
Global Policy Network

<http://www.globalpolicynetwork.org>

Overview of current economic conditions in Fiji

Submitted by:

Ganesh Chand

Pacific Educational Resources (Fiji) Ltd,

P O Box 7580

Lautoka, Fiji

ganesh@connect.com.fj

On behalf of the Fiji Trades Union Congress:

FTUC—Fiji Trades Union Congress

32 Des Voeux Road

Suva, Fiji

Tel: (679) 315377

Posted to GPN on January 8, 2004.

Overview of current economic conditions in Fiji

Background

Fiji is an island nation in the middle of the Pacific Ocean about five hours by air from Australia, six hours from Hawaii, and three from New Zealand. It has a population of 826,000. About 70% of the population lives on the main island of Viti Levu. Another 17% lives on the island of Vanua Levu, and the remainder on some 100 islands of the 300 or so that comprise Fiji.

A former colony of Great Britain, Fiji became independent in 1970 and chose a parliamentary system of government. Yet three military coups and a fourth led by terrorists have established this nation as one of the most politically unstable countries in the Pacific region.

The population of Fiji is almost evenly divided between descendants of Melanesians (who arrived about one thousand years ago) and descendants of indentured labourers brought from India between 1879 and 1916 to work the plantations. The nation is still divided between the conflicting demands of the traditional mode of production (tribalism) and capitalism. Although market mechanism has had a very significant impact on Fiji, the forces of pre-capitalism still dominate many aspects of decision-making. Land, for example, is still communally owned, and a large segment of the population (estimated to be at least 30%) is still significantly affected by the demands of tradition and pre-capitalist institutions. Resource allocation is both market-based and traditional, thereby providing potent ingredients for perpetual conflict and violence.

The national economy has remained largely resource based although the weight of manufacturing has increased over the past decade.

Macroeconomic performance

Fiji's economic performance has been erratic over the past two decades. A major reason for this is the rapidly changing institutional environment in which the economy must perform.

Since 1986, there have been 13 governments, each lasting an average of just 16 months. The institutional environment has ranged from military dictatorship to democracy. As **Table 1** shows, Fiji has had only four years of democratically elected government over the past 17 years.

Table 1: Governments in Fiji

Period	Type of Government
- April 1987	Elected democratic government
April 1987-May 1987	Elected democratic government; deposed in a military coup
May 1987-Sept 1987	Military appointed government; deposed in another military coup
Sept 1987-Dec 1987	Military government
Dec 1987-April 1992	Military appointed government
May 1992-Feb 1994	Elected government under an undemocratic constitution; loses budget vote and resigns
Feb 1994-May 1999	Elected government under an undemocratic constitution
May 1999-May 2000	Elected government under a democratic constitution; deposed in a military-backed terrorist coup
May 2000-July 2000	Government held hostage by military backed terrorists. No effective government but military claims power.
July 2000	Military appointed government; in office for only 2 weeks before being dismissed.
July 2000- March 2001	Military appointed government; resigns after a court decision declared it illegal.
March 2001-Sept. 2001	Military appointed government re-appointed and backed by the military.
September 2001-	Elected government under a democratic constitution

In the context of continuously changing governments and changing policies, investor confidence has remained low, gross domestic product growth rates and inflation have fluctuated widely. In addition, unemployment has been rising, currency value has been declining, and real wages falling. Gender and ethnic wage differentials as well as poverty rates have also been rising. Foreign debt levels have generally been high, and public sector debt has been rising.

Basic economic indicators are shown in **Table 2**.

Table 2a: Basic economic indicators

Year	Pop (000)	Real GDP Growth (%)	Inflation rate (%)	Formal employment (000)	Manufacturing % GDP	Manufacturing empl. as % of total employment	Service % GDP	Exchange rate \$1F=\$US
1986	714	8.1	1.8	79.8	12.3	17.5	60.1	0.8725
1987	721	-6.4	5.7	78.2	11.8	17.5	62.4	0.6942
1988	719	2.2	11.8	77.5	11.4	18.1	63.8	0.7118
1989	732	(new ser)	6.2	89.9	12.7	21.9	62.9	0.6694
1990	737	3.6	8.1	92.1	13.5	22.9	65.7	0.6853
1991	741	-2.7	6.5	NA	13.9	25.6	65.8	0.6790
1992	745	6.1	4.9	NA	13.3	22.9	65.3	0.6360
1993	752	2.6	5.2	103.7	14.6	24.0	64.8	0.6490
1994	759	5.1	0.8	103.5	15.0	24.8	63.9	0.7097
1995	768	2.5	2.2	105.5	14.6	26.0	65.1	0.6996
1996	774	3.1	3.1	110.0	14.6	22.4	64.7	0.7226
1997	783	-0.9	3.4	112.9	14.6	23.9	65.8	0.6455
1998	793	1.5	5.7	112.5	15.1	26.0	67.9	0.5035
1999	802	9.6	2.0	117.3	15.1	24.9	66.1	0.5087
2000	808	-3.2	3.0	111.3	14.6	19.9	66.9	0.4575
2001	813	4.0	2.3	117.0	15.7	25.2	65.9	0.4500
2002	826	3.8	1.6	NA	14.5	NA	67.7	0.4415

Table 2b: Basic economic indicators, continued.

Year	Change in private consumption expenditure (%)	Savings: % of National Disposable Income	Net investment: % of NDI	Gross Investment: % of GDP	Govt. debt: % of GDP	Trade concentration		
						Exports partners (%)	Import source (%)	Export product (%)
1986	4.2	13.2	7.7	16.2	43.8	66.6	64.6	70.9
1987	9.9	4.7	8.1	17.3	53.5	65.6	57.7	72.3
1988	14.0	4.9	4.6	13.4	50.3	67.3	58.5	75.2
1989	16.5	3.1	4.5	12.0	49.2	55.2	60.6	76.0
1990	13.3	2.4	5.1	12.5	44.6	66.9	57.7	71.6
1991	9.6	4.1	6.7	14.4	44.6	61.2	61.1	88.0
1992	6.4	7.9	3.7	11.5	42.0	67.6	59.4	89.1
1993	7.1	11.0	7.7	14.5	42.6	61.3	63.0	87.5
1994	5.5	14.6	5.6	12.0	42.8	59.0	64.7	76.5
1995	5.9	16.1	6.0	12.5	41.7	61.9	61.9	87.1
1996	5.3	16.4	3.3	10.0	44.4	66.2	68.3	74.8
1997	0.57	17.2	3.8	10.2	51.8	71.4	67.5	77.0
1998	3.5	16.7	5.6	14.7	46.5	NA	NA	NA
1999	2.2	21.2	5.4	13.8	43.2	NA	NA	NA
2000	4.7	17.4	4.3	11.5	46.7	NA	NA	NA
2001	5.8	19.7	5.1	13.7	50.3	NA	NA	NA
2002	NA	NA	NA	NA	53.5	NA	NA	NA

Table 2c: Basic economic indicators, continued.

Year	Fiscal deficit: % of GDP	Tax on income (% of total tax revenue)	Tax on consumpti on (%)	Tax on trade (%)	Govt. expenditure on social services (%)	CE:NI (%)	OS:NI (%)
1986	6.32	52	2	33	32.2	48.4	44.0
1987	7.28	52	2	33	32.3	46.9	46.4
1988	6.07	49	3	35	26.4	46.1	45.6
1989	6.07	47	4	38	29.2	45.4	44.9
1990	2.69	46	4	38	31.1	43.0	46.0
1991	5.16	48	4	36	30.1	44.0	44.7
1992	5.54	39	28	24	27.9	40.7	47.2
1993	7.59	29	47	19	29.9	37.6	48.9
1994	4.64	29	47	19	31.5	39.3	48.3
1995	3.76	30	43	21	30.5	37.8	46.1
1996	8.03	31	42	21	30.8	38.1	46.1
1997	9.1	30	44	22	29.1	40.9	43.2
1998	2.7	29	46	19	22.0	43.8	39.0
1999	5.4	29	46	19	23.7	39.9	45.6
2000	3.9	36	38	19	28.2	38.7	47.1
2001	4.9	32	44	16	28.4	33.8	50.9
2002	5.6	30	45	18	32.1	NA	NA

Notes: CE – compensation to employees; NI – national income; OS – operating surplus. Government expenditure on social services is the sum of expenditure on social security payments, education, and health. Export products concentration is measured here by the percentage of all commodity export revenue accounted for by the five top commodities (sugar, gold, timber, fish, and garments). Export partners concentration is measured here by the percentage of export earnings accounted for by the top three countries. Import source concentration is measured by the percentage of imports coming from the top three countries.

Sources: Bureau of Statistics, *Current Economic Statistics*, various years; Bureau of Statistics, *Annual Employment Survey*, various years, Bureau of Statistics, *Key Statistics*, June 2003, Reserve Bank of Fiji, *Quarterly Review*, various years.)

Table 2 shows the widely fluctuating GDP growth rates, ranging from –6.4% to 9.6%, together with four years of negative growth in 17 years, are strong indicators of a highly unstable and vulnerable economy. The major cause of this is lack of investor confidence and declining investment levels. Moody’s credit rating has consistently placed Fiji at the ‘Ba’ rating which means that the country is “subject to substantial credit risk”. Positive growth has been sustained by high sugar yields, high mining income, good tourism growth, and increasing wholesale and retail trade. Another reason for the fluctuations is weather and product-concentration vulnerability.

The high growth rates of 8.1% in 1986 and 9.6% in 1999 occurred when faith in democracy was strong. But as democratic institutions were challenged, investor confidence declined significantly, resulting in low and negative growth rates. Fiji is also adversely affected on occasions by extreme weather variations, such as floods and droughts.

Fiji’s economic structure has shown a marked transformation since 1986. The share of GDP from manufacturing has increased from around 12% in the late 1980s to about 15% in the 1990s. This transformation is also reflected in the increase of formal employment in the manufacturing sector from about 18% in the late 1980s to 26% in the late 1990s.

Another notable characteristic is the increase in the service sector's share of GDP from 60-63% to 68% by 2002.

The structural transformation that characterizes Fiji has been more rapid than similar changes in many other countries. The reason for this is the drastic structural adjustment policies in the 1980s and 1990s when agriculture was neglected while the economy was shuttled toward export-led manufacturing and tourism.

Data show that inflationary pressures were successfully contained during this period. For most of the past 17 years, monetary policy in Fiji has been specifically targeted to maintain inflation rates at acceptable levels. Unfortunately, however, the same measures can potentially lead to depressed consumer demand. There are no reliable statistics on consumer confidence in Fiji. But aggregate data show that the growth rate in private consumer expenditure is lower in years with lower inflation rates. Clearly, a lower growth rate in consumer expenditure reflects less demand, resulting in lower growth rates in production.

The major macroeconomic problem for the country has been depressed and actually declining investment rates. Macro data show that the already low ratio of net investment to GDP ratio has been declining for most of the past 17 years. A net investment rate of around 5% is clearly not conducive to sustaining growth at levels that can improve living standards. The major reason for the low investment rate is depressed investor confidence in the nation. Macro data also shows a rather low savings rate. While one may take this as a prima facie reason for low investment, monetary data show that financial institutions are relatively flush with funds and suffer instead from lack of investment opportunities. It should also be noted that the savings rate has increased since the mid 1990s, though it has generally remained below 20%.

Fiji's fiscal deficit has mostly been on the high side. For 13 of the 17 years, the deficit has surpassed the acceptable level of around 4% of GDP. In many cases, the deficits have been over 5%. A key explanation for this is the inability of governments to look at Fiji's long-term economic and fiscal stability. The uncertain duration of governments often induce them to introduce fiscal measures with short-term results for the electorate in mind and without any consideration of long-term effects. The natural outcome of this is a large debt. Government foreign debt has remained at over 40% of GDP. In 2003, this figure reached a high of 49.4%; it is expected to be above 50% for 2004.

Foreign reserves have also been declining from a peak of \$US440m in 2000 to \$320m in 2003. The months of import cover has, consequently, also declined from about 5.4 months to 3.7 months during the period.

Structural adjustment

The governments of the mid-1980s and early 1990s adopted major structural adjustment programs. These included trade and tariff reforms, labour market reforms, tax reform, and public sector reform. The effects were felt throughout the economy.

Public sector reform

During the early to mid 1990's the government began selling off public enterprises to the private sector. Massive protests, however, forced the government to reduce the pace of the reforms. By 1997-98, the government in power made another push to privatise public enterprises. This was met by stiff opposition because hundreds of jobs in major and strategic industries, such as power, transportation, and water, were on the line. Strikes almost crippled some of these enterprises.

The new government in 1999 put a halt to the privatizations and instituted numerous measures to improve internal efficiency in the public sector. As monopolies, many public enterprises were historically unresponsive to consumer needs. The new government was in the process of creating a separate Consumer Affairs Ministry, designed to address consumer interests. It was to be in place by June 2000, but a terrorist coup in May halted this process.

Since 2001, the new government re-affirmed the policy of corporatisation and privatisation of state enterprises. It has announced that it will sell off more shares in key and profitable ventures, resulting in state revenue of \$20m during 2004.

Public finance

The introduction of a value-added tax in 1992 marked the rise of reliance on indirect taxes. Taxes on consumption rose from a mere 2% of total tax revenues in the 1980s to 46% by late 1990s. In 2002, taxes on consumption accounted for 45% of all tax revenue. Taxes on income, on the other hand, declined from 52% of all tax revenue collected before VAT was introduced, to 30% by 2003.

The fact that indirect taxes are regressive means that the burden of tax reform weighed most heavily on the workers. The poverty rate in Fiji stood at 25% in 1991. There has been no national poverty data compiled for the years after 1991. But a recent study (2003) by the Asian Development Bank calculated the urban poverty line to be at \$F138.63 per week. On the basis of official statistics on wages and salaries, it is estimated that 61% of all formally employed people earn below this level of income.

The new government in 1999 began to reverse the reliance on indirect taxes. It exempted seven essential commodities from the VAT and reduced duties on other essential commodities. This effectively put \$44m into the hands of consumers. These measures, however, lasted only a year since a post-coup regime reintroduced the VAT on essential items. The government that had originally eliminated the taxes applied for a

high court injunction against their reimposition. The courts decided against the reimposition of VAT on essential items, on the grounds that it was done by a regime which did not have any legal authority to do so. In September 2001, the same regime won power in an election, which was marred by allegations of impropriety and vote rigging. On winning the election, the government reimposed VAT on the essential items. In November 2002, the government raised the VAT rate by 25% from 10% to 12.5%. The increase in the VAT rate was recommended by an IMF team.

Government expenditure in Fiji has vacillated between stressing operating expenditures to stressing capital and infrastructural expenditure. Government spending has been especially vulnerable to political and institutional changes. Fiji has seen 23 budgets and mini-budgets in the past 17 years.

Overall, however, one important feature of government expenditure stands out: the low share of public funds allocated to social services. At less than a third of total expenditure, the social services sector allocation is insufficient for providing an effective social safety net in the country. As such, Fiji does not have a safety net for the unemployed or the elderly. The 1999 government was considering the introduction of an old-age social security system, to be followed by an unemployment insurance system. The military takeover in May 2000 ended these plans. At present, there is only a minimum social security payment for the destitute. The state, however, has been spending a relatively large proportion of its budgets on education and health. Welfare payments, education, health, and similar social welfare allocations, account for 32% of all government expenditure. This includes a heavy social welfare budget administration expense component.

Trade reforms

Under pressure from the World Trade Organization, successive governments in Fiji have reduced tariffs on numerous items. As a result, reliance on tariffs for government revenue declined from 33% of total tax revenue in the mid-1980s to 18% by 2002. In November 2003, however, tariffs were raised by 5% point (from 10% to 15%) on 510 commodities, which included 200 basic consumer items. This increase was necessitated by a severe budgetary problem which the government has been encountering. Its cash flow problem is so severe that occasionally the government has had to resort to overnight borrowing from the Reserve Bank of Fiji.

One interesting feature of Fiji's foreign trade is the heavy reliance on a few export commodities and on a small number of trading partners. Over 60% of all imports to Fiji are from Australia, New Zealand, and Japan. Similarly, over 60% of Fiji's exports go to only three countries: Australia, the United Kingdom, and the United States. Over 70% of all commodity export revenue comes from four resource-based products (sugar, gold, fish, and timber) and one manufacturing-based product (clothing).

In 2002, the government raised export tax on export of one of its major export commodities, sugar, from 3% to 10%. This measure was vigorously opposed by sugar

cane farmers, most of who produce around 150 tonnes of sugar cane on small plots of land averaging 4 hectares. A series of agitation, organized by the sugar and other unions, saw the regime coming with heavy-hand, breaking up meetings and marches, and arresting organizers. The measure also had an adverse impact on the state owned sugar mills since their revenue was also reduced. In November 2003, the tax was reverted to 3%, thereby putting in an estimated \$F23m in the hands of cane farmers and \$7m in the hands of the struggling sugar milling company.

Labour market

The structural transformation taking place in Fiji has had a significant influence on the position of its workers.

Macro data show that the share of national income going to wages and salaries has declined steadily. Employee compensation comprised 48.4% of national income in 1986; by 2001, this figure had fallen by about 15% points to reach 33.8%.

In contrast, the share of profits has been rising. In 1986 operating surplus accounted for 44% of national income; by 2001, this figure had risen to 50.93%. The changing proportions are the result of depressed wages in the manufacturing sector (see **Table 3.**)

Wages

Table 3: Daily wages (\$F), 1986-1998

	Manufacturing		Overall wages	
	Nominal	Real	Nominal	Real
1986	11.84	11.84	12.00	12.00
1987	12.32	11.66	12.64	11.96
1988	12.56	10.63	12.96	10.97
1989	11.36	9.06	12.64	10.08
1990	11.44	8.43	13.36	9.85
1991	12.06	8.35	14.04	9.72
1992	12.99	8.57	15.06	9.94
1993	13.92	8.73	16.08	10.09
1994	14.52	9.04	16.74	10.42
1995	15.42	9.39	17.73	10.80
1996	16.32	9.65	18.72	11.07
1997	15.12	8.65	17.52	10.02
1998	14.48	7.83	17.36	9.39
1999	15.12	8.02	18.16	9.83
2000	14.93	7.68	17.08	8.79
2001	na	na	na	na
2002	na	na	na	na
2003	na	na	na	na

(Sources: Bureau of Statistics, *Annual Employment Survey*, various years, Bureau of Statistics, *Key Statistics*, June 2003, Reserve Bank of Fiji, *Quarterly Review*, September 2003).

The unusual situation (illustrated by Table 3) of real manufacturing wages that decline at a faster rate than overall wages can be explained by the feminization of manufacturing.

From 1980-87, manufacturing wages on average were higher than wages in the following sectors: agriculture, mining, distribution/hotels, community services, social and personal services.

During the period 1990-1998, average wages in manufacturing exceeded only agricultural wages, but that differential shrank considerably. Between 1980 and 1987, agricultural wages were 66% of manufacturing wages, whereas in 1990-2000, agricultural wages were 93% of manufacturing wages.

By 2000, real manufacturing wages had fallen 35% compared to their 1986 level. Overall real wages fell by 27% during the same period.

Considering wages by sector, the electricity and mining industries pay the highest wages, followed by (in descending order) transportation, construction, community services, distribution and hotels, manufacturing, and agriculture.

Considering the type of enterprise, the highest wages are paid by statutory bodies, followed by public limited-liability companies, the central government, local government, private limited-liability companies, NGOs, partnerships, and individually owned enterprises (see **Table 4**).

Table 4: Hourly wage rate by enterprise type (\$F)

	1993	1997	1998
Public or statutory body	2.18	3.38	3.46
Public limited company	2.68	3.05	2.78
Central government	2.62	2.79	2.96
Local government	2.27	2.69	2.68
Private limited company	1.79	1.97	2.04
Non-profit organization	1.82	2.02	1.98
Partnership	1.60	1.89	1.80
Individual ownership	1.59	1.74	1.76
Cooperative	1.41	2.00	1.36
Other	2.24	2.24	2.42

Source: Annual Employment Survey

Minimum wage rates

Fiji does not have a national minimum wage. Instead there have been some industry-based minimum wages starting in the 1980s. These are established by what are called "wage councils" which have tripartite representation (including employers, unions, and government). Currently there are ten wages councils, of which nine have minimum wage guidelines. The tenth one, the Security Services Trades, was established in 2002, but no minimum wages have yet been established. The existing councils and minimum wages are shown in **Table 5**.

Table 5: Minimum wage rates

Wages Council	Year	Rates (\$F)
Hotel & Catering Trades	2002	Licensed Outlets: 1.65-1.84 Other outlets: 1.46-1.62 Student trainees: 1.25-1.27
Wholesale & Retail	2003	Over 18 years age: 1.89-2.49 Under 18 years age: 1.75-1.94
Sawmilling & Logging	2002	2.08-2.41
Printing Trades	2001	Over 18 years age: 1.85 Under 18 years age: 1.60
Mining & Quarrying	2002	1.76-2.75
Building & Civil & Electrical Engineering	2003	1.44-2.64
Garment Trades	2002	Other than learners: 1.36 Learners: 1.15
Manufacturing	2003	Other than casual: 1.82 Casual: 2.22
Road Transport	2002	Over 18 years age: 1.76-2.47 Under 18 years age: 1.65-1.80 Lerner: 1.09
Security Services Trades	2002	No minimum wags established yet

Source: Legal Notices, various years

As seen above, one of the ten wages councils has not been revised since 2001, and four haven't been revised since 2002. In addition, there are numerous escape routes that allow employers to avoid paying legal minimum wages.

The 1999 government reviewed the entire wage-settlement mechanism and had decided to re-establish the tripartite forum. The forum existed from 1976 to 1984. The objective behind its re-establishment was a review of wage-setting mechanisms, labour laws, and the entire industrial relations framework. The guidelines, agreed upon by the three partners, were to be presented to the cabinet in June 2000. In May, however, the government was taken hostage by terrorists.

Since 2001, under an avowedly anti-union regime, the Forum was redesigned as a body for government to consult with a wider range of economic stakeholders than the three industrial relations partners, the employers, unions and government. The trade unions, represented by their national body the Fiji Trades Union Congress, rejected the new design. The regime went on to create a splinter peak union organization called Fiji Islands Council of Trade Unions (FICTU), which attracted unions which were headed by leaders opposed to the pro-union, Fiji Labour Party. Nine of the 35 unions joined the splinter body, and were given recognition by the government. But the nine with the FICTU are not taken seriously in the country, thus the Tripartite Forum has remained unconvened.

The government, however, continued to consult the Fiji Trades Union Congress on its attempt to produce a comprehensive Industrial Relations Bill, which is expected to be tabled for debate and enactment by the Parliament in 2004. This bill aims to bring together the numerous industrial relations laws which exist in the country.

In the public sector, in early December 2003, the government signed a wage settlement mechanism with 3 of the 9 splinter unions, under which a performance management system will replace a cost of living adjustment and merit increments. The other public sector unions, representing 65% of the public sector unionized workers, have rejected the settlement, and have taken the government to the 'Labour Court'.

Gender differentials

Another important feature of the labour market is the concentration of women in wage jobs as opposed to salaried employment. In 1986, 11% of all legally employed workers were women. By 1998, this figure had increased to 19%. In 1986, 43% of all legally employed women were wage earners. This figure rose to 57% by 1998. The concentration of female workers in wage jobs is explained by the relatively rapid growth of Fiji's manufacturing sector since 1986.

The manufacturing sector accounted for 36% of all female employment in 1998. The figure for 1986 was 16%. The manufacturing and distribution sectors together accounted for over 55% of all female employment in 1998. The comparable figure for 1986 was 36%.

Given the fact that distribution and manufacturing are at the bottom of the wage ladder, the concentration of women in these two sectors results in their earning lower- than-average wages.

Data demonstrating gender wage differentials in various sectors of the economy is available only for 1997 and 1998 (see **Table 6**).

Table 6: Gender wage differentials (weekly wages in \$F), 1997-98

Sector	1997			1998		
	Male wage	Female wage	Female: male	Male wage	Female wage	Female: male
Agriculture	78.62	70.90	0.90	77.52	67.25	0.87
Mining	128.70	98.91	0.77	131.13	101.85	0.78
Manufacturing	105.00	59.45	0.57	100.41	63.40	0.63
Electricity	133.10	137.00	1.03	135.93	138.00	1.02
Construction	116.20	96.68	0.83	116.30	95.56	0.82
Wholesale/retail/hotel	103.70	93.52	0.90	105.34	96.02	0.91
Transportation	111.50	110.83	0.99	114.03	109.49	0.96
Finance	91.58	89.71	0.98	93.48	88.38	0.95
Community services	120.40	92.12	0.77	122.03	79.36	0.65
Overall	109.30	75.53	0.69	108.62	75.63	0.70

Data Source: Bureau of Statistics

In terms of wages, women earn on average only 70% of what men earn. Differentials are striking for the manufacturing and the social and community services sectors. In electricity, however, women earn on average more than men.

Table 7 deals with gender differentials in salary earnings for 1997-98. It shows a general bias against women in all professions except the armed forces. Women have higher wages than men in electricity and the armed forces because there are few women in these sectors, and they are concentrated in mid-level positions.

Data on skilled agricultural and fishery workers does not show a differential trend. Overall, women earn only about 90% of what men earn.

Table 7: Gender salary differentials (annual salaries in \$F), 1997-98

Occupational category	1998			1997		
	Male salary	Female salary	Female: male	Male salary	Female salary	Female: male
senior officials, managers	25,491	20,473	0.80	23,868	20,171	0.85
Professionals	22,975	19,063	0.83	15,759	12,151	0.77
Technicians & associate professionals	15,646	12,850	0.82	14,782	11,965	0.81
Clerks	11,183	10,211	0.91	10,847	9,853	0.91
Service, shop workers, market sales workers	10,121	8,284	0.82	9,786	8,728	0.89
Skilled agricultural and fishery workers	6,768	7,792	1.15	5,790	4,679	0.81
Craft and related workers	12,627	8,855	0.70	13,016	7,204	0.55
Plant/machine operators & assemblers	8,383	5,763	0.69	8,230	8,663	1.05
Elementary occupations	7,143	5,918	0.83	7,933	6,016	0.76
Armed forces	9,200	12,557	1.36	8,402	12,698	1.51
Overall	16,208	14,917	0.92	13,546	11,311	0.84

Data Source: Annual employment survey.

Unionization

The labour market reforms put in place in the early 1990s resulted in a severe decline in the bargaining strength of workers. These reforms included: repealing the mechanisms for national-level wage settlements; allowing the formation of multiple (often plant-based) unions; withdrawing civil immunity from unions; and establishing laws that made organizing in non-unionised sectors difficult.

The consequence of these reforms has been a declining level of worker welfare. As we have seen, real wages have been declining since 1986. A major cause of this has been the elimination of national-level, inflation-adjusted wage settlements.

Unionisation rates also demonstrate the impact of the labour market reforms. Data is available only until 1995. The rates are shown in **Table 8**.

Table 8: Unionisation rates

Sector	1985-86	1988-91	1992-1995
Agriculture	14.6	12.9	12.5
Mining	12.4	26.7	65.8
Manufacturing	48.8	27.7	24.2
Electricity	32.8	25.5	25.5
Construction	54.2	64.1	45.2
Wholesale/retail/hotel	15.8	18.5	17.6
Transportation	33.2	30.5	32.4
Finance	35.3	31.6	42.3
Community services	64.8	58.8	54.9
Overall	45.2	38.4	36.6

Source: Chand, G; 2000; "Labour Market Deregulation in Fiji" in A. H. Akram-Lodhi (ed) *Confronting Fiji Futures*; Canberra: Asia Pacific Press; p. 165. Figures for other years are not available.

The table shows the declining rate of unionization over the years. The increased rate in the mining industry is accounted for by the creation of an in-house union by management after it broke the Fiji Mineworkers Union in 1991. The only sector showing any certain and notable increase in unionization is the financial sector where a vigorous organizing drive produced an increase in union membership.

Income inequality and poverty

Data on employment and unemployment is highly unreliable in Fiji. Employment is divided into formal employment and informal employment. Official statistics show the unemployment rate to be around 6% for most of the 1990s. Yet formal employment hasn't seen much growth during the past 15 years. The supposed absorption of an increasing proportion of working people in the informal economy raises questions about not only the reliability of official statistics and unemployment figures, but also earnings and household poverty.

Aggregate data on income inequality and poverty was compiled by the United Nations Development Programme (UNDP) in 1996 on the basis of a 1991 household income and expenditure survey.

Table 9 shows income distribution in Fiji. One can see that the bottom 40% of households earns only 15% of the total income. The top 20% earn 50% of all income.

Table 9: Income distribution, 1991 data

Decile	Share of total income (%)	Average weekly income	Cumulative share of total income (%)
1	1.8	33.71	1.8
2	3.3	63.73	5.1
3	4.4	85.67	9.5
4	5.5	105.45	15.0
5	6.4	127.02	21.4
6	7.7	152.22	29.1
7	9.2	183.85	38.2
8	11.6	233.51	49.9
9	15.1	316.01	65.0
10 (richest)	35.0	760.20	100.0

Source: UNDP, 1996; Fiji Poverty Reports; Suva: Government of Fiji; p. 17

The UNDP also found that income inequality was higher in 1991 than it had been in 1977. The gini co-efficient for total household income in 1977 was 0.42, while that for 1991 was 0.46.

Data on income levels by ethnic group shows that Indian households are over-represented among very poor and very rich households. **Table 10** shows average household income by ethnic group.

Table 10: Average weekly household income by ethnic group (\$F)

Decile	Ethnic Indian	Ethnic Fijian
1	32.40	38.10
2	60.80	67.60
3	81.60	89.50
4	101.50	107.90
5	124.20	126.70
6	152.50	147.80
7	186.70	175.30
8	240.60	217.60
9	327.90	288.50
10 (richest)	914.40	537.10

Source: UNDP, 1996; Fiji Poverty Reports; Suva: Government of Fiji; p. 25

Household income and expenditure data also showed that 25% of all households were suffering from absolute poverty while 33% of all households were suffering from relative

poverty. Some 29% of all urban households and 35% of all rural households were affected by relative poverty. Household data also showed that 31% of all ethnic Fijian households were suffering from relative poverty whereas the figure was 34% for all ethnic Indian households.

As noted in the introductory section, Fiji still has a relatively vast sector that is not well incorporated into modern capitalist society. About 54% of the population is still rural-based, and over half is estimated to be stranded in largely semi-subsistence living. This segment of the society is well endowed with fertile land and access to the ocean. Diet is not a problem. Yet cash incomes are lowest for this group. This contradiction is often referred to as “subsistence affluence.”

Unfortunately, the internationally accepted methodology for measuring income inequality, poverty, and unemployment do not make adequate provision for subsistence living and access to means of production, land, and ocean. An example will illustrate this difficulty: Under standard methodology, a person is regarded as unemployed if she or he actively searched for a job but could not find one for a period of time. In subsistence settings, however, the same person who cannot find a job, might well have access to abundant land and ocean resources. That person would be regarded as unemployed and put in the same category as an individual without access to resources. Yet the former might have no difficulty meeting subsistence needs. There is a need for more research and advocacy work on this front.

In 2003, the Asian Development Bank, in consultation with the government, began developing a national poverty reduction strategy. Its draft report provides the poverty line figures for 2002. This is shown in Table 11.

Table 11: Poverty Lines by Area and Ethnicity (\$F/week)

	Food Poverty Line	Basic Needs Poverty Line	Food Costs as % of Basic Needs
Urban	76.17	138.63	54.9
Rural Settlement	73.99	115.42	64.1
Rural Village	79.43	104.85	75.8
Ethnic Fijian	80.12	128.99	62.1
Ethnic Indian	70.04	132.38	52.9
Others	80.12	128.99	62.1
National	75.08	114.12	65.8

(Source: ADB and Ministry of Finance and National Planning, 2003; ‘Assessment of Hardships and Poverty; Strategies for Equitable Growth and Hardship Alleviation’ Discussion Papers, p. 9)

In light of the minimum wage rates, as shown in table 5, it is apparent that unless the workers were paid significantly more than the minimum wages, their earnings would be insufficient to meet the basic needs poverty line.

In contrast, those with incomes in the top tax bracket – that being an income level above \$F20,000 per annum, the income tax rate has been gradually reduced – from

35% marginal tax rate in 1999 to 31% from 2004. Corporate tax rate has also been reduced by the same proportions.

These indicate that inequality in the living standards would be rising. But more quantitative analysis is needed to ascertain the living standard inequality and poverty in the country.