

Unemployment in Vanuatu

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The problem of unemployment is increasingly becoming an issue of concern for Vanuatu. As the cash economy becomes more central to people's lives, so too are more people wishing to engage in paid labour instead of, or in addition to, engaging in traditional subsistence agriculture. It has been difficult to comment on this issue because of the paucity of reliable and comprehensive data on the labour market. In recent years, however, there have been several surveys or censuses that have collected data on employment. Of particular note are the 2000 Labour Market Survey (LMS), the 1999 Vanuatu National Population and Housing Census ('the census'), and the 1998 Household Income and Expenditure Survey (HIES) (NSO 1999a, 1999b, 2000). In 2001 the National Office of Statistics will also be releasing the 2000 informal sector survey report. This article draws on recent census and labour market survey reports in order to give an overview of labour and the growing problem of unemployment in Vanuatu.

It should be noted that, while these reports are the best sources on the Vanuatu labour force, their data are not entirely reliable. The census draws the labour force only from the pool of people aged 15–64 and, given the number of people who leave school before the age of 15, there is likely to be some participation in the labour force by those younger than 15. Further, the census categorisation of economically active and not economically active is problematic, as is the definition of unemployment. 'Unemployed' in the 1999 census means actively looking for work as a primary activity. If someone was engaged in subsistence farming and also looking for work, they would not fall into this category, which results in underrepresentation of unemployment in the census data. Because of the irregular or seasonal nature of some wage labour in Vanuatu, census data gathered in the period of a single week are unlikely to be entirely accurate.

The LMS records only data from a small sector of the labour market. The questionnaire also only asks employers to record employment on a single day, so is unlikely to accurately record irregular or seasonal workers in businesses that have a fluctuating labour supply. The HIES does not clearly define what is meant by employment but appears to be based on subjective assessments of employment status that do not coincide with definitions in other data sources and may not be consistent from respondent to respondent. Because of this methodological point, the HIES data are controversial.

Despite these weaknesses in the data sources, they still reveal trends and are useful for providing a general overview of the labour market and unemployment in Vanuatu. As unemployment as a concept is linked to the cash economy and paid labour, this article provides only a brief discussion of the total labour force, including

subsistence labour, before turning to examine wage labour in more detail. It concludes with some comments on how it may be possible to generate more opportunities for employment in Vanuatu.

The labour force and subsistence agriculture

Vanuatu census reports define the labour force as being people between the ages of 15 and 64 who are working for money, engaged in subsistence farming, helping in family businesses, doing voluntary community work, or actively seeking work. Using this definition, the 1999 census placed the labour force at 76,370, up from 66,597 in the 1989 census and 51,109 in the 1979 census.

This labour force is usually thought of as falling into three sectors: the subsistence sector; the formal sector, which comprises paid labour in the public service and in medium-to-large private sector enterprises; and the informal sector, which includes activities such as taxi driving, market gardening, handicrafts manufacture and other cottage industry, paid domestic labour, and employment within small private sector enterprises. Population censuses show that the vast majority of the labour force aged 15–64 is involved in subsistence agriculture, with the 1999 census placing 67 per cent in the category of subsistence farmers. It should be noted that about a quarter of these farmers maintain a garden for both subsistence and sale and thereby participate in the cash economy through the informal sector.

Wage labour in the formal and informal sectors

While the census, the LMS and the HIES have added to the statistics on paid employment in Vanuatu, they still do not allow for easy analysis, as each has produced different figures on the same topic, as Table 1 shows. Indeed, the data within the census and the HIES vary internally.

The variation between the LMS and the other data sources can be explained by differences in the surveys' sample frames. The LMS was a census of all businesses that are registered for the purposes of value added tax (VAT), as well as government, education and finance industry units that are not liable to pay VAT. Only businesses that earn 4 million vatu or more need to register, so the labour market survey excluded smaller enterprises and businesses that have failed to register for VAT. The smaller enterprises were, however, included in the data collection of the other two surveys.

The last reported survey on activity within smaller enterprises, in 1995, estimated that there were 8,820 workers engaged in work

Table 1: Paid employment by occupation

| | 1999 census: number employed aged 15–64 ^(a) | 1999 census: number employed aged 15+ ^(b) | 1999 census: total number working for pay ^(c) | LMS 2000 | HIES 1998: number employed | HIES 1998: total number working for pay as main activity |
|--|---|---|---|---------------|----------------------------------|--|
| Legislators, senior officials, managers | 678 | 842 | | 1,315 | 1,768 | |
| Professionals, technicians, associated professionals | 3,944 | 4,961 | | 3,532 | 7,705 | |
| Clerks | 1,674 | 1,739 | | 1,753 | 2,885 | |
| Service and sales workers | 3,495 | 4,186 | | 2,583 | 4,082 | |
| Skilled agriculture, forestry, fisheries workers | 1,255 | 1,881 | | 460 | 2,848 | |
| Craft and related trades workers | 2,979 | 3,486 | | 1,495 | 2,667 | |
| Plant and machine operators and assemblers | 1,485 | 1,770 | | 865 | 2,140 | |
| Elementary occupations | 2,893 | 3,486 | | 2,269 | 4,912 | |
| Total | 18,403 | 22,351 | 19,448 | 14,272 | 29,007 | 48,007 |

(a) As reported in census tables

(b) As reported in LMS

(c) As reported in census summary

for smaller enterprises. These enterprises included trade, restaurants, kava selling, and taxis, buses and other public transport activities, but did not include paid agricultural work. Of these workers 5,404 were estimated to be paid employees. The remaining workers were either unpaid family members who engaged in at least two hours of work per day in the enterprise, or owner/operators. These figures, as well as excluding paid agricultural work, exclude people employed in small-scale manufacturing enterprises. It would appear, then, that employment within such enterprises largely accounts for the difference between the data from the LMS and the 1999 census figures as reported in the LMS.

Questions still remain, however. First, the 1999 census data give three different reports as to the number of people engaged in paid labour. In the census summary, the number is 19,448, whereas the data tables indicate 18,403 people, and the LMS total is different again. There are no clear explanations for these variations. Given these discrepancies, the data in the census can only be treated as an approximate indicator of the number of people engaged in paid labour as their primary activity.

Second, there is the discrepancy between the 1999 census and the HIES figures. One difference is that the HIES does not have any age limitation, so it is gathering data on a wider pool of people. Another difference is that the 1999 census examined people's current work status and the economic activity that they had undertaken in the previous seven days. It does not appear that the HIES took such a restrictive view. In this survey, household income and expenditure diaries were kept for a period of a month, and it seems that the questionnaires that were distributed took a more expansive, and possibly more subjective, view of people's average monthly economic activity.

In terms of the HIES finding that the main daily activity of 48,007 people was a paid job, a possible explanation is that

respondents judged their main daily activity in terms of source of money, as opposed to main daily activity in terms of hours spent. This explanation is tenable, given that the survey was emphasising the importance of household incomes and identifying the different sources of these incomes, and given the survey's finding that salaries and wages make up 54 per cent of the national household income. In comparison, the production of fruits and vegetables, the next most significant income-generating activity, accounts for about 19 per cent of national household income.

These data, when read with the LMS and census data, suggest that while there are about 22,000 people who are engaged in wage labour on a regular, more or less full-time basis, there is a large pool of people who engage in part-time or irregular paid labour but who self-identify as employed. While they may be registered as engaged in subsistence agriculture for the purposes of the census, they are also engaged in paid work when possible.

With such tenuous data, it is impossible to draw firm conclusions, but a possible one is that there are a significant number of underemployed people in Vanuatu and/or a significant amount of hidden unemployment that is not identified within the existing data.

The growth of the labour force and of wage labour

It must be remembered that Vanuatu's population is increasing very rapidly, with around 43 per cent of the current population under the age of 15. About 3,500 young people nationally are joining the labour force each year. If the labour market does not expand, both unemployment and underemployment are going to grow very fast. However, there have been few signs of expansion of demand for labour within the formal sector since independence. There is an increasing imbalance, therefore, between the number

of regular paid jobs and population. As there is no current indication that either trend is likely to change in the near future, it would appear that the problem is rapidly going to grow worse unless action is taken to address this issue.

Future directions: generating employment

The first point to remember in considering how to generate jobs is that employment does not only include wage or salaried labour in the formal private or public sector. Opportunities for developing informal sector activities through micro-enterprises must also be considered. However, engagement in subsistence agriculture should not be treated as an employment opportunity.

The subsistence sector is the base of Vanuatu, on which people are reliant. However, as education and exposure are changing aspirations, employment policy that relies on subsistence agriculture to 'employ' youth who are entering the labour force is both unrealistic and dangerous. While the subsistence sector can expand (although land-use pressure limits this) and absorb more of the labour force, it is becoming increasingly unlikely that people will be happy to remain in this sector, particularly in urban areas where there is greater exposure to Westernised lifestyles. Employment policies, then, should focus on creating opportunities to engage in legitimate cash-earning enterprises, whether as an employee or self employed. It should also be remembered that in order to minimise the possibility of underemployment, there must be opportunities for more than just piecemeal work.

The current focus of the government's economic policy is the concept of private sector led development. This has been closely tied to the goal of attracting direct foreign investment (DFI). In relation to employment, it is hoped that an influx of DFI will create demand for labour within the formal sector. In order to do this, a competitive incentive structure needs to be established. Policies affecting the costs of land, capital, telecommunications, power and labour need to be considered, as do policies relating to the creation and maintenance of infrastructure and the strengthening of the legal system so that it can protect investors' rights and property. Most importantly, investor confidence relies upon sound (un-corrupt) macroeconomic management and political stability.

Whatever the merits of generating demand for labour through the attraction of DFI, because of the fundamental nature and wide-reaching scope of the policy initiatives required, developing the informal sector through local micro-enterprises seems to be a more readily achievable path to generating employment. The generation of labour through development of the local informal sector has other attractions as well. It is supply-led in the sense that it takes the existing supply of labour and resources and gradually transforms it into cash-earning employment. It is less likely to lead to a situation of cost-push inflation. It ensures that profits from enterprise remain with ni-Vanuatu, rather than being taken by foreign investors. Such an approach also requires the development of skills among ni-Vanuatu, whereas there is the danger that foreign investors may

largely require unskilled labour and therefore will have no incentive to develop people's skills through workplace training.

To this end, training and support in operating small business enterprises needs to be provided. The responsible provision of credit is also important. As well as providing seed capital, credit providers can play an important role in assisting enterprises in developing and managing business plans. Although the Vanuatu Women's Development or Vanwods scheme has provided some access to credit and business assistance, it is restricted to women and has fairly low membership. Similarly, credit unions are limited in their ability to provide credit for the establishment of micro-enterprises. These initiatives need to be supported and expanded in order to ensure that access to money to support such enterprises is available.

Most important, though, is ensuring that a market for goods and services exists and/or is accessible and regularly supplied. Currently, there is a large imbalance of trade. Local enterprise, in part, could supply the local market that is currently being supplied by imports. Export cooperatives, in which individual small enterprises produce goods that are then exported by a central body, allow small enterprises to reach international markets. Such an approach to export is being used in Samoa with considerable success, and the usefulness of the model for Vanuatu should be explored. Such a model is particularly useful because both urban and rural people can participate in such cooperatives (depending on the nature of the export good), thereby ensuring that urban areas do not become the sole focus or location of cash-earning enterprises.

Conclusion

From recent statistical data, it appears that unemployment is going to grow rapidly in Vanuatu in the near future. This poses a significant development problem, not least because the social unrest and law and order problems experienced in neighbouring Melanesian countries have been linked, in part, to unemployment. Policies for generating employment that do not solely focus on developing demand within the formal sector, but also consider how to generate opportunities within the informal sector, must become an immediate priority if Vanuatu is to succeed in its development goals.

References

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