



Situational Analysis of Employment in Nauru



This report has been produced as part of the Pacific Climate Change and Migration (PCCM) Project entitled, 'Enhancing the Capacity of Pacific Island Countries to Manage the Impacts of Climate Change on Migration'. The PCCM Project is a three year project (2013-2016) funded by the European Union and implemented by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the International Labour Organization (ILO) and the United Nations Development Programme (UNDP).

The vision of the project is to:

- To increase protection of individuals and communities that are vulnerable to climate change displacement and migration through targeted national and regional policies; and
- To increase labour mobility opportunities for Pacific Islanders, through well-managed labour migration schemes.

The Project covers the Federated States of Micronesia, Fiji, Kiribati, Nauru, Republic of Marshall Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. In the 'target countries' of Kiribati, Tuvalu and Nauru the Project will have national actions aimed at institutional strengthening through developing migration indicators and sharing of information on labour migration; gathering data on community attitudes to climate change induced migration; assisting with the development of climate change responses and national action strategies to mitigate the risk of displacement; and enhancing national capacity to effectively participate in regional, bilateral and global schemes on labour migration.

The International Labour Organization (ILO) is the United Nations agency devoted to promoting rights at work, encouraging decent employment opportunities for women and men in conditions of freedom, equity, security and human dignity, and enhancing social protection. It is unique in that it brings together representatives of governments, employers and workers to jointly shape policies and programmes and strengthen their dialogue. The ILO develops international labour standards and works with members States to ensure they are respected in practice as well as principle. The ILO Office for Pacific Island Countries based in Fiji, provides technical assistance to nine Pacific member States, as well as to non-member States in the region as required, on a wide range of areas including: labour migration; the elimination of child labour; promotion of gender equality; labour law reform; protecting seafarers; labour market statistics; occupational safety and health; HIV/AIDs in the workplace; youth employment; and entrepreneurship development.

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Acronyms used

ADB	Asian Development Bank
AHRI	Australian Human Resource Institute
AMU	Aid Management Unit
APTC	Australian Pacific Technical College
DFAT	Department of Foreign Affairs and Trade (Australia)
EEZ	Exclusive Economic Zone
EU	European Union
FAD	Fish Aggregating Device
FAO	UN Food and Agriculture Organization
GDP	Gross Domestic Product
GIO	Government Information Office
HIES	Household and Expenditure Survey
ILO	International Labour Organization
IMF	International Monetary Fund
MOU	Memorandum of Understanding
MBIE	Ministry of Business, Innovation and Enterprise (NZ)
MCIE	Ministry of Commerce, Industry and Environment
MoF	Ministry of Finance (RoN)
NCBO	Nauru Community Based Organization
NSDS	National Sustainable Development Strategy
NBS	Nauru Bureau of Statistics
NDF	National Development Framework
NEDC	Nauru Entrepreneurship Development Centre
NEP	National Employment Policy
NFMRA	Nauru Fisheries and Marine Resources Authority
NPBSO	Nauru Private Business Sector Organization
NPRT	Nauru Phosphate Royalties Trust
NRC	Nauru Rehabilitation Corporation
NSA	Non State Actors
NSS	National Secondary School
NVTC	Nauru Vocational Training Centre
NZ	New Zealand
PCCM	Pacific Climate Change and Migration
PIC	Pacific Island Country
PIF	Pacific Islands Forum
PIPSO	Pacific Island Private Sector Organization
PSIDS	Pacific Small Island Developing State
RoN	Republic of Nauru
RSE	Recognised Seasonal Employer
SME	Small and micro enterprise
SOE	State-owned Enterprise
SPC	Secretariat of the Pacific Community
SWP	Seasonal Worker Program
SWPC	Seasonal Worker Program Committee
TSA	Transfield Services Australia
TVET	Technical and Vocational Education and Training
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USP	University of the South Pacific
VDS	Vessel Day Scheme
WRP	Work-ready Pool

Note: All currency is Australian dollars unless otherwise specified.

Executive summary

The Republic of Nauru faces acute economic, social, and environmental challenges. The rapid decline of phosphate production, which delivered prosperity in the period following independence, and a simultaneous collapse of the national investment fund led to hardship and heavy dependence on overseas aid. Agricultural production is negligible, contributing to chronic health problems.

The economy emerged from crisis with the re-opening in 2012 of the Australian-funded Regional Processing Centre (RPC). There is also strong growth in fisheries income due to a new licensing scheme, and revenue diversification with new customs duties and taxes. However there is still massive public debt; an under-developed transport and utilities infrastructure; and a lack of technical and vocational education and training (TVET) which limits employment growth.

Notwithstanding recent problems, there is little outward migration but there is a strong likelihood of population displacement due to economic risk compounded by the effects of climate change.

The government has thus developed plans to support its citizens in obtaining decent work, under the overall framework of a National Sustainable Development Strategy (NSDS).

Economy, employment and labour market

The economic crisis exposed a lack of investment in alternative industries, human capital and the environment. Recent growth is predicated on the RPC, and supported by foreign aid, which are politically contingent. The private sector is particularly under-developed.

Many households continue to benefit from economic rents, which has constrained engagement in education and employment in the past. Nauru has a young population with a rapidly expanding working age cohort. Education is improving following reforms though there remain severe limitations in TVET.

Employment regulation and policy framework

There is little employment law. There are general commitments to freedom of association under the Constitution and certain employment rights granted by a Workers (Contract of Service) Act 1922 though these have not been given effect. The most significant employment-related legislation is the Public Service Act 1998, which is under review.

There is no law restricting the movement of Nauruan workers out of or into the country, nor governing employment of workers overseas, notwithstanding recent participation in the seasonal work programs of Australia and NZ.

Employment policy is shaped by the NSDS which has five long-term goals relating to stable and fiscally-responsible government; enhanced social, infrastructure and utilities services; economic diversification; land rehabilitation and development of domestic food production. Private sector employment growth is an important concern. A National Employment Policy (NEP) would help specify and coordinate the objectives, process and outcomes of the NSDS in terms of sustainable decent work.

Employment challenges and opportunities

Nauru is structurally constrained by its small size, isolation, and capacity limitations. Key challenges involve economic diversification; improvements in energy, water and transport (especially the port); and upskilling through education and training.

Employment is dominated by the public service, the RPC and the state-owned enterprises (SOEs). In the public service, the focus is on improved labour utilisation through training and management development, and in health and education the need to develop local skills capacity. An important employment concern for the RPC is the quality as well as number of jobs in order to provide a legacy of skills and qualifications for local employees. The most potential for jobs growth within the current employment path lies in the SOEs due to the need for land rehabilitation and infrastructure investment. Reform of SOE governance to introduce greater managerial independence and commercialisation could also promote employment growth.

The economy is at high medium-term risk due to reliance on the RPC and aid donors for revenues and employment. Many of the options available to other PICs, such as tourism and fish processing, are available to Nauru only as niche industries due to its size, isolation and competition from already established operations. The most immediate source of employment diversification is activities complementary to mining and rehabilitation, such as the production of dolomite tiles and food production. This is however complicated by land tenure issues. The private sector remains small but the re-introduction of banking will help support growth, as would better support for micro-business start-ups.

Employment growth is also constrained by skills supply and TVET is under-resourced. Systemic problems include a long-term lack of qualified instructors and poor equipment; limited connection to employers' needs; a lack of quality assurance standards and accreditation of learning; and low student demand. This is compounded by a lack of an overall policy framework.

Participation in the Australian and New Zealand seasonal work schemes offers potential for the accumulation of skills and capital. This needs further support, for example in terms of re-integration training, and more effective oversight.

The development and evaluation of social and employment policy needs to be better informed by evidence, including demographic and employment data. A series of labour force and business surveys is planned to commence in 2017.

Recommendations

National Employment Policy: There is a need for a NEP to prioritise, coordinate and evaluate employment-generation initiatives within the broader context of the NSDS and a NEP Committee to ensure effective policy development, implementation and review.

Job creation: There is a need to investigate and develop alternative means to support employment and economic growth. A business feasibility study undertaken within the NEP is required to assess employment diversification and related matters such as stimulating domestic food production and supporting small business start-ups.

Upskilling: The provision of TVET needs to be expanded and mainstreamed in the NSS, by dedicated facilities for adult learning, and ensuring closer integration with employer-provided training. Further work is required in the accreditation of prior learning, especially in the public sector, to encourage participation in TVET; to ensure that workers in the RPC accumulate accredited skills; and that aid projects most effectively upskill local workers.

SOEs: There is a need for continued investment in energy, water and transport infrastructure and land rehabilitation. This will support employment and skills development,

which would be further stimulated by greater operational and financial independence and a systematic review of job grades, training needs and workforce planning.

Employment Regulation: There is a need to complete the review of Public Service Act and to consider advisory Codes of Practice to promote management objectivity, fairness and efficiency. A basic framework of employment law covering the private sector would clarify the rights and obligations of the parties and contribute to jobs growth by making work more attractive. Self-regulation in the emerging private sector would also be encouraged by the provision of information and advice and the participation of legitimate private sector representatives in the NEP process.

Labour mobility: Seasonal work provides opportunities for income and skills development, and needs to be supported by effective oversight arrangements in terms of relevant legislation, a migration policy embedded in the NEP, and a functioning Seasonal Work Committee. Reintegration training would maximise accrued knowledge, skills and savings.

Labour market analysis: New labour force and business surveys are needed for policy planning and evaluation. The NBS needs to be involved in the NEP and supported in its coordination activities with other departments.

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