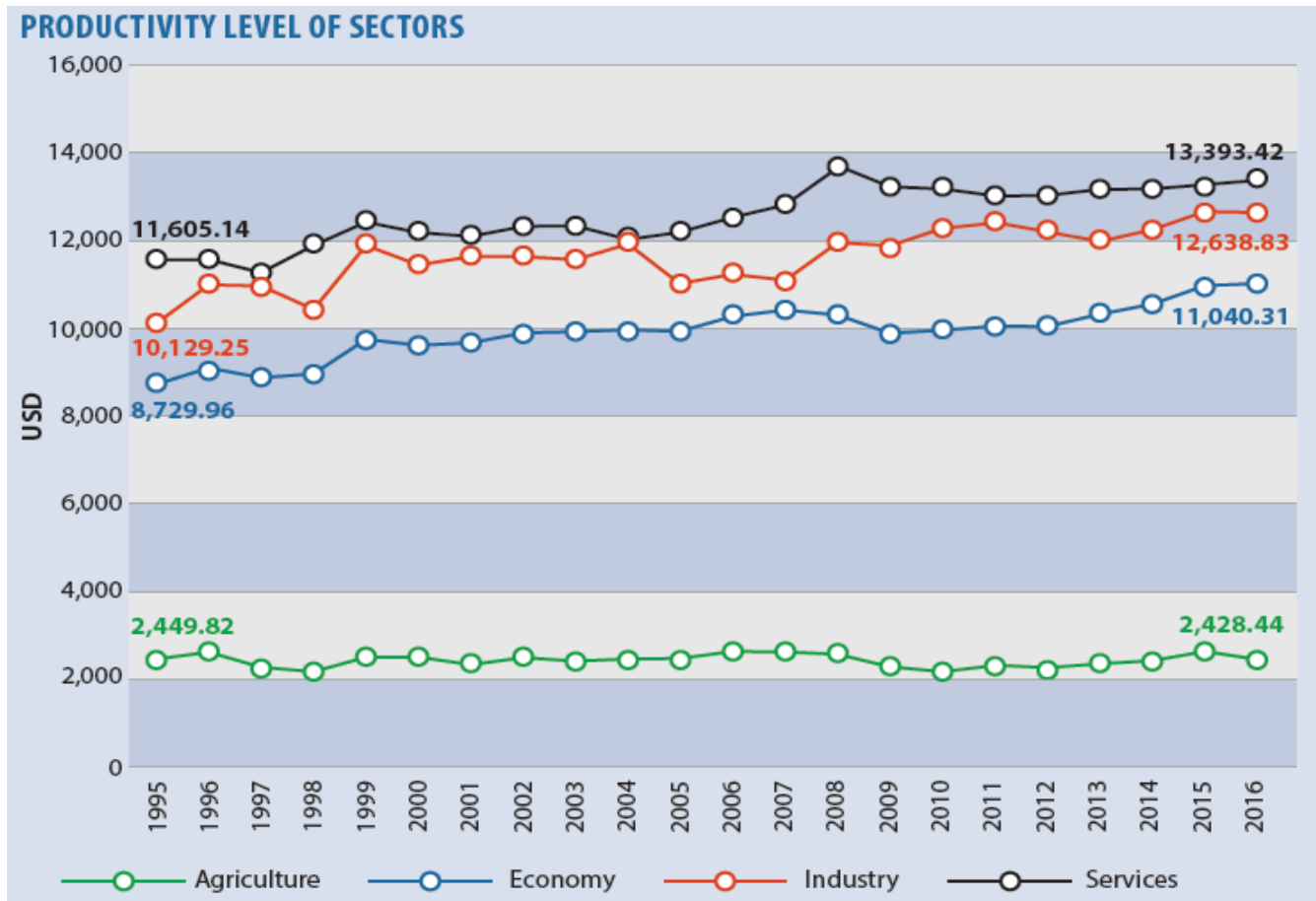
**Source:** APO.

**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



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.**

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

FIBoS: January 2019

# Employment Data Continued

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

Major Occupation Group	Male			Female			Total		
	Salary	Wage	Total	Salary	Wage	Total	Salary	Wage	Total
workers									
Skilled Agricultural & Fishery Workers	286	1,295	1,581	139	248	387	425	1,543	1,968
Craft and Related workers	1,812	12,253	14,065	385	1,641	2,026	2,197	13,894	16,091
Plant and Machinery Operators and Assemblers	1,635	9,523	11,158	376	3,203	3,579	2,011	12,726	14,737
Elementary Occupations	1,402	16,253	17,655	528	4,819	5,347	1,930	21,072	23,002
Armed Forces	4,039	73	4,112	376	4	380	4,415	77	4,492
<b>Total</b>	<b>37,802</b>	<b>70,637</b>	<b>108,439</b>	<b>27,134</b>	<b>34,997</b>	<b>62,131</b>	<b>64,936</b>	<b>105,634</b>	<b>170,570</b>

# 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 or 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**