
**PACIFIC ISLAND COUNTRIES
IN THE ERA OF COVID-19:**

MACROECONOMIC IMPACTS AND JOB PROSPECTS



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EXECUTIVE SUMMARY

Pacific Island Countries (PICs) face strong headwinds from the COVID-19 crisis, despite to date having experienced few cases of COVID-19 domestically. Unlike the Global Financial Crisis in 2008, this crisis is a combination of supply and demand shocks. Pandemic mitigation measures such as social distancing, lockdowns, school closures, and mobility restrictions have disrupted labor force participation and production while also denting consumption and investment. Technology-driven adaptation in both production and consumption, the timely reallocation of labor between sectors and regions, along with policy support, could moderate the effects of the shock. The seven PICs examined in this report – Fiji, Kiribati, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, and Vanuatu,¹ are expected to see significant declines in GDP growth in 2020.²

Tourism-dependent PICs have seen a major blow to their economies. Fiji, Vanuatu, and Samoa saw a near stop in international visitor arrivals during several months of the year. Efforts to revive domestic tourism appear to have little impact on the tourism sector. Such contraction in tourism has resulted in unemployment. In Vanuatu, for instance, the number of employees in the tourism industry contracted by about 64 percent during the COVID-19 crisis (Vanuatu Tourism Office, April 2020). There have also been job losses in other tourism-related sectors across PICs such as the retail and food service industry. Disruptions in donor-financed infrastructure activities, lower commodity prices, and some reductions in inward remittance flows have also contributed to the economic downturn, although lower oil import prices have offset some of these impacts to an extent. Overall, the pandemic poses tremendous downside risks to domestic labor markets.

The crisis has hit existing vulnerable populations particularly hard, and migrant workers and tourism-dependent households could emerge as newly vulnerable groups. Informal workers, as well as those with low work-from-home or high physical proximity service jobs, have been negatively impacted. Jobs that require physical proximity with customers have been particularly prone to disruption, and these jobs are often occupied by workers with lower levels of education. Youth and women have been disproportionately affected, exacerbating existing inequalities in the world of work (ILO, 2020a).

Companies are not recruiting, particularly in the tourism and services sectors. For PNG, job advertisements contracted by 76 percent in May compared to February 2020. Although job vacancy data includes few low-skilled jobs (a limitation of such datasets in low- and middle-income contexts), the share of semi-skilled job postings dropped substantially as a result of COVID-19, reflecting a disproportionate impact on jobs that require face-to-face interaction or which cannot be undertaken remotely. Low numbers of ICT job vacancies indicate potential obstacles to the digitalization of work seen in other regions. Mismatches between demand and supply of skilled labor, which have been exacerbated by the impacts of COVID-19 on labor demand, point to the continued importance of investment in skills development.

1. Due to limitations in data and information availability, this report limits the choice of PICs to these seven countries.
2. These projections are subject to a high degree of uncertainty and will inevitably be adjusted as the situation evolves. They are highly sensitive to the assumptions that are used.

Despite adverse impacts in aggregate, there are nevertheless opportunities to leverage changes in labor market demand, both at home and abroad. The redeployment of workers from hard-hit sectors like tourism to alternative occupations that draw on similar skillsets is of economic benefit and should be a priority. This could be supported through measures such as re-training and other labor market intermediation services. At the same time, the shift to remote work is likely to have long-term ramifications for labor markets, presenting new opportunities for Pacific Islanders with requisite skills to compete in international labor markets. Digital literacy, coupled with soft skills such as those related to persuasion, emotional intelligence and organization, will be important for harnessing such opportunities. These can again be supported through training and active labor market measures. The pandemic also presents new employment opportunities for low- and semi-skilled workers in Australia and New Zealand in the medium-term, with temporary work schemes that target Pacific Islanders providing avenues for employment.

There are a range of policy responses which PICs can potentially use to help mitigate the impacts of COVID-19 on employment and livelihoods. In the immediate-term, government support to affected populations is a priority. Support to both firms and workers can help cushion employment impacts through: the provision of liquidity to firms to sustain their businesses (as undertaken in PNG and Tonga); other measures aimed at helping firms to retain cash flows (e.g., tax or import duty relief in Samoa, PNG and Solomon Islands, and deferred social security contributions in Fiji); and support for retention of workers (e.g., wage subsidies in Vanuatu and paid sick leave in Fiji). Social assistance measures can help households and unemployed individuals more directly through: cash transfers (Australia, Tuvalu); scaling up existing food security programs (Fiji); cash transfers targeting informal workers (Fiji and Tonga); and unemployment benefits for formal sector workers (such as in Fiji and PNG, where these have drawn on superannuation savings).

In the medium- and long-term, the focus should be on ensuring employment of those who are of working age and seeking work. Training and employment services are especially important. Policy responses that can be considered include: subsidization of reskilling and upskilling (e.g., through credit and tax incentives for employers to upskill their employees, especially in the case of micro, small and medium businesses), work-study dual training systems, apprenticeship schemes, and temporary wage subsidies for low-skilled unemployed (especially the so-called 'COVID-19 generation' which is lacking in work experience). PIC governments should also focus on expanding labor mobility opportunities for their citizens, through training to overseas standards, investment in outreach activities, and sound management of sending country arrangements – including management of any COVID-19 related requirements.



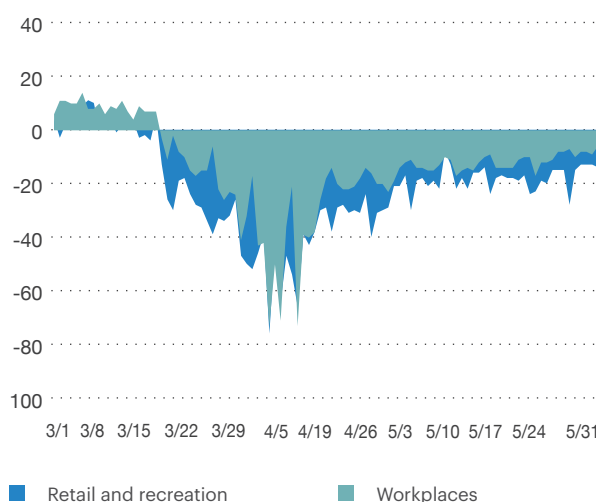
1. INTRODUCTION

The COVID-19 pandemic is a human calamity and its negative impact on the global economy looms large, with a potential to deliver the deepest global recession in eight decades (World Bank, 2020a). Unlike the Global Financial Crisis in 2008, this crisis is a combination of supply and demand shocks. Pandemic mitigation measures (such as social distancing, lockdowns, school closures, and mobility restrictions) have disrupted labor force participation and production while also affecting consumption and investment. Technology-driven substitutions and adaptation in both production and consumption, the timely reallocation of labor between sectors and regions, along with policy support measures, could moderate the effects of the shock. Even with these measures, the world is forecast to see an unprecedented GDP contraction in 2020 and a reversal in the progress of poverty reduction (World Bank, 2020a). Estimated working-hour losses amount to 495 million full-time equivalent jobs globally in the second quarter of 2020 (ILO, 2020a).

PICs face strong headwinds from these global economic developments, despite to date having experienced few cases of COVID-19 domestically. The seven PICs examined in this report – Fiji, Kiribati, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu – are expected to see significant declines in GDP growth in 2020. A near-disappearance of tourism has been the major blow to these economies, particularly in tourism-dependent Fiji, Samoa, Tonga and Vanuatu. Other downside risks include lower commodity prices (Solomon Islands and PNG), disrupted global supply chains (Solomon Islands), a reduction in inward remittances (Tonga, Vanuatu and Samoa), and disruptions in donor-financed infrastructure activities (Kiribati). Furthermore, PICs have limited policy space to mitigate the impacts of COVID-19 (World Bank, 2020a). Lower oil import prices will offset some of these impacts to some extent.

FIGURE 1.

People mobility dropped in April (select locations)



Source: Google Mobility Data.

The pandemic poses tremendous downside risks to domestic labor markets. Public health measures (e.g., lockdowns and social distancing) have stopped workers from getting to workplaces. People mobility to worksites in Fiji nearly disappeared in April (Figure 1) and is yet to fully recover to January levels. Disruptions in global and local supply chains and a fall in global and local consumption have dampened labor demand. The unemployment impact is likely to be salient in economies with pre-existing high levels of unemployment and with a large share of employment in sectors directly impacted by travel restrictions and social distancing measures (Aaronson and Alba, 2020).

The crisis has hit existing vulnerable populations hard. Three out of four tourism-related jobs are informal in the Asia-Pacific region (ILO, 2020b). Informal workers, including the self-employed, are more likely to lose income sources owing to lockdowns and declines in tourism. Those with low work-from-home or high physical proximity service jobs are being affected by social distancing requirements, as seen in the US (Mongey et al, 2020). These workers tend to be less educated and have few assets to buffer income losses. Youth and women are also being disproportionately affected, deteriorating existing inequalities in the world of work (ILO, 2020a).

Migrants from PICs, and their families, are likely to emerge as a vulnerable group during the COVID-19 crisis. International migration, primarily to Australia and New Zealand, provides employment and higher income earning opportunities. Social distancing measures introduced in these countries in response to the pandemic have caused difficulties for migrant workers who are generally not in a position to work remotely or telecommute. This is particularly the case for low- and semi-skilled workers who now face heightened unemployment risks. There is also the issue of prospective migrants who have been unable to leave for destination countries owing to border closures³ and could now fall into unemployment. All of these factors will result in a loss of income among migrant households, including lower remittance income.

Even as mobility resumes domestically, the re-opening of borders will take some time. Labor mobility opportunities for Pacific Island workers have been affected by the closure of borders, including those of Australia and New Zealand. Employer recruitment of overseas workers is likely to remain altered even once borders reopen, with potential for reduced demand in certain industries owing to high rates of domestic unemployment, low levels of consumer demand, and political issues relating to substitution of foreign workers with domestic labor as a result of travel constraints and quarantine requirements. It is expected over the medium- to long-term that demand for Pacific seasonal workers in the agriculture sector will continue to be high, given the effects of COVID-19 on alternative groups of workers (particularly backpackers from overseas). However, it remains unclear when labor mobility programs that employ Pacific Islanders as seasonal workers will fully resume, and what portion of higher costs associated with charter flights and any quarantine arrangements will be borne by workers.

Policy measures and development assistance are moderating the labor market and poverty effects of the crisis. PIC governments have rolled out fiscal measures to support firms, unemployed individuals, and households, but scaled-up spending on healthcare in response to COVID-19 and counter-cyclical spending will leave limited fiscal resources to support employment retention and creation. Development assistance could meet fiscal gaps, given the inability of PICs (aside from Fiji and PNG) to raise capital in international credit markets (Annex).

This paper aims to assess the economic impacts of COVID-19 on PICs, with an emphasis on labor market effects. As mentioned, seven countries have been selected for analysis, taking into account data availability. It should be noted that up to date country-level employment data has been difficult to obtain in the short period over which this brief was developed. Projections to date have largely been of a macroeconomic nature, and from these projections estimates of job losses have been derived for each Pacific Island country.

This work is part of our ongoing analytical work program on Pacific labor mobility. It complements two pieces of work: one that investigates the impact of COVID-19 on employment of Pacific migrants and the welfare of families of migrant workers; and a wider study that assesses ways in which overseas opportunities for Pacific workers could be broadened and deepened.

3. Even as demand for migrant workers declines in some sectors as a result of the COVID-19 outbreak, shortages are arising in other sectors, such as agriculture, in which temporary and seasonal migrants typically work. These workers have had their employment affected by travel restrictions.



2. MACROECONOMIC CONTRACTIONS AND JOB LOSSES

Photo: Darren James

PICs are expected to see unprecedented economic disruptions from COVID-19 in 2020. These will be particularly pronounced in those countries which have already experienced setbacks, such as Tropical Cyclone Harold (Fiji and Vanuatu) and the measles outbreak in the fourth quarter of 2019 (Samoa). According to projections by the World Bank as of September, Fiji, Samoa, Tonga and Vanuatu are projected to see a double-digit contraction in GDP in 2020, by 24.7 percent, 12.5 percent, 15.1 percent and 13.1 percent respectively; and GDP of Solomon Islands is also forecasted to contract by 7.7 percent in 2020. In terms of outlooks in 2021, Solomon Islands could see a robust recovery while the growth prospects for tourism-dependent Fiji, Samoa, Tonga, and Vanuatu remain uncertain (World Bank, 2020c).

Signs of subdued domestic demand in PICs have emerged. In Fiji, cement production and electricity consumption continued to contract by 22 percent and 8 percent, respectively, year-on-year in August due to weak demand (Reserve Bank of Fiji, September 2020). Further downside risks in PICs depend on the duration of COVID-19 containment measures, monetary and fiscal measures put in place by respective authorities to moderate the effects, and the global development of the pandemic.

Resource-dependent PNG has also been hit hard. Real GDP growth is expected to fall to -3.3 percent in 2020, after a record 6 percent growth in 2019 (World Bank, 2020c). Weaker aggregate demand and less favorable terms of trade contributed to lower growth in 2020, coupled with disputes with international investors over ongoing and new resource projects. The impact of low Liquefied Natural Gas (LNG) prices on export revenue is relatively muted due to the prevalence of long-term supply contracts. The non-resource economy has been hit by lower domestic demand due to lockdown measures affecting the supply of domestic services. Unlike other PICs, PNG's economy is less dependent on tourism earnings and remittance inflows, softening adverse effects from declining global demand. A resilient recovery will require foreign investment in new resource projects – as well as strengthening macroeconomic management, protecting the vulnerable, and supporting firms and jobs in the informal sector (World Bank, 2020c).

2.1. Downside Risks Arising from Weak Global Demand and Supply Chain Disruptions

A standstill in tourism has been the major blow to most PIC economies.⁴ In Fiji, Samoa and Vanuatu, tourism is a prime source of employment and foreign exchange earnings (Figure 3). These countries saw near-zero visitor arrivals from April to July (Figure 2a), indicating that tourism earnings evaporated for these months (Figure 2b). Fiji is likely to see a loss of F\$1.4 billion (US\$650 million) in tourism earnings (ANZ Research, 2020). Such declines will cause significant macroeconomic contractions for countries.

Tourism recoveries will be slow due to continued border closures and quarantine measures. Most PICs have implemented border closures for travelers from COVID-19 affected countries, together with 14/28-day self-quarantine measures and the complete abolition of cruise ship tourism. With such measures, tourism is likely to be non-existent, as most holiday tourists will be unable to afford a 14/28-day self-quarantine.

4. The global economic impact of COVID-19 on tourism is projected to be five times as great as the impact of the 2008 Global Financial Crisis, and is estimated in 2020 to result in 100.8 million job losses globally and a 2.9 percentage point increase in the global unemployment rate as a consequence of travel and tourism job losses (WTTC, 2020). In May, revenue international passenger-kilometers dropped by 98 percent, compared to the same month in 2019 (IATA, May 2020).

FIGURE 2A.

Fall in tourist arrivals (Jan-May 2020)

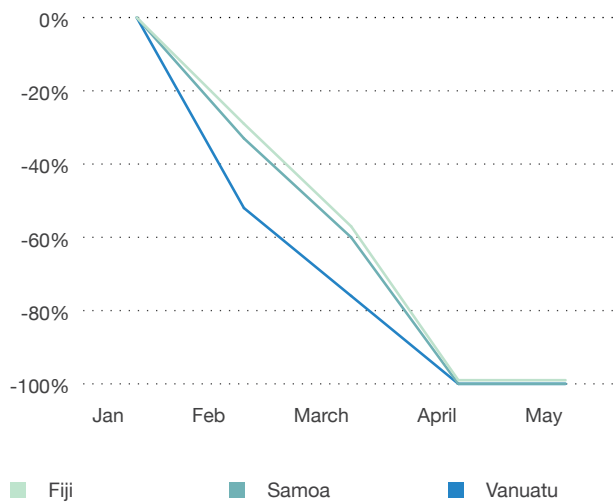
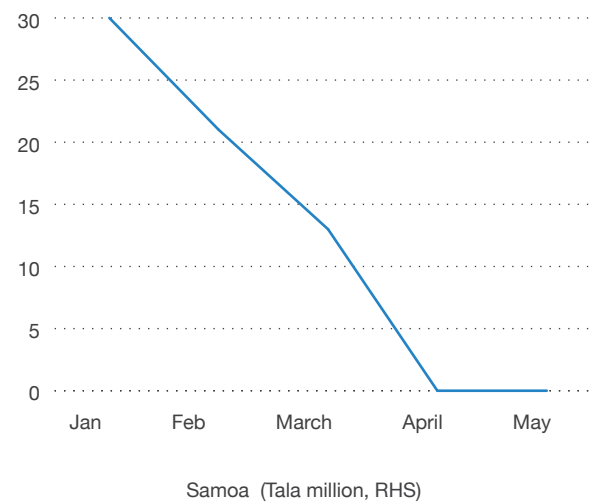


FIGURE 2B.

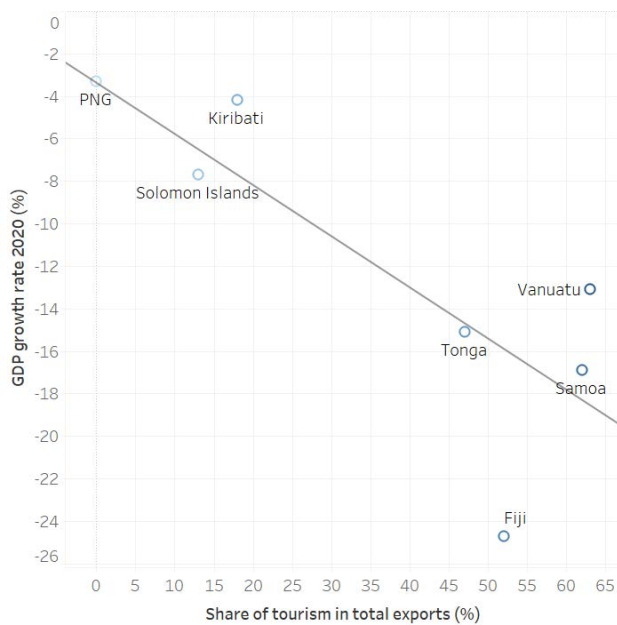
Fall in visitor earnings (Jan-May 2020)



Sources: Reserve Bank of Fiji, Reserve Bank of Vanuatu, Central Bank of Samoa.

FIGURE 3.

Tourism-dependent countries will be hit hard



Even after travel restrictions have been lifted, tourism is likely to be sluggish, with people reluctant to travel internationally for fear of infection (depending on the existence of a vaccine, and changes in behaviors). There are signs of recovery in tourism, but they are primarily local, as tourists shift their focus from international to domestic travel (as suggested by the International Air Transport Association). Furthermore, group tours are unlikely to restart (McKinsey, 2020).

Remittances have downside risks. Remittances constitute an important source of household consumption in Tonga (equivalent to about one-third of its GDP in 2019), Samoa (about 15 percent), Kiribati (about 10 percent) and Fiji (about 5 percent). Samoa experienced sharp contractions in monthly remittance inflows (in their respective local currency) in March and April 2020, compared to the same months in 2019, but started to see recoveries from May onwards. Fiji, on the other hand, saw recoveries only in July. Recoveries may be partly explained by a shift from carrying cash back home, to sending money through remittance service providers (owing to travel restrictions), as well as depreciations of local currencies against the Australian dollar and other hard currencies. Cumulative remittance inflows for the first seven months of 2020 showed resilience to the COVID-19 crisis – with a varying degree of increases (year-on-year, by 7 percent in Samoa, 2 percent in Tonga and 0.25 percent in Fiji). Nevertheless, there are downside risks due to the Pacific diaspora's unemployment risks in destination countries and limited new deployment of Pacific workers to Australia and New Zealand owing to travel restrictions. Experience from the Global Financial Crisis suggests impacts on remittances can be delayed.

Falling commodity prices are expected to hurt resource-sector-dependent economies to some extent. Solomon Islands, where logging accounts for more than two-thirds of total exports, saw a dip in log exports in April – with a strong rebound in May 2020. Falls in log exports have the potential to cause economy-wide effects – including impacts on manufacturing, transport, and trade (ADB, 2020). Liquefied Natural Gas (LNG) prices fell due to weak demand, along with other energy-related prices over the past three months, but PNG, whose LNG production is a key driver of economic growth, is likely to be shielded from such price falls, given its long-term LNG supply contracts with Asian buyers, such as Japan, China and Taiwan China (World Bank, 2020f).

Supply chain disruptions and travel restrictions will cause delays in infrastructure projects that rely on imports of raw materials and inflows of workers (World Bank, 2020b). Donor-supported infrastructure projects are an important source of economic growth in Kiribati, and infrastructure investment forms part of government strategies to support growth in response to the COVID-19 crisis (ADB, 2020). Supply chain disruptions may dampen the fisheries industry in Solomon Islands and Tonga, while its effects could be mitigated by higher fish prices to some extent.⁵ This could threaten revenues from fishing licenses in Kiribati, and interrupt manufacturing, as well as wholesale and retail trade in PNG which relies on import goods.

5. Solomon Islands saw a decline of fish catch by 42 percent in April 2020, according to the Central Bank of Solomon Islands; Tonga saw a decline of marine exports by 22 percent (mostly tuna) in the first quarter of 2020, compared to the same period of the previous year. While global fish prices rose in April compared to March 2020, presumably benefiting from a boosted demand of canned fish products during the lockdown phase, the fisheries industry has faced headwinds from port closures which have disrupted transshipment and supply provisions, and from travel restrictions which posed difficulties with hiring and replacing crew.

2.2. Weak Labor Market Conditions

Job losses related to COVID-19 are unprecedented. Some 115,000 jobs are at risk⁶ in Fiji – equivalent to a third of the total labor force⁷ or about two-thirds of paid employees in 2018. ‘Jobs at risk’ encompasses unemployment, reduced working hours, and ‘on-leave’ status without pay. Unemployment benefit claims in the Fiji National Provident Fund (FNPF), under COVID-19 withdrawal schemes, rose sharply in May and were sustained in June at 85,959 (Figure 4a). In PNG, a quarter of workers who had been working before the crisis, reported not working in June 2020 (Himelein et al., 2020).⁸ Results from the Employment Survey COVID-19 commissioned by the Employers’ Federation of PNG also highlight the impact: 7 percent of the total workforce were released due to the pandemic; 16 percent of firms responded that they either terminated employment contracts or temporarily stood them down;⁹ and 11 percent of the total workforce surveyed were on reduced working hour arrangements to adjust to COVID-19 impacts on production. The economy of Vanuatu is projected to decline 13.1 percent this year, resulting in the loss of roughly 21,000 jobs.¹⁰

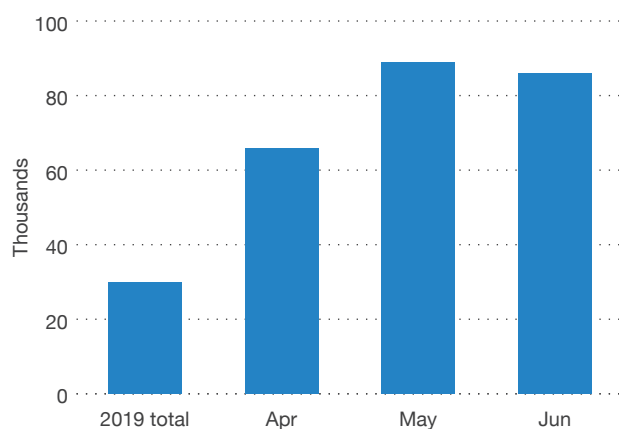
New recruitment intentions have fallen. In March 2020, they fell by 60 percent in Tonga and by nearly 30 percent in Fiji, compared to the same month in 2019. Fiji saw no improvement in new hiring to August (Figure 4b), recording nearly a 50 percent contraction in vacancy advertisements on an annual basis (RBF, 2020), presumably because businesses, especially in the tourism industry, were temporarily closed, deferring investment decisions or cancelling planned expansions (Figure 4c). PNG saw a sharp drop of 76 percent in job vacancies in May, compared to February 2020.¹¹ In Samoa, new labor demand in May was primarily in the public sector.

6. Based on ILO workplace survey to assess the impact of COVID-19 on employment and business, undertaken together with the Fiji Ministry of Employment: <https://www.fijivillage.com/news/Initial-numbers-show-115000-workers-affected-by-COVID-19--ILO-x5r8f4/>
7. According to the 2015/16 Employment and Unemployment Survey, 346,214 persons aged 15 and above were in the labor force and 167,300 (63.5 percent) were employed in the formal sector.
8. According to the World Bank’s High Frequency survey data collected during June 18 through to July 3, 2020.
9. The survey was sent to 200 companies on April 24, 2020 with a response rate of 52.5 percent. Termination was most used for casual or temporary staff (7 percent), while in some instances it was a result of redundancy (3 percent). Stand down provisions such as using extended leave or granting leave without pay (5 percent) or closing of operations despite formally holding employees in payroll (1 percent) were also utilized during this period.
10. Islands Business. (2020). “Fiji faced with a potential US\$608 million tourism loss”. April 2020. Available at: <https://www.islandsbusiness.com/breaking-news/item/2764-fiji-faced-with-a-potential-us-608-million-tourism-loss.html>
11. This is based on the number of job vacancy advertisements and therefore does not take into account any seasonality factors in the labor market.

FIGURE 4.

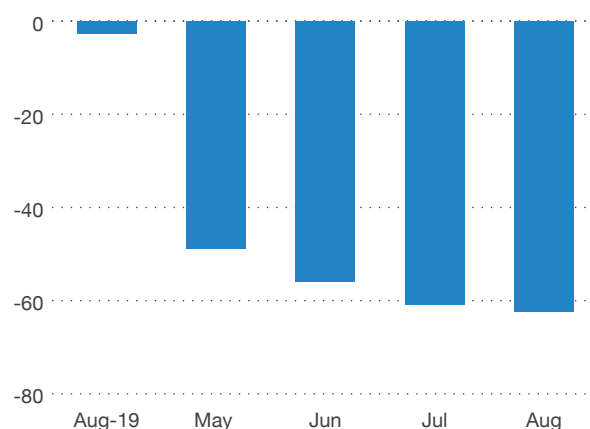
Fiji's bleak labor market conditions

(a) Unemployment claims nearly tripled (number of unemployment withdrawals from FNPF)



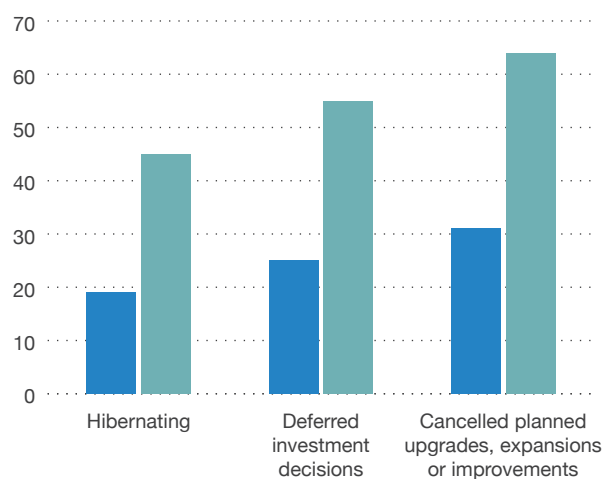
Source: FNPF, Reserve Bank of Fiji.

(b) ...and new recruitment fell (percent change in advertised job vacancies, YoY)



Source: FNPF, Reserve Bank of Fiji.

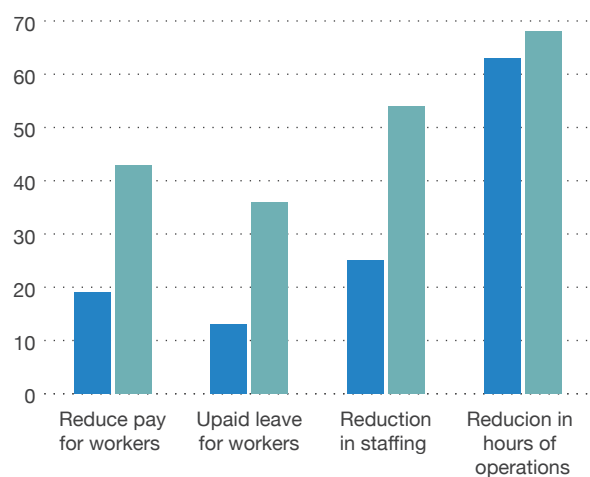
(c) Fijian businesses, especially tourism-focused ones, cancelled planned expansions (percent of survey respondents)



■ Non-tourism focused businesses
■ Tourism focused businesses

Source: IFC (2020), Fiji COVID-19 Business Survey, July.

(d) Jobs at risk are predominantly in the tourism industry (percent of survey respondents)



■ Non-tourism focused businesses
■ Tourism focused businesses

Source: IFC (2020), Fiji COVID-19 Business Survey, July.

Jobs in tourism-related industries are at high risk of reduced wages, unpaid leave, dismissal, or reduced work hours (Figure 4d). According to the Fiji Hotel and Tourism Association, the COVID-19 outbreak has led to the closure of 279 hotels and resorts and left 25,000 workers without employment (ILO, 2020b). Job losses in the tourism-related transportation sector are evidenced by applications for FNPF unemployment benefits by members of the taxi industry, and job losses within the aviation workforce (Fiji's national carrier cut employment by half as of May). According to the Samoa Hotels Association, 50 hotels are closed, and some 500 workers have been laid off. In PNG, the tourism sector saw 91 percent of bookings for 2020 being cancelled (around 1,200 job losses).¹² In Vanuatu, where the tourism sector accounts for 35 percent of total employment, there has been a 70 percent reduction in full-time employment and a 33 percent reduction in part-time employment linked to the tourism industry (Vanuatu Tourism Office, 2020). This puts many micro-businesses such as arts and crafts vendors, dependent on foreign clientele for income, at risk.¹³

On the other hand, essential work has been relatively insulated from the pandemic, which could help to mitigate job losses and reduce long-term damage to livelihoods through cross-sector reallocation of labor. A recent ILO report, using global data, identifies the following sectors as having low risk of job loss: healthcare and social work, education, public administration, defense; compulsory social security; and utility. Agriculture, fishing and forestry are categorized as having low to medium risk (ILO, 2020c). Although the lack of sectoral diversification in PICs limits cross-sector absorption capacity, there are some possibilities, particularly in larger countries, like Fiji, with more developed labor markets. Some examples are seen in the US: a retail firm thriving from e-commerce during lockdown struck a bilateral labor reallocation agreement to absorb laid-off workers from an accommodation firm.

12. <https://www.businessadvantagepng.com/tourism-takes-a-tumble-report-finds-90-per-cent-of-2020-bookings-wiped-out-in-papua-new-guinea/>

13. Vanuatu National Statistics Office. (2020). International Visitor Arrival – February 2020. Available at: <http://vnso.gov.vu/index.php/economic-statistics/tourism-news>

2.3. Timely Policy Responses are Cushioning Macroeconomic Impacts

PIC governments have rolled out economic stimulus packages to mitigate the impact of the pandemic, beyond supply-side interventions on healthcare. These fiscal support packages range from 2.6 percent of GDP in Solomon Islands, to as much as 8.7 percent of GDP in Fiji (Table 1). Some of them are to be financed by both governments and donors (e.g., Fiji, PNG, Solomon Islands, and Vanuatu). Immediate policy responses focused on spending on healthcare and containment measures (e.g., spending equivalent to 1.1 percent of GDP in Solomon Islands, and to a third of the package in Tonga) (IMF, 2020). These large fiscal stimulus packages are likely to contribute to the widening of fiscal gaps. Policies will be needed to ensure that fiscal buffers are increased to safeguard debt sustainability.

TABLE 1.
Fiscal responses by PICs (as of July 2020)

FISCAL STIMULUS PACKAGE		
Country	Amount	% of GDP
Fiji	F\$1 billion	8.7
Kiribati	\$A 15.5 million	7.5
PNG	K 1.8billion	2.2
Samoa 1/	SAT 149.4 million	6.8
Solomon Islands	SI\$319 million	2.6
Tonga 1/	T\$97.4 million	8.8
Vanuatu	VT 4.2 billion	5.5

Source: Respective governments, IMF.

Note: 1/ includes both the first and second phase packages.

Most PIC governments have introduced fiscal measures to provide liquidity to businesses and individuals which support employment indirectly. These measures are as follows: injecting cash into firms through loan and credit line programs (e.g., PNG allocating more than 10 percent of the stimulus package for this type of support, targeting small and medium-sized enterprises); one-time cash grants (to SMEs in Vanuatu); retaining cashflows such as loan payment deferrals (Fiji, Samoa); tax and import duty reductions/exemptions (Fiji, Samoa, Solomon Islands, Vanuatu); utility payment deferrals (Solomon Islands); and social contribution deferrals (Tonga) (Table 2).¹⁴

Some support has targeted the hard-hit tourism industry. Most notably, the Fijian government has recently unveiled, as part of the 2020/21 budget, a fiscal measure to provide tourism rebates to the first 150,000 visitors,¹⁵ and a regulatory action to streamline processes to create a conducive business environment and attract foreign investments (Fiji Ministry of Economy, 2020). The tourism and hospitality industries have benefitted from targeted tax exemptions (Fiji), import duty exemptions (Tonga) and a moratorium on pension contributions (Samoa).

Unemployment benefit schemes are providing income protection to workers who have lost jobs. Fiji, PNG and Tonga have implemented unemployment benefit schemes for formal sector workers, leveraging superannuation funds (Table 2). Fiji's unemployment benefits target workers in the hospitality sector. In addition, Fiji offers debt payment deferrals to the newly unemployed. Notably, Fiji has introduced a one-off cash transfer scheme for informal workers whose cash income has been threatened due to lockdowns and the halt in tourism.

Relief packages are lacking direct employment-support measures. To foster retention of workers, as commonly adopted by advanced economies, wage subsidies are being provided to keep workers employed in firms (Vanuatu) and non-essential public jobs (Solomon Islands) (Table 2). Other employment-support measures that have been used in other contexts include: (i) employment promotion through training (Korea) and traineeships (Singapore); incentives for agriculture work (Italy) and job matching (UAE); (ii) adapting labor market regulations to enable telework arrangements and suspend firing procedures (Italy); and (iii) subsidizing employment with reduced work hours (Germany). As part of recovery packages, some PIC governments are supporting large construction projects or advance-planned infrastructure projects which will create new jobs and provide opportunities for workers who lost jobs during the crisis (Fiji, PNG and Solomon Islands).

During COVID-19, social assistance programs have supported household livelihoods. Many countries have employed cash transfer programs; about a third of COVID-19 policy responses across countries are a type of cash transfer (Carranza et al. 2020). In PICs, cash transfers were targeted to informal workers (Fiji), pensioners (Samoa), and existing social assistance recipients (Tonga) (Table 2). Fiji introduced food security measures, including an agriculture response package and a new Farm Support package. Vanuatu adopted similar measures to Japan and Hong Kong, offering a one-off cash payment to the whole population (Carranza et al. 2020). While not seen in PICs, other countries (the US and Korea) rolled out quasi-cash transfers such as purchase vouchers (e-vouchers) to address food security. These vouchers are highly countercyclical – with a multiplier of 1.79 (Carranza et al, 2020).

14. Extensive and on-going lists of government interventions in response to COVID-19 can be found at the IMF Policy Tracker (<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>) and <https://www.ugogentilini.net/>

15. To provide a one-time travel stipend, around US\$185 per passenger, to pay part of their tourism packages (including flights, hotels and food). Accessed at <https://www.rnz.co.nz/international/pacific-news/421477/fiji-govt-unveils-us1-point-7-billion-budget>.

TABLE 2.**Jobs support for individuals and households in response to the COVID-19 pandemic**

TYPE OF INTERVENTION	JOBS MEASURES
Labor market measures	<ul style="list-style-type: none"> - Wage subsidies to retain workers (Solomon Islands (for non-essential public servants), Tonga and Vanuatu)
Income protection for the unemployed	<ul style="list-style-type: none"> - Debt payment deferrals for the unemployed (Fiji) - Unemployment benefits (Fiji, Kiribati and PNG) - Hardship allowance (Tonga) - One-off cash transfers to informal workers (Fiji)
Social insurance	<ul style="list-style-type: none"> - Paid sick leave (Fiji) - Deferrals/reduction of social security contributions (Fiji, Samoa, Tonga)
Social assistance	<ul style="list-style-type: none"> - One-off special pension (Samoa) - Scaling up existing social assistance (Tonga) - Utility waivers/reduction (Fiji, Samoa, Solomon Islands, Tonga) - Tuition exemptions (Tonga)

Source: World Bank staff compilations, Gentilini et al (July 2020).



3. VULNERABLE POPULATIONS IN THE COVID-19 ERA AND POVERTY

Photo: Darren James

While the COVID-19 outbreak affects all segments of the population, its impact can exacerbate existing socioeconomic inequality, with the social impact of the pandemic particularly detrimental to members of vulnerable and marginalized groups.

Informal Workers

Most employment in PICs is informal, which includes the self-employed as well as individuals working in informal firms. In PNG, about four out of five workers are estimated to be involved in informal employment, including subsistence agriculture. The tourism industry in Fiji is reported to employ 120,000 workers, but many of those employed reside in the informal sector, with the number of ‘paid employees’ in the industry only about 32,000 in 2018 (or about one-fourth). Informal sector employment is particularly prevalent among youth and women. In PNG, for example, only 2 percent of youth are employed in the formal sector (Jones and McGavin, 2015).

Informal workers are more likely to lose their jobs but are unlikely to access social insurance. Unlike formal wage workers, informal workers do not have labor contracts. A prolonged period of no cash income would put these workers and their families’ subsistence at risk (Schmillen, 2020), as they have no access (or limited, at best) to social insurance (such as paid sick leave, severance pay or unemployment benefits). Government relief packages fall short of reaching this population as informal workers and businesses are not registered.

Measures targeting the informal worker population could prevent them from falling into poverty during the pandemic. Several PICs have implemented such measures with limited scope. For example, in Fiji, a one-off cash transfer was provided to informal workers in lockdown areas who held a street trader or hawker license, and to those who tested positive for COVID-19. In Tonga, a one-off payment to informal workers adversely affected by COVID-19 was provided on the basis of a recommendation from local government officials. Globally, it is estimated (albeit conservatively) that about 136.7 million informal workers have been reached by cash-based programs during the pandemic (Gentilini et al., 2020).

Women

The pandemic poses high socioeconomic risks for women. There have been very few policy responses in PICs that are gender-specific, despite a number of risks.

As frontline pandemic responders within the healthcare system, women are at increased risk to infection, according to a rapid gender analysis of COVID-19 in the Pacific (Damon et al., 2020). At the same time, there is also a need for the continuity of other crucial healthcare services, including maternal health.

Women are primary care providers in the Pacific. The closure of schools and childcare centers has had a significant impact on mothers as they face increased pressure to meet domestic responsibilities during the economic downturn – especially in terms of food security and accessing necessary childcare (Damon et al., 2020).

In PICs, women are overrepresented in many sectors and jobs that have been most affected by the economic downturn associated with COVID-19, such as retail and hospitality (Pacific Women Leaders, 2020). In PNG, female heads of households are more likely to have stopped working since the outbreak due to business closures (Himelein et al., 2020).

The pandemic has exacerbated levels of domestic violence against women and girls – both at home and in the workplace – in a region with already alarming gender-based violence (GBV) statistics.¹⁶ More time at home due to social distancing measures has put women and girls at an increased risk of facing violence (WGEA, 2020).

16. To take one recent example, Kiribati’s Social Development Indicator Survey (2018-19) found that two-thirds of i-Kiribati women aged 15–49, who were married or partnered, have experienced intimate partner violence – and over 50 percent had experienced such violence in the last year.

Youth

Many of the socioeconomic consequences of the outbreak will have a disproportionate impact on youth (aged 15-24), while the health impacts of COVID-19 are felt most acutely amongst older adults. The impact of COVID-19 on youth employment outcomes will compound the long-term effects on human capital development (UN, 2020). The global pandemic poses a serious threat to the livelihoods and economic opportunities of youth in a region where they are already at greater risk of unemployment. In Fiji, for instance, youth unemployment in 2015/16 was over 18 percent, compared to 5 percent for the broader population¹⁷ (ILO, 2020a).

The nature of youth employment contributes to this risk, as high rates of informal and precarious employment make young workers particularly vulnerable to job loss. This reality is evidenced in the United States, where young workers comprise nearly a quarter of workers in industries at high risk of COVID-19 impact, leaving them disproportionately susceptible to virus-related layoffs (NW et al., 2020). In the UK, evidence suggests that the economic impact of COVID-19 is highly likely to increase income inequality between youth workers and those aged 40-55, with 69 percent of workers aged under 30 reporting working fewer hours than usual and 58 percent reporting a drop in earnings, compared to 49 percent and 36 percent of workers aged 40-55 respectively (Adams-Prassl et al., 2020).

Entering the workforce during a recession can have lasting negative effects on socioeconomic status, health, and mortality, in addition to job and income loss as a result of the economic downturn. The harmful effects of starting a career in a depressed labor market have been found to be strongest for those without a college degree, meaning that high school graduates and dropouts are likely to suffer the largest loss of income (Schwandt, 2019). Past experience in the UK and the US reveals that graduates entering the labor market during recessions suffer persistently lower employment probability and earnings 5-10 years after their graduation (Johnson 2020).

The social impact of this issue is especially relevant for PICs, given their large youth populations and high rates of youth unemployment. In the countries in our study, the impacts of COVID-19 have led to lower youth participation in the formal sector due to reduced job opportunities in the immediate term. This is likely to create barriers to human capital accumulation over time. Considering the long-term implications, the combined impact of COVID-19 on educational and employment opportunities for the young labor force in PICs could translate into a significant loss of future productivity. For countries like PNG, where survey data has suggested a formal sector employment rate of just 2 percent for those aged 15-24, the loss of job skills and work experience due to the economic impacts of the outbreak could have lasting repercussions for the labor market (Jones and McGavin, 2015). Furthermore, the impact of COVID-19 on youth employment also threatens to widen gender gaps in PICs, where employment rates for young women were already significantly lower than those of their male counterparts.¹⁸

Fiji has high youth unemployment and the so-called 'Generation COVID' faces dire employment prospects. Feedback from employer groups suggests that employers are reluctant to hire recent Technical and Vocational Education Training (TVET) graduates, despite job vacancies, given concerns about lack of work experience and gaps in skillsets relevant to employment, including soft skills such as work ethic or problem solving. This challenge is likely to be exacerbated in the current crisis, as high unemployment can influence higher skilled or more experienced workers to accept lower wage jobs (negative compensative wage differential), reducing even further the chances of unemployed youth finding work or gaining work experience.

17. According to data from Fiji Islands Bureau of Statistics and ILO.

18. In Fiji, the gender gap for youth employment is significantly wider than that of the general population, with a female unemployment rate of 25.9 percent compared to 14.1 percent for males (an 11.8 percentage point difference).

Migrant Workers

PIC labor migrants and their families are likely to emerge as a vulnerable group during the COVID-19 crisis. Labor migrants are generally not in a position to work remotely or telecommute, particularly in the case of low- and semi-skilled workers, and for this reason face heightened unemployment risks due to the pandemic. This is evidenced by Australian government measures which allow unemployed temporary labor migrants to withdraw unemployment benefits from their superannuation savings, and match workers under the Pacific Labour Scheme (PLS) with new employers where existing employment has ceased due to COVID-19 (Moroz et al., 2020). Prospective migrants might have been unable to leave for destination countries owing to border closures¹⁹ and could fall into unemployment. Some seasonal workers whose contracts ended in destination countries have been left stranded because of travel restrictions barring their ability to return home (World Bank, 2020b). International flights to PICs are now severely limited, and PIC governments have been forced to arrange special repatriation flights to return migrant workers.

Less remittance income means less household consumption. Many households in the Pacific rely on remittance income to finance consumption. Any reduction in such income will be especially felt in Tonga, Vanuatu, and Samoa, where engagement in labor mobility programs is an important source of employment (14.7 percent, 8.1 percent, and 6 percent of the total labor force in each of these countries participated in a labor mobility program in 2019). In other regions, some countries have implemented relief packages which target returned migrants (e.g., unemployment benefits in Moldova and a one-off cash transfer in the Philippines). Tonga has provided one-off support payments to households with a family member overseas. A number of migrant-receiving countries have introduced inclusive support packages that encompass migrant workers (e.g., employment retention subsidies in Korea and cash-transfers for the unemployed in Ireland).

Education and Inequality

As with gender, the impacts of COVID-19 on education are likely to further exacerbate inequality. COVID-19 measures and their impact on education may not only cause loss of learning in the short-term, but also have the potential to diminish economic opportunities over the long-term by reducing human capital accumulation. The adverse effects of COVID-19 on education will be felt disproportionately among the poorest households, where budget constraints may keep children out of school even after schools reopen. The economic impacts of COVID-19, including unemployment and income loss, can impede households' ability to meet the costs of education and spur the decision to remove children (particularly girls) from school (World Bank, 2020d). In PNG, where all levels of schooling have associated fees, a recent high frequency phone survey found that 52 percent of households have reduced the number of children that attend school as a way to cope with COVID-19 related shocks (Himelne et al., 2020).

Barriers to delivering distance education could reduce learning opportunities for children. PNG identified, through a rapid assessment by the World Bank, that the majority of schools in the country face significant barriers to delivering remote learning and most students had very limited access to basic learning materials. For vulnerable students, time out of school may not only translate into fewer opportunities for learning, but also present economic challenges for families unable to find childcare or adequate food in the absence of school meals (World Bank, 2020d). One channel through which COVID-19 clearly impacts inequality is the digital divide; the unequal diffusion of computer technology and high-speed internet in households creates differences in the ability to continue learning and working in the face of social distancing measures (Chiou and Tucker, 2020).

19. Even as demand for migrant workers declines in some sectors as a result of the COVID-19 outbreak, shortages are arising in other sectors, such as agriculture, in which temporary and seasonal migrants typically work but cannot access due to travel restrictions.

Countries have introduced creative solutions to deliver education to students remotely. The PICs in our study have relatively low rates of internet access (Figure 5). Some PICs have turned to the use of more accessible forms of ICT – including radio and television – to reach out-of-school students. In April, the Fiji Ministry of Education, Heritage and Arts provided supplementary radio programs delivered through the Schools Broadcasting Unit and the Fiji Broadcasting Corporation. In PNG, where children’s access to television and radio is limited, the country’s educational continuity strategy prioritized the distribution of physical home learning materials to ensure education continued during the pandemic. As PIC governments develop long-term strategies for the sector, lessons learned from the impact of COVID-19 will be useful for building education systems that are more resilient to future disruptions. In the Caribbean, governments have struck a deal with telecommunication companies to provide free internet access to households with children during the pandemic.

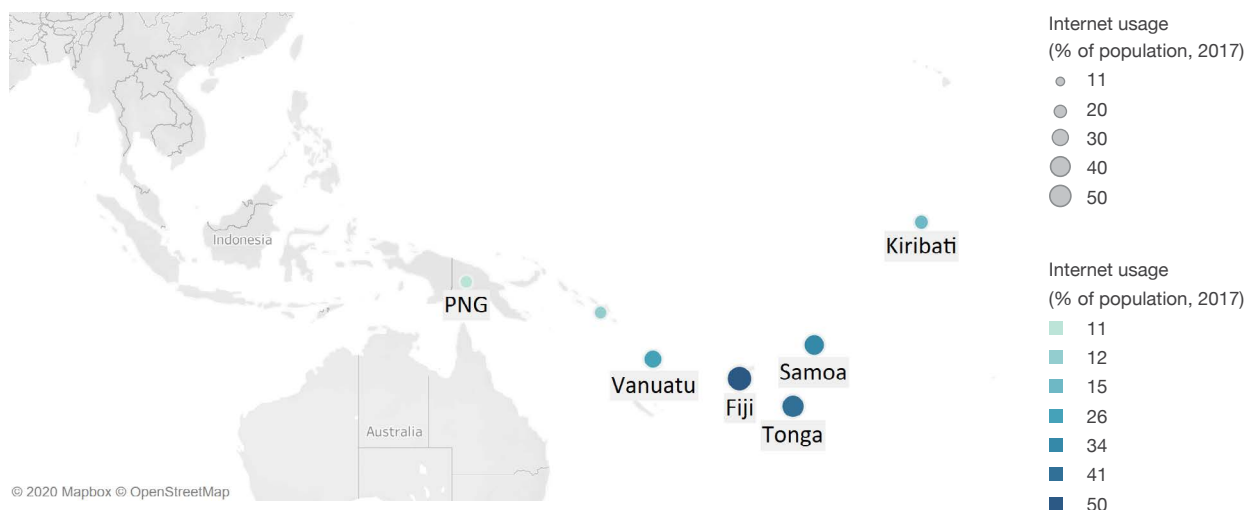
Poverty

The pandemic is likely to reverse recent trends in poverty reduction, especially among tourism-dependent households. For vulnerable households that lack the financial resources to buffer this temporary loss of income, this pressure increases the risk of being pushed into poverty. In PNG, job losses have been highest among the bottom 40 percent of the wealth distribution, after adjusting for household education levels. Job losses have also been high among households in the middle quintile, with the risk being that this shock could push such households into poverty – creating a ‘new poor’ (Himelein et al., 2020). For Fiji, Samoa, and Tonga, simulations on the impact of COVID-19 on household consumption reveal significant increases in poverty: in an adverse scenario measured by a 25 percent reduction of annual consumption, poverty could increase by 20 percent, on average, and more than three-fourths of households in the tourism industry in Tonga could fall into poverty (Figure 6).

FIGURE 5.

Low internet usage in PICs, especially in PNG, Kiribati, and Solomon Islands

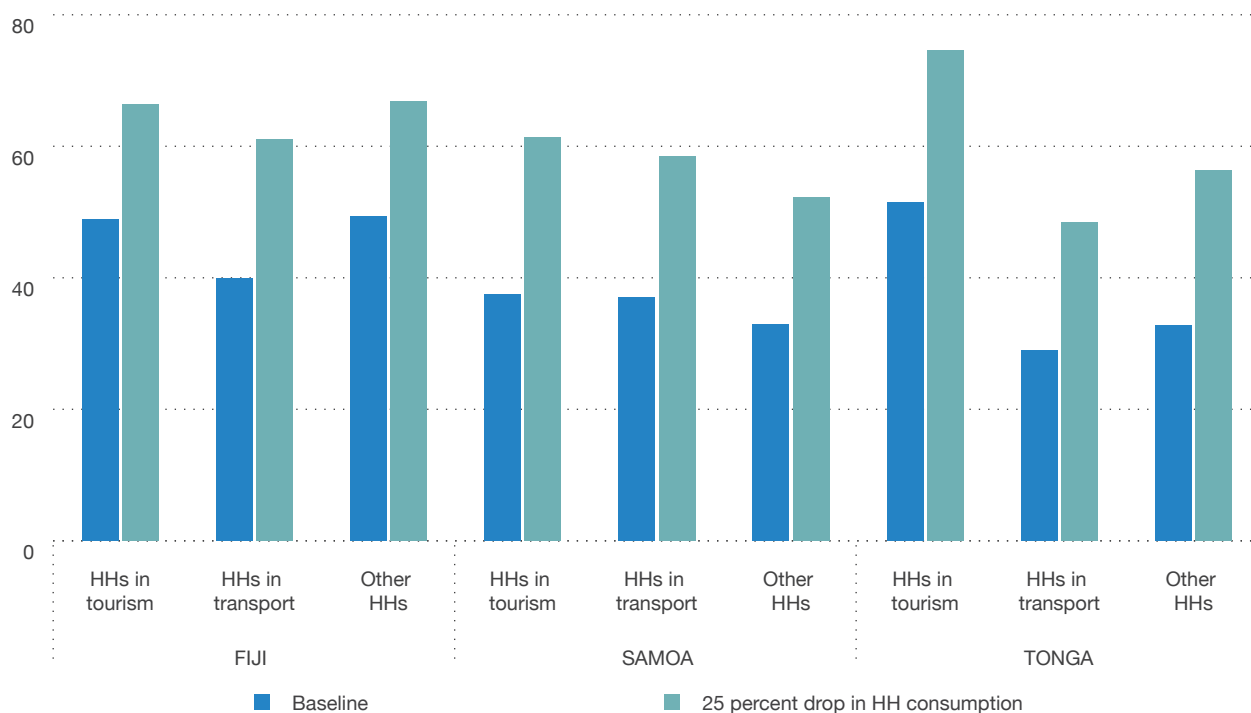
Internet usage (% of population, 2017)



Map based on longitude (generated) and latitude (generated). Color shows details about sum of internet usage (% of population, 2017). Size shows sum of internet usage (% of population, 2017). The marks are labeled by country.

FIGURE 6.

A substantial increase in poverty under an extreme scenario
(percent of households (HH) below the poverty line - US\$5.5 per day)*



Source: World Bank, 2020e.

* HHs in the tourism industry includes those engaged in the accommodation and food sectors.

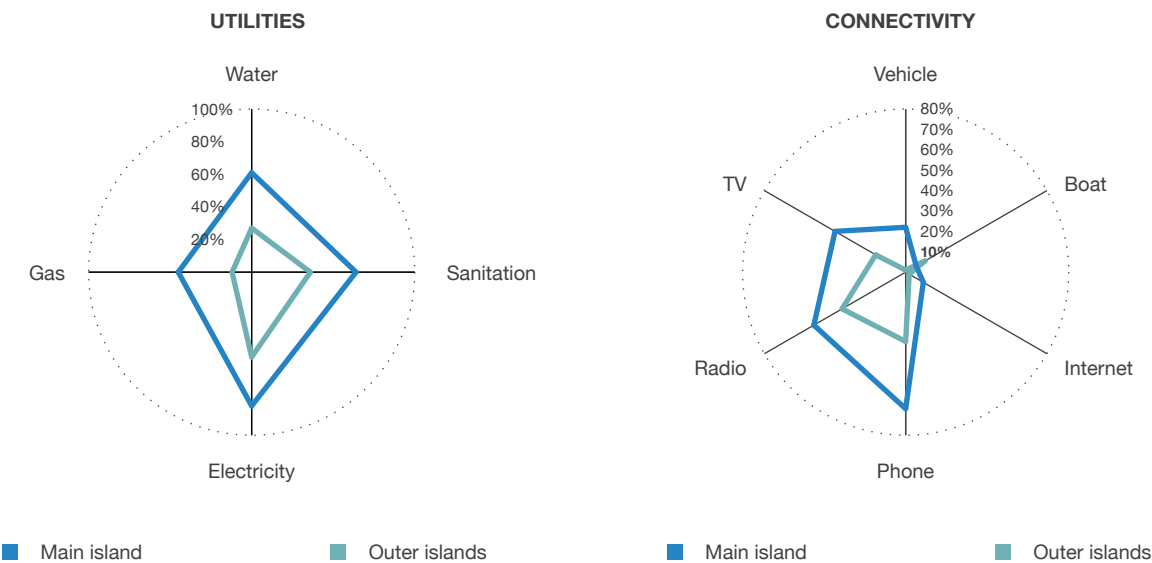
In terms of consumption, subsistence agriculture may act as a buffer for household welfare during the economic downturn. Compared to other sources of livelihood and income, subsistence agriculture is likely to remain resilient to the impacts of COVID-19. Experience during the 1997/98 Asian Financial Crisis showed that millions of urban workers – laid off from construction, manufacturing and services – returned to their villages from which they had earlier migrated in search of better jobs (Warr, 2020). Anecdotal reports suggest the same patterns of movement in the Pacific in response to COVID-19. For instance, about 100,000 Fijians employed in the tourism sector are reported to currently have few other choices but to return to farming on their land.²⁰ During the fluctuation of its mineral boom, agriculture also remained the mainstay of PNG's economy (ILO, 2019).

Movement of urban labor to low-yield, labor-intensive agriculture activities will nevertheless involve a step backwards for many households, with lower income in some cases pushing them into poverty. Many households depend on income from employment or remittances in addition to subsistence agriculture to supplement consumption and increase resilience to shocks (especially considering the vulnerability of agricultural activities to climate-related risks). In addition, in remote outer islands of the PICs in our study, the threat to consumption may be exacerbated by supply chain disruptions to critical imports used to supplement domestic food production. Poverty rates are already higher among households engaged in subsistence agriculture than among other households.

While rural households may be more insulated from the direct impact of COVID-19 shocks, the multi-dimensional poverty consequences could still be high. In urban areas on main islands, where wages and business activity are the most important contributors to income, the impact of COVID-19 on wages and employment is easier to identify. In rural areas on outer islands, reliance on subsistence activity may insulate households from variation in the market forces that affect wage income and formal sector livelihoods. However, given the increasing penetration of the cash economy into these areas, many rural households depend on income tied to COVID-19 impact channels to purchase necessities such as fuel, food items, school fees, and clothing. Additionally, lack of access to basic utilities and critical connectivity infrastructure (Figure 7) is likely to leave rural households disconnected from services that are critical at a time when supply chain disruptions and economic shocks are exerting undue pressure on existing resilience mechanisms. Ultimately, while this lack of connectivity may buffer some of the COVID-19 related shocks, it will also exacerbate the very systems that perpetuate poverty and inequality.

20. <https://www.abc.net.au/news/2020-06-25/fiji-bula-bubble-allow-australians-travel-covid19-pandemic/12393082>

FIGURE 7.
Share of Pacific households with access to basic public services



Source: WB staff estimates based on HIES data.



4. UNDERSTANDING JOBS AT RISK FROM JOB VACANCY ANALYSIS

Against a backdrop of economic contraction and the impact of COVID-19 on employment, job opportunities for Pacific workers may be at risk. Using job vacancy data, this section aims to identify occupations that are at high and low risk in four countries – PNG, Fiji, Samoa and Vanuatu. The findings in this section, generated through analysis of job advertisements from February and May 2020, serve to better understand the impacts of COVID-19 on new hiring. Given the increasing need for virtual work environments in the context of COVID-19, the methodology used takes particular consideration of demand for IT-related jobs. Additionally, the approach aims to better understand issues of structural unemployment by evaluating job vacancy data along skills levels and educational requirements to identify potential skills gaps or mismatches between supply and demand of labor.

Data Sources

It is challenging to access all vacancy data and to obtain good quality data in PICs, especially data that is recent. Data collection methods vary depending on the existing systems of each country, from manually sourcing job advertisement data in Fiji, to obtaining consolidated information from government employment services in PNG. All data sources are job advertisements from February and May 2020 for each country, unless otherwise specified.²¹

Data that was used for this analysis includes:

- **Samoa:** data is based on online job advertisements primarily from the Samoa Public Service Commission. As a result, it illustrates changes in public job demand (with limited data on private sector jobs). The public sector accounts for a quarter of employment (Samoa Bureau of Statistics, 2020). The data set was collected from the Samoa Observer newspaper and Facebook Employ Mai (comprising 5 percent of the sample).
- **Vanuatu:** jobs advertised with Vanuatu Wok (formerly Wokikik) and the Vanuatu Daily Post in the months of February and May 2020. This allowed for a glimpse into the labor demand of employers before and during the onset of COVID-19. It is important to note that data is limited to jobs posted on these two platforms and does not capture the impact of COVID-19 on the country's large informal workforce.
- **PNG:** data from the Government of Papua New Guinea, Department of Labour and Industrial Relations. Analysis covered jobs posted at the National Employment Services and work permit data.
- **Fiji:** job advertisement sources include the Fiji Sun, Fiji Times, and the Fiji Revenue and Customs Service website. The dataset does not cover job advertisements in the Fijian Government Civil Classifieds.

21. There are some caveats: the data might have seasonality in labor demand; and some occupations have very low frequency in job advertisement numbers, such as elementary occupations, which may owe to the fact many low-skilled jobs tend to be informal and are less likely to be advertised. Therefore, these findings can only be interpreted within the context of those jobs that are formally advertised.

JOB VACANCY ANALYSIS: RATIONALE

Job vacancy analysis can be a useful tool in understanding the dynamic relationship between unemployment and labor demand, particularly during a crisis. As job matches are increasingly unraveled across the globe due to changing conditions in an economic downturn, job vacancies can provide a real-time measure of employer demand. Furthermore, using job vacancy data not only provides a diagnostic of the labor market, but also allows for disaggregated information based on geography, occupation group, or skillset. For example, this method has been used to measure the impact of COVID-19 on the US labor market by analyzing the interplay between unemployment data and job vacancy postings. Several studies using this approach have found that while nearly every industry experienced contractions in postings and spikes in unemployment (regardless of essential status or work-from-home capability), the frontline jobs that were most in-demand at the onset of the crisis were impacted much less than jobs in leisure and hospitality services, which saw the biggest collapse (Forsythe et al., 2020).

4.1. Impact of COVID-19 on Labor Demand

Analysis of job vacancies in February and May indicates changes in labor demand as a result of COVID-19. While the majority of occupations across the four countries saw an overall decline in the number of jobs advertised, changes varied across occupational groups and skillsets. For PNG, job advertisements contracted by 76 percent in May compared to February 2020,²² with professionals, managers, clerical support workers and trades workers seeing a sharp drop in job advertisements (Figure 8a). Similarly, the overall number of jobs advertised went down in Vanuatu, with technicians and associate professionals having the largest reduction (Figure 8b). New hiring declined across major occupations in Fiji, and new demand for service and sales workers dropped sharply (by 74 percent) – suggesting bleak prospects for hard-hit services and tourism sectors in the short-term (Figure 8c). Samoa also saw a sharp drop in new hiring of service and sales workers, along with clerical support, technicians, and associate professionals (Figure 8d).

For Fiji, a rise in crafts and trades demand suggests that businesses undertook repairs and maintenance work during this period, a trend also evident in the US. The most common jobs sought were laborers (trades people and plasterers) and bakers, followed by a mix of carpenters, plumbers, block and tile layers, and welders. The total value of private building and civil work declined by only 6.7 percent in the first quarter of 2020, compared to the same period in 2019.²³ This is a small fall compared to nearly a 30 percent drop in cement demand during the same period. Close to 70 percent of work was conducted in the private sector. Fifty-four percent of construction work was conducted on new buildings and capital repairs, which had only a small decline of 3.5 percent, compared to the same period in 2019. Thirty-six percent of construction work undertaken was for civil engineering works, which declined by 11.8 percent compared to the first quarter of 2019.

Job vacancy analysis in Vanuatu and Fiji indicates a small shift in the qualifications in demand – with an emphasis on business, economics, and management. While business qualifications were also prevalent before COVID-19 in Vanuatu, there were higher concentrations of administration and STEM-related qualifications in job ads such as engineering in February compared to May 2020 (Figure 9a).²⁴ For Fiji, analysis of qualification requirements in job ads reveals sustained hiring for those with accounting and management education backgrounds, along with increasing demand for marketing and finance qualifications and declining demand for business and engineering qualifications (Figure 9b).

In Vanuatu and Samoa, the number of job vacancies for professionals increased as a result of COVID-19. For Vanuatu, job advertisements for professionals as a share of total jobs advertised increased by 13 percentage points between February and May 2020 (Figure 10).

22. This could be influenced by seasonality in labor demand.

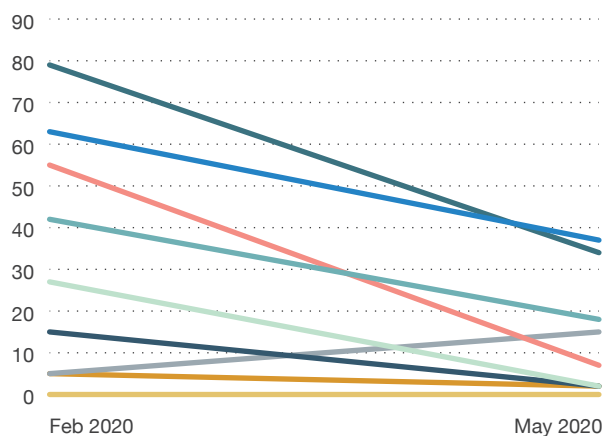
23. Fiji Bureau of Statistics (2020). Wholesale and Retail Trade Statistics – March quarter 2020
<https://www.statsfiji.gov.fj/index.php/statistics/social-statistics/employment-statistics44>

24. These findings are indicative, due to the small size of the Vanuatu dataset.

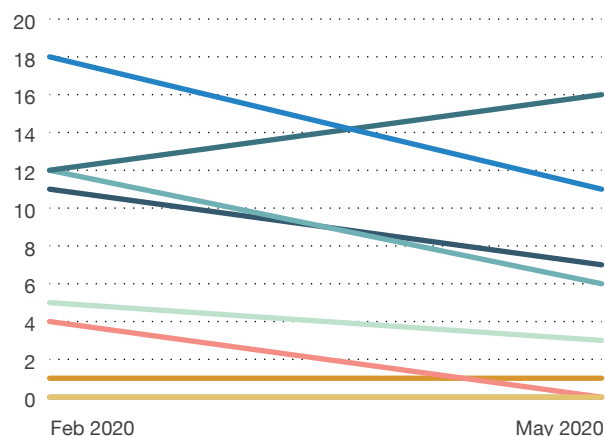
FIGURE 8.

Changes in labor demand in May compared to February 2020

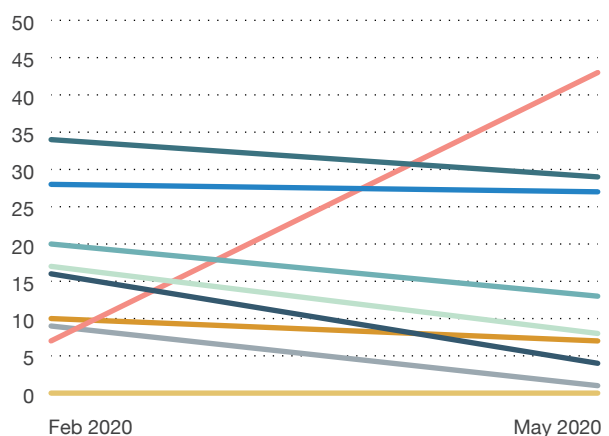
(a) PNG: New hiring of managers, professionals and clerks fell sharply



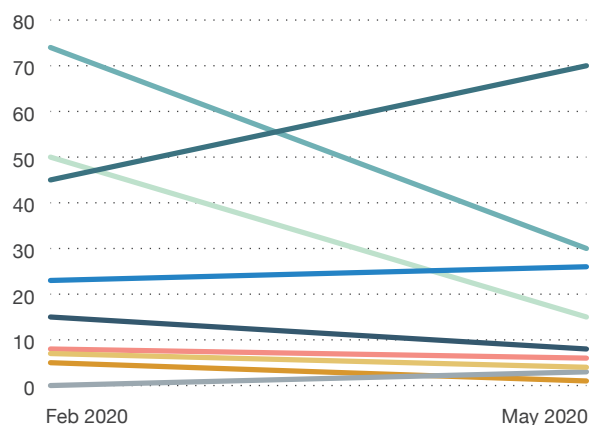
(b) Vanuatu: COVID-19 onset has reduced job advertisements across almost all occupational categories with the exception of professionals



(c) Fiji: A drop in new services and sales jobs but an increase in craft and related trades jobs



(d) Samoa: Clerical support workers, technicians and associate professionals were most impacted



— Manager
 — Professional
 — Technicians and associate professionals
 — Clerical support workers
 — Service and sales workers

— Skilled agriculture, forestry, fishing
 — Craft and related trades workers
 — Plant and machine operators
 — Elementary occupations

Sources: Various, refer to subsection 'Data Sources' (2020).

Note: Graphs cannot be compared due to differences in total number of job advertisements (LHS).

(a) Vanuatu



A word cloud featuring various business and management-related terms. The most prominent words are 'Management' in large blue letters, 'Business' in large orange letters, and 'Economics' in large black letters. Other visible words include 'Law', 'Social', 'Accounting', 'Security', 'Administration', and 'Science' in smaller sizes and colors like orange and black. The words are arranged in a dense, overlapping cluster.

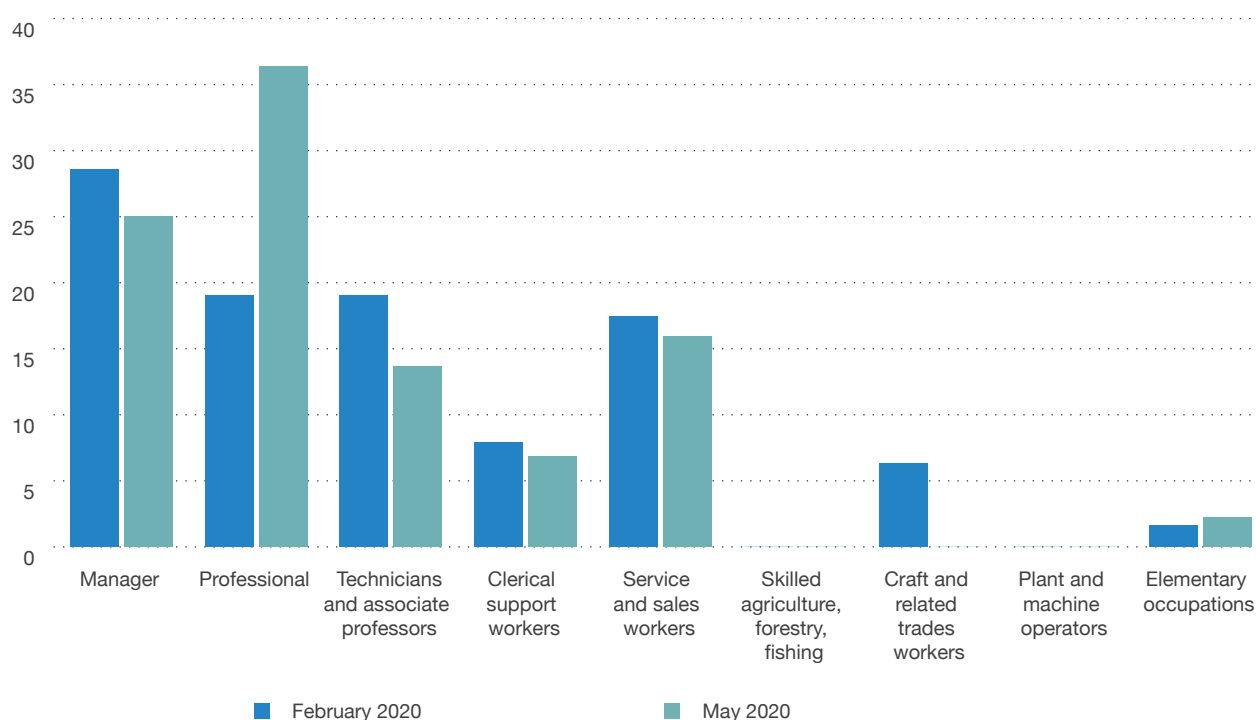
(b) Fiji



May 2020

FIGURE 10.

Vanuatu: Professionals and managers make up 70 percent of all jobs advertised post-COVID-19



Source: Refer to Data Sources in Section 4.

Advertisements for high-skilled jobs, such as managers and senior officers remain prevalent. For PNG, high-skilled jobs account for half of total jobs advertised both before and after COVID-19. Business, administration, management, and accounting were identified as continued areas of demand, along with health, science, law, and finance. Job titles in Vanuatu also continue to focus on managers and senior level officers, with advertisements for managers and professionals comprising 70 percent of all jobs advertised post-COVID-19 (Figure 9). Senior positions also remain in demand in Samoa, particularly in project management, monitoring, administration, education, and finance. In Fiji, the most sought-after jobs remain managers and senior officers, followed by assistants, administrators, auditors, and maintenance-related positions, perhaps benefitting from high telework ability.

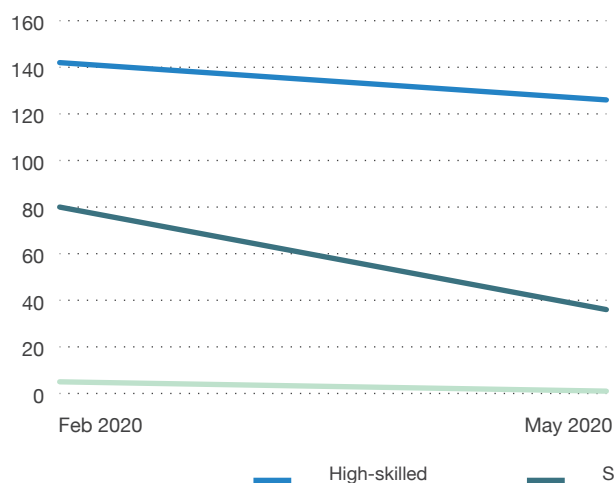
The share of semi-skilled job postings dropped substantially as a result of COVID-19. Job vacancy analysis in Samoa reveals a disproportionate decline in demand for semi-skilled workers – from 80 to 36 positions (Figure 11). In PNG, the share of job advertisements for semi-skilled workers such as trades workers and clerical support workers also fell sharply, perhaps owing to jobs requiring travel, face-to-face interactions with clients, or difficulties in arranging remote work in a low digital service environment. In comparison, elementary occupations²⁵ and machine operators appear to have been relatively less affected,²⁶ meaning that new hiring of high- and semi-skilled workers contracted more than that of low-skilled workers (Figure 12).

25. Such as cleaners, food preparation assistants, laborers in mining or construction.

26. A relative increase in demand for plant and machine operators, assemblers and drivers is due to mostly planned rehabilitation work at Wewak Hospital in East Sepik.

FIGURE 11.

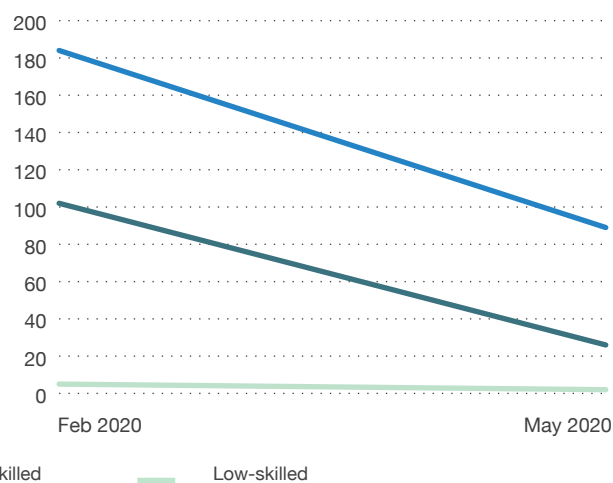
Samoa: Larger reduction in the numbers of jobs in semi-skilled positions



Source: Refer to Data Sources in Section 4.

FIGURE 12.

PNG: Low demand for high- and semi-skilled workers



Source: Refer to Data Sources in Section 4.

Vanuatu had a similar experience to PNG in terms of reduced demand for high- and semi-skilled labor, but the proportion of high-skilled labor remained constant compared to the total number of jobs advertised. It is likely that the necessity to work in virtual environments harmed semi-skilled occupations that had less ability to adapt in comparison to high-skilled occupations.

Although the data suggests demand for low-skilled labor has remained relatively constant throughout this period, this is likely to be the result of the fact that employers are less likely to advertise for low-skilled positions, relying instead on word of mouth etc.

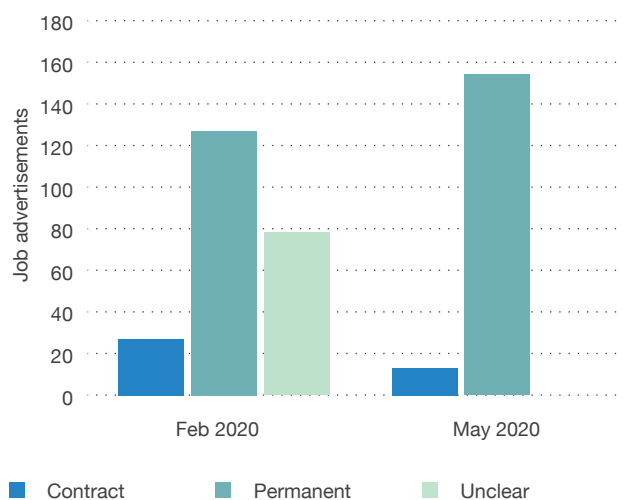
Public sector employment may be affected by the redirection of fiscal policy and funding towards COVID-19 response measures. For Samoa, where the government has had to respond to the dual shock of COVID-19 and an earlier measles outbreak, lower demand for clerical support and service workers in the public sector may be indicative of the government's fiscal constraints. Furthermore, hiring for permanent public sector jobs²⁷ has mostly occurred in the country's capital (Figure 13). The government's stimulus package is expected to assist those reliant on income from agriculture and the informal sector. In Vanuatu, job vacancy analysis reveals that job advertisements in the private and public sectors fell equally (Figure 14).

27. This needs to be interpreted with care as there are close to 80 positions not classified.

FIGURE 13.

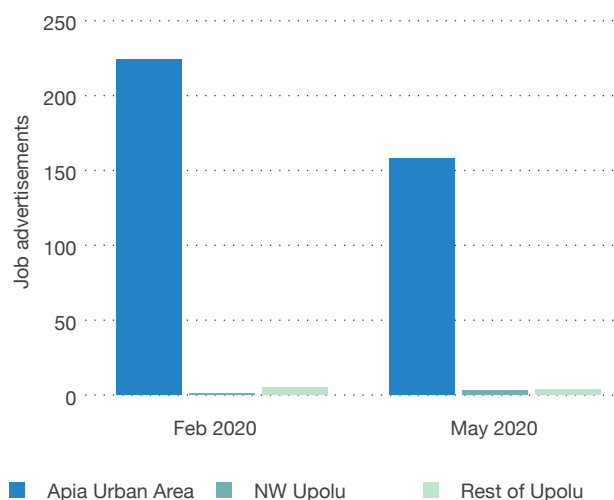
Samoa: Large majority of public sector jobs are permanent and in the capital city

Number of job advertisements by job length
February and May 2020



Source: Refer to Data Sources in Section 4.

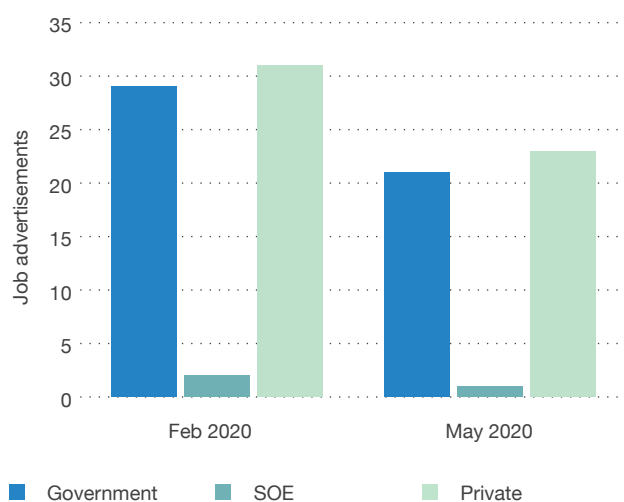
Number of job advertisements by location
February and May 2020



Source: Refer to Data Sources in Section 4.

FIGURE 14.

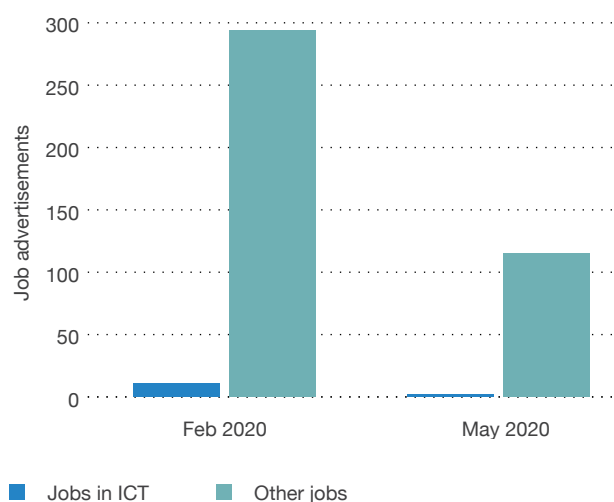
Vanuatu: Even decline of private/public sector occupations during COVID-19



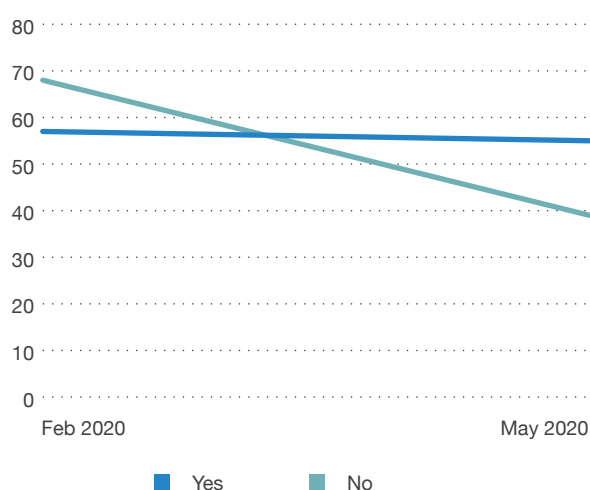
Source: Refer to Data Sources in Section 4.

FIGURE 15.

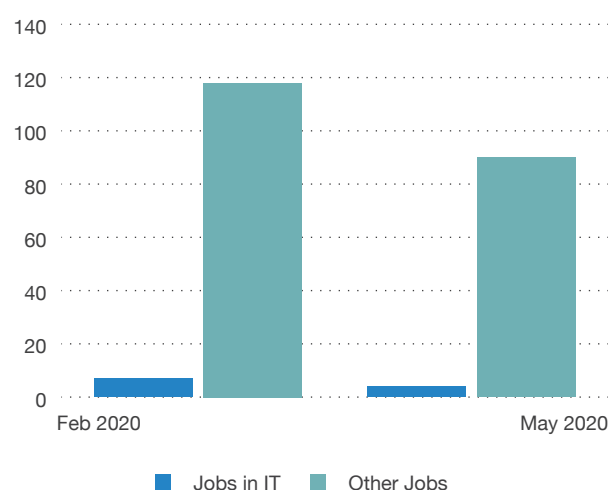
PNG: Number of job advertisements in ICT (February and May 2020)



Source: Refer to Data Sources in Section 4.

FIGURE 16.**Lower number of jobs in ICT in Fiji****(a) Number of job advertisements requiring ICT skills**

Source: Refer to Data Sources in Section 4.

(b) Number of IT jobs advertised

Source: Refer to Data Sources in Section 4.

4.2. IT Jobs in the COVID-19 Era

The implementation of social distancing measures points to the importance of facilitating the digitization of work wherever possible. In the COVID-19 era, jobs that can be carried out with low physical proximity and the ability to work-from-home are most suited to current conditions. Therefore, there is an increasing need for companies and workplaces to shift towards the digitalization of work. Analysis of the prevalence of IT jobs being advertised can serve to illustrate how PIC economies are confronting this process.

Low numbers of ICT job vacancies indicate potential obstacles to the digitalization of work. In PNG, a small increase in the numbers of ICT job advertisements was expected to occur as companies adapted to COVID-19 scenarios. However, this was not yet noticeable in the May 2020 data (Figure 15).

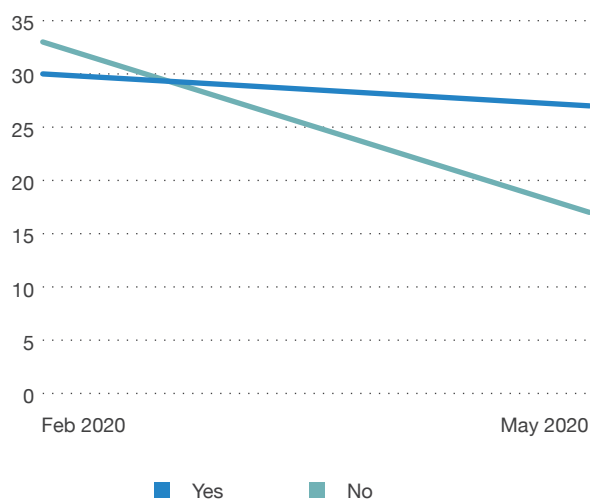
In Fiji, the number of jobs requiring IT skills remained stable, while those that do not require IT skills fell, reflecting the rising need for telework or remote work (Figure 16a). Nevertheless, there has been no increase of new hiring in IT-specific jobs suggesting that the IT industry is still at the nascent stage (Figure 16b). As in Fiji, job titles with 'Information Technology' or ICT are few in Samoa – 5 out of 227 in February – and 8 out of 165 in May.

Despite advancements in digital infrastructure, companies unable to utilize these advances to adapt to current public safety precautions are being left behind. In Vanuatu, telecommunications sector data from 2019 suggests a transition toward a more digitized economy. There have been increases in international bandwidth of 17 percent compared to 2018, mobile data subscriptions are up 52 percent, mobile data downloads have increased 222 percent, and mobile data revenue has risen by 83 percent. (TRBR, 2019). Notwithstanding this, the lack of job advertisements for IT specialists or roles requiring IT skills suggests a limited transition among workplaces (Figure 17).

FIGURE 17.

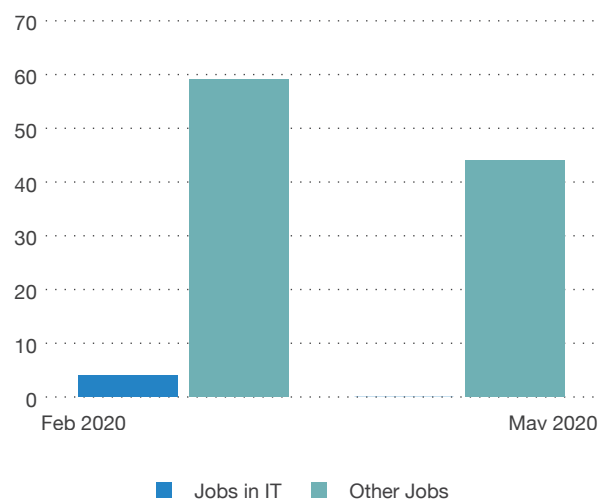
Prevalence of IT jobs being advertised in Vanuatu

(a) Number of job advertisements requiring IT skills



Source: Refer to Data Sources in Section 4.

(b) Number of IT jobs advertised

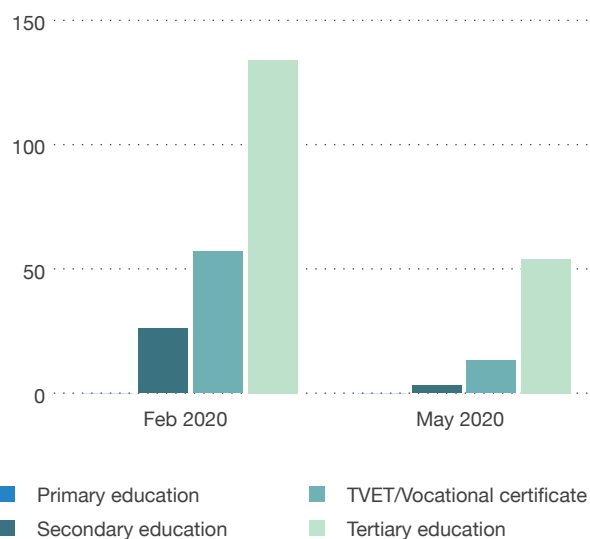


Source: Refer to Data Sources in Section 4.

FIGURE 18.

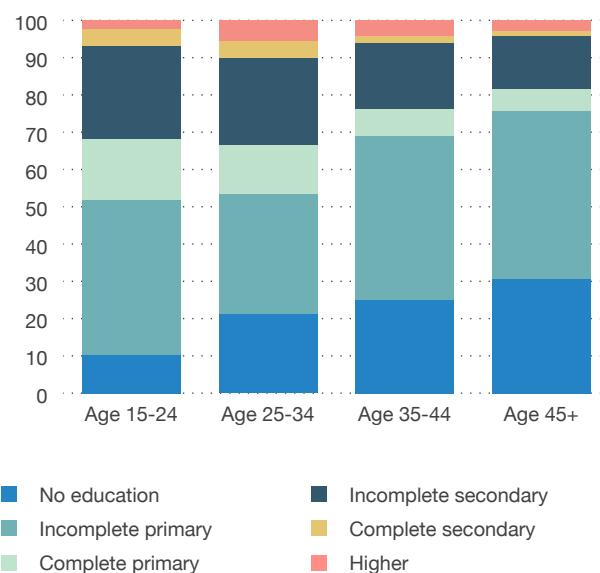
PNG: Mismatches between demand and supply of labor

(a) Jobs advertised mostly require TVET, Diploma, Certificate or Tertiary qualifications



Note: Large number of missing or not specified observations
88 observations for February 2020 and 47 for May 2020.

(b) Workforce tends to be low-skilled

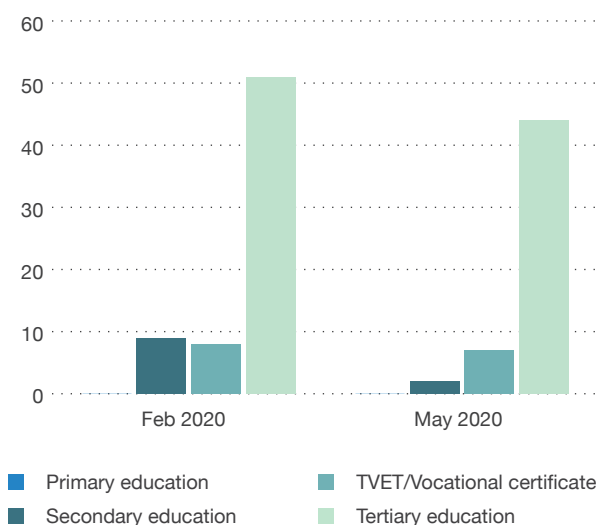


Source: Demographic Household Survey, 2018.

FIGURE 19.

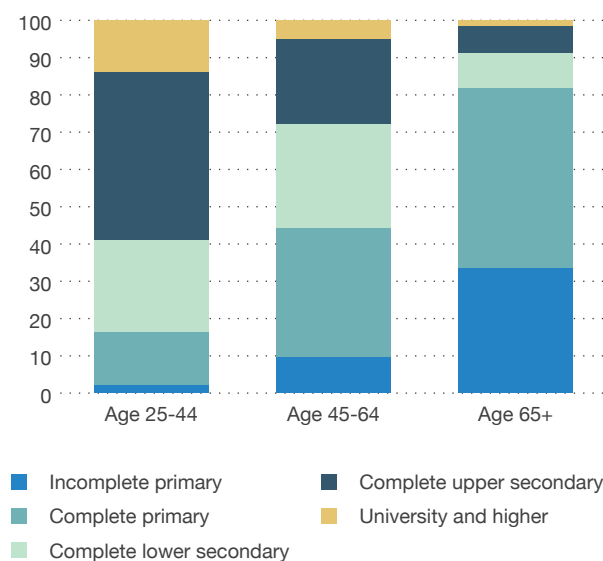
Fiji: Most jobs required tertiary education prior- and post-COVID-19

(a) Number of job advertisements requiring IT skills



Source: Various, refer to subsection 'Data Sources' (2020).

(b) Highest level of educational achievement by age (2014/15)

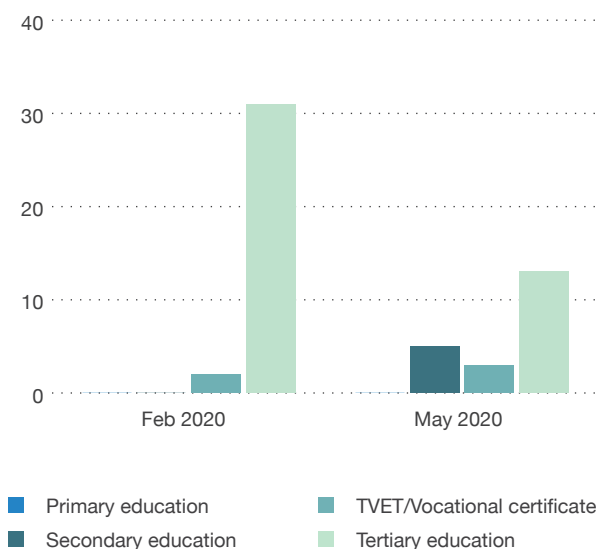


Source: Household Income and Expenditure Survey, 2014-2015.

FIGURE 20.

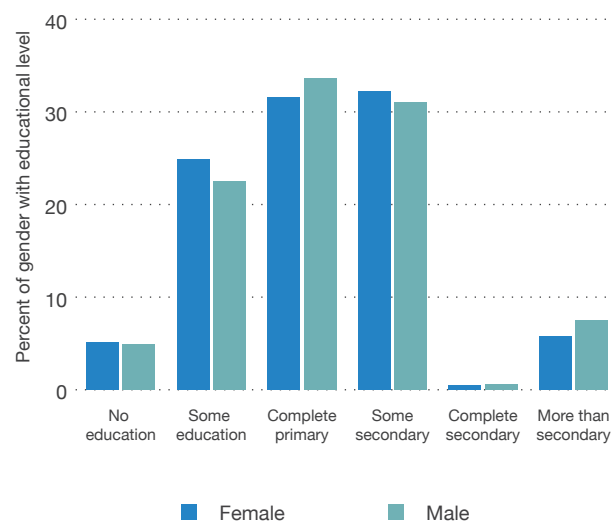
Education preferences in vacancies not aligned with ni-Vanuatu labor supply

(a) Number of job advertisements by qualification requirements



Source: Various, refer to subsection 'Data Sources' (2020).

(b) Educational attainment gender



Source: Demographic and Health Survey 2013.

4.3. Skills Gaps in the Labor Market

There is an indication of potential mismatches between demand and supply of skilled labor. In PNG, most jobs advertised in February or May 2020 required at least TVET qualification (Figure 18a). However, the majority of the workforce in PNG has not completed secondary education and would not be able to apply for the jobs being advertised (Figure 18b). In Fiji, most jobs advertised continue to require a tertiary education, suggesting skills gaps in the labor market (Figure 19a). While Fiji has a relatively well-educated population compared to other PICs, tertiary education holders in the economically active group (aged between 25 and 44 years) are limited in numbers, according to Demographic Household Survey 2018 (Figure 19b). A similar mismatch persists in Vanuatu, where the majority of job vacancies posted by employers require tertiary education. While qualifications in Vanuatu appeared to have lowered to secondary education and TVET certification for a handful of postings during the global pandemic, most sought-after jobs remained inaccessible to the majority of the ni-Vanuatu workforce due to skills shortages (Figure 20). It is important to note that the data used in this analysis is limited to those jobs that were formally advertised, meaning that informal sector demand has not been fully captured.

Persistent skills gaps in the labor market can exacerbate unemployment and reduce livelihoods. The aforementioned potential mismatch between the demand and supply of skilled labor provides a partial explanation for the high rates of formal sector unemployment in PNG, especially amongst youth, and is a feature of labor market demand that appears unchanged as a result of COVID-19. In Fiji, persistent skills gaps indicate that many secondary or lower education holders have limited opportunities or are likely to be informal workers. The same is true in Vanuatu.

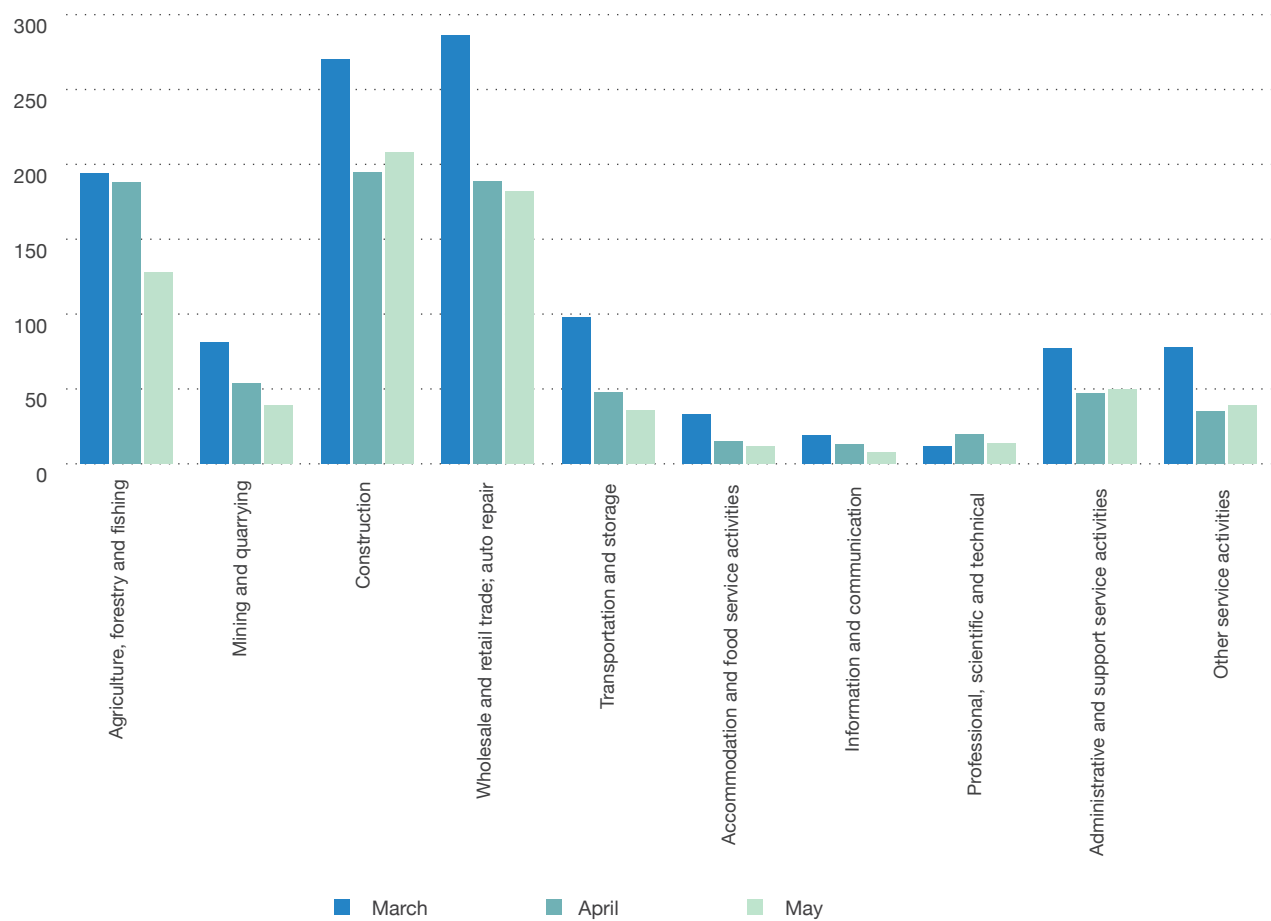
In PNG, skills gaps in the domestic labor market continued to be filled by foreign workers during the pandemic. The number of work permits issued to foreign workers in May was far higher than the number of jobs advertised. The construction, wholesale/retail trade, agriculture, forestry and fishery sectors remained prominent industries for hiring foreign workers (Figure 21). Nevertheless, all these sectors saw drops in May compared to March, notably in the mining and quarrying sector (51 percent) and the tourism-related sector. Difficulties in bringing in new foreign workers due to travel restrictions is likely to further constrain business activity. Investment in training (upskilling and reskilling of the workforce) during the recovery phase could help ease these constraints.

The analysis presented corroborates the consensus that investment in skills development remains a priority. For example, this sub-section shows the prevalent skills mismatch hindering employment opportunities for the ni-Vanuatu labor force and stagnating economic growth. Investing in public education and health to increase skill levels will allow for a higher proportion of the population to have access to improved and stable incomes. Training programs emphasizing digital literacy will further enhance opportunities. Moving forward, addressing the vulnerability of those in the informal sector will remain a challenge given the absence of formal social safety nets, and one that is of high importance for human capital development.

FIGURE 21.

In PNG, work permits are mostly being issued in the construction, wholesale/retail trade, and auto repair industries

Number of work permits issued



Source: Refer to Data Sources in Section 4.



5. EMERGING DOMESTIC JOB OPPORTUNITIES IN THE COVID-19 ERA

Despite detrimental impacts on employment, the unprecedented disruption caused by COVID-19 has set the scene for some emerging job opportunities for Pacific Island workers. These opportunities can be broadly categorized into two groups: one involves the reallocation of human resources within an economy so as to reduce the extent of job losses induced by the crisis; the other involves the creation of new jobs that have arisen from restricted mobility and the potential ‘new normal’ after the pandemic.

5.1. Reallocation Opportunities within Domestic Labor Markets

There is the potential in PIC economies for labor to be reallocated from hard-hit sectors such as tourism to other sectors, including essential service activities where workers have related skills in providing personal care services. Workers employed in the largest five occupations in the accommodation and food services industry – waiters, kitchenhands, chefs, sales assistants, bar attendants and baristas – may have the necessary skills to switch to a wide range of jobs that support important services during COVID-19.²⁸ There are examples of such re-deployment in Australia, where a supermarket chain and a telecom company have hired furloughed workers from movie theatres, apparel and aviation sectors. Similar reallocation has also occurred in China and the US. In PNG, on the other hand, most of those workers who reported changing jobs in response to COVID-19 took up new employment within the same sector (Himelein et al., 2020).

Domestic labor could be used as a substitute for foreign workers in the construction industry. Donor-funded infrastructure construction including roads, ports and airports – as well as reconstruction and repair activities for housing, public buildings, and schools after Cyclone Gita and Harold in Samoa, Tonga and Vanuatu – are expected to be important sources of job creation and economic growth going forward (World Bank 2020).

Yet, border closures have led to a shortage of international workers for those projects (as well as a shortage of imported materials and machinery in some cases). Even after borders open, foreign workers might be disinclined to travel for fear of infection. This presents a substitution opportunity for domestic workers, provided appropriate reskilling and upskilling takes place.²⁹

For these opportunities to materialize, regulation guidelines and training is critical. Ultra-short courses may be sufficient to support displaced workers to move into new jobs that require skill sets similar to their existing ones. Data from Fiji and Samoa, for instance, shows that most tourism sector workers engage in three main sub-sectors: accommodation, road transport, and food and beverage (Table 3). Such workers are likely to already have the necessary skills to perform jobs in healthcare, cleaning, and retail customer services. Since most jobs in these sub-sectors cannot be performed remotely, additional training related to hygiene management and workplace health and safety could prove useful, not only to make furloughed workers more employable amidst the pandemic but also to minimize infection risks.³⁰

28. Such as checkout operators and office cashiers; commercial cleaners; food and drink factory workers; packers; pharmacy sales assistants; shelf stackers; store persons; truck drivers; couriers; stock clerks; hospital orderlies; aged and disabled carers; nursing support workers; personal care assistants; telemarketers; call center or contact center operators. This is according to the Job Outlook of the Australian Department of Employment, Skills and Employment (DESE).

29. Expansion in domestic production of some materials for the construction industry could create jobs and develop the domestic manufacturing sector, although this is unlikely to be viable in the medium-term, given the substantial investment in education, infrastructure, and technology needed. This strategy will be less feasible in smaller PICs, especially in atoll states where land and material resources are limited.

30. As found in Australian DESE's Job Outlook.

TABLE 3.
Distribution of employment in the
tourism sector by sub-sectors (percent)

SUB-SECTOR	FIJI	SAMOA
Accommodation for visitors	24.8	39.6
Food and beverage serving activities	19.2	22.8
Road passenger transport	36.4	29.5
Water passenger transport	3.7	5.1
Air passenger transport	5.6	-
Transport equipment rental	-	2.4
Cultural activities	9.6	-

Source: ILO (2020b).

Note: The distribution does not always sum to 100 due to the exclusion of unreliable estimates. Estimates are based on Fiji 2016 LFS and Samoa 2017 LFS.

The substitution of foreign workers in the construction industry, however, is likely to require substantial upskilling/reskilling. In PNG, for instance, most foreigners in the construction sector work as managers, technicians, and skilled trade workers and there is a severe shortage of these high-level skills in the local labor force (Voigt-Graf, 2016).

Given the uncertainties surrounding economic recovery, longer-term training could focus on universal skills, such as digital literacy, problem solving, social and emotional skills, and other generic workplace/managerial skills. There is a common perception among employers in PICs that such skills are lacking in the workforce, especially among graduates (World Bank 2020g). Incorporating soft skills development into training courses can therefore be considered a ‘no-regrets’ measure, which leads to positive outcomes irrespective of what path economic recovery takes.

Training initiatives should also cater to new labor force entrants. Unlike displaced workers, the ‘COVID generation’ of tertiary graduates and school leavers has yet to obtain work experience and job-relevant skills through employment. This lack of experience, coupled with low relevance and quality of many training programs, as well as generic workplace and business skills, puts these youth at a disadvantage when competing against veteran workers in the context of soaring unemployment. Lowering their entry point into the labor market also has the potential to lead to poorer long-term employment and earnings prospects. In extreme cases, prolonged unemployment might discourage participation in the labor force all together.

Given the need for reskilling and upskilling of the labor force, the next question is, who should provide and fund such training, and in what format? The answers here depend partly on context, including the fiscal capacity of government and the employment prospects of different jobs in each country. The broad-based impacts of the crisis on employment suggest there is a case for the provision of reskilling opportunities at an industry level. Fiscal stimulus packages in PICs to date have focused on relief from the shock but have been silent on active labor market measures.

Given the fiscal constraints in most PICs, public-private collaboration with employers and/or education service providers could serve as a mechanism to provide and finance such training. While laid-off and unemployed workers are unlikely to be in a position to afford training costs upfront, potential arrangements such as income-contingent loans to workers or wage deduction upon successful redeployment could also be explored to reduce the fiscal burden. It is important that PICs set up digital channels to provide upskilling and reskilling training during the COVID-19 era.³¹ Where possible, digital courses could include social learning components and human connections. With support from development partners, efforts could be geared toward developing virtual reality training simulations which could be shared among PICs, once developed.

5.2. Emerging Job Opportunities

Short-Term Opportunities

Across developed countries, COVID-19 has led to increased labor demand in several industries. In Australia, supermarkets, e-commerce, and supply chain businesses have been hiring in large numbers to meet increased demand for truck and delivery drivers, warehouse workers and packers, cleaners, customer service agents, and call center operators. Healthcare, transport and logistics, mining and mining services, manufacturing, agriculture and public services have also experienced higher labor demand.^{32, 33} Similar patterns are also observed in the US, where labor demand remains strong for jobs in nursing, telecommunication software, technical support (including customer relations, IT, supply chain logistics), and essential retail – including pharmacies and grocery stores (Kahn et al., 2020; Forbes, 2020). Much of this hiring has resulted from short-term spikes in domestic demand for essential goods and services in response to life under quarantine and is unlikely to last after social distancing measures ease. Some, however, reflects more permanent structural economic change. Both cases present employment opportunities in the short-term.

Medium-Term Opportunities

The most prominent labor-market trend that has emerged out of COVID-19 is the swift and substantial adoption of remote working across countries and most industries.³⁴ The prevalence of home-based work has led to a surge in demand for telecommunication services, infrastructure and devices, which in turn presents employment opportunities in these industries in the short- and medium-term. More importantly, the higher-than-expected feasibility and productivity of remote working could lead to a more fundamental shift in business models.

This trend, if it materializes, could allow Pacific workers to surpass geographic borders – both domestic and international – and be employed remotely. The trend could also enable domestic employers to access non-local talent at lower costs and significantly save on rent and other overheads by reducing or giving up physical office space. Industries that have the highest share of jobs that can be performed remotely and hence are most likely to benefit from this remote adoption are: (i) educational services; (ii) professional, scientific, and technical services; (iii) management of companies and enterprises; (iv) finance and insurance; and (v) information (Dingel and Neiman, 2020). The trend, however, cuts both ways; qualified Pacific workers may find themselves vying for the same jobs as workers elsewhere.

31. For instance, France has made some 150 new training courses available online and Estonia's public employment service quickly developed e-learning for care workers, in high demand during the pandemic. These actions were undertaken in cooperation with the relevant stakeholders (for further discussion, see OECD, 2020, "Public employment services in the frontline for employees, jobseekers and employers")

32. <https://coact.org.au/jobs-that-are-hiring-during-covid-19/>

33. <https://www.forbes.com/sites/ashleystahl/2020/04/01/4-industries-who-are-still-hiring-in-the-midst-of-covid-19/#46ce073315ee>

34. A recent study by McKinsey reports that the world has experienced five years of digital adoption within merely eight weeks since COVID-19 forced a switch to remote working. Source: <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days>

Limited access to telecommunication services remains a key obstacle to the digitalization of work and financial systems in these countries. As discussed, internet penetration remains low. Mobile phone access varies but remains consistently well below the average for middle-income countries, from 17 subscriptions per 100 people in Kiribati, to 64 in Tonga, and 60 in Vanuatu. Internet services on mobile phones are even more limited. Also, while mobile phone costs in some countries (Tonga) are comparable to the average of developing countries in the East Asia and Pacific region, costs are twice as high in others (Samoa, Kiribati, Vanuatu), which reduces the ability of low-income households to use phone services.

The digital divide within countries can also be drastic across both regions and income groups. For instance, in Kiribati, the mobile network is unavailable in many outer islands, resulting in less than 7 percent of households with internet access as of June 2018.³⁵

The high cost of subscribing to broadband or accessing mobile cellular services is likely to weaken low-income households' access to broadband internet. For instance, the prices of fixed-broadband service are equivalent to 2 percent of Gross National Income (GNI) per capita in Tonga, 12 percent in Samoa, 66 percent in Kiribati (UN ESCAP 2016); and by 2017, 41 percent of the population have access to internet in Tonga as compared to 34 percent in Samoa and 15 percent in Kiribati.³⁶ It is likely those at the higher end of the income distribution and those in urban areas, who have better access to digital resources, are more likely to benefit from any moves towards distance learning and remote working.

The extent that Pacific economies can benefit from the rising digital economy depends largely on the development of sectors that are accepting of home-based work and how workforces adapt to remote working. On the supply side, workers in the seven countries in our study are largely low- and semi-skilled, with limited access to education and training facilities. Less than 10 percent of the working-age population (15+) in PNG, for instance, has completed secondary school. The figures for Fiji, Tonga and Samoa are 25.5, 75.8, and 68.4 percent, respectively (World Bank, 2017b; TSD, 2017; ILO, 2015). Poor education and training quality are also a challenge. Upskilling the labor force, both in technical and soft skills needed to manage digital work arrangements, is therefore vital for Pacific workers to compete and capitalize on the transition to remote hiring and remote working.

35. According to the International Telecommunication Union (ITU).

36. According to the World Development Indicators database.

Tourism has been a significant source of formal sector employment for many PICs. Its potential recovery depends on a range of factors. First, it remains unclear when and how a travel bubble with Australia and/or New Zealand will be established or sustained, given the periodic resurgence of COVID-19 cases in various jurisdictions in both countries. Any bubble established between PICs and Australia and New Zealand could be subject to competition from other potential bubbles. Vietnam and Thailand, for instance, have also considered ways to once again allow travel by Australians and New Zealanders. Second, hotels and tour operators need to reconfigure their business models to adapt to changes in tourist preferences (low contact, smaller groups, and more space). Third, the scarring effects of the pandemic and economic downturn in larger countries, notably in Australia and New Zealand, though also China and the US, which are the main sources of tourists to the region, could impede both the willingness and financial capacity of potential visitors to travel abroad. Fourth, regional airlines are facing significant damages from the prolonged revenue loss, making the resumption of low-cost flights uncertain. Fifth, given heterogeneous capacity to contain and (after lockdown) eradicate the virus across countries, some international mobility restrictions might remain in the coming years. Together, these factors could result in a prolonged downturn in tourism for PICs even after the virus recedes and travel bubbles are established.

Additional donor finance to PICs in response to the pandemic could be leveraged into job creation through economic stimulus packages, provision of social protection services and public work programs, as well as potentially improving the provision of healthcare, education and social protection. There has also been advocacy for digital public works as a cost-effective way to generate income and work experience for disadvantaged workers (Weber, 2020). Digital public works could potentially help to close the digital divide by broadening digital exposure for disadvantaged groups and opening new job opportunities in private markets in communities where they operate. However, to be feasible, such programs require access to adequate ICT infrastructure, which is problematic in the region, especially in rural and disadvantaged areas.

In PNG, the construction boom expected from additional FDI into the resource sector represents a promising source of employment. The implementation of new resource projects (Papua Liquefied Natural Gas (LNG) and Wafi-Golpu) combined with professional, administrative, and support services needed alongside these projects, could generate formal jobs. There are downside risks, however, such as ongoing disputes over the Porgera mine which could weaken investor confidence (World Bank, 2020c). Upskilling of Papua New Guineans is needed to ensure these jobs are filled and to avoid a repeat of the first LNG project, which mobilized significant amounts of semi-skilled foreign labor during the (labor intensive) construction phase of the project.

Long-Term Opportunities

The unique geographical conditions of PICs mean that they are unlikely to follow conventional growth models. Most developing countries start with structural transition from an agriculture-dominant economy to a manufacturing- and then service-oriented economy. This path is less likely for PICs (World Bank, 2017c). A more viable long-term path for Pacific Island states is through industries that generate economic rents, including resource industries (for PNG and Solomon Islands), fishing (Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI) and Kiribati), and industries where they have a niche advantage, such as tourism (Fiji, Kiribati, Samoa and Vanuatu). Of these, tourism and construction within resource industries are more labor intensive.

Future opportunities likely lie in promoting and capitalizing on countries' niche characteristics. Adventure tourism could be a new market where PICs could attract young international tourists, currently not the strongest visitor group to the region. This could open up new jobs related to equipment rental and sports, recreational, and cultural activities. These sub-sectors have been in the minority within the tourism sector, for instance, in Fiji and Samoa. The Pacific's relatively pristine environment could also open up green jobs in fields such as environmental management and solar power – or jobs in the production of goods that could be marketed with a brand premium that leverages on the region's low level of pollution and remoteness. An example is Fiji Water, which has successfully promoted itself as the Earth's 'finest water'. Similar branding could be developed for high-value, low-volume agricultural and forestry exports, such as coconut products, cocoa, indigenous nuts, natural cosmetics, sandalwood, and preserved spices – promoting them as exotic, pure and environmentally friendly (ILO, 2017).

Jobs in human capital fields, including healthcare, safety, and education, are also expected to expand in PICs as in elsewhere in the world. Historical job data from the US suggests that nearly all major areas in healthcare have been growing. This includes a wide range of jobs, from professional specialists (such as anesthesiologists) to care workers (such as nurses and massage therapists), and from medical equipment preparers, to dental hygienists. In PICs, healthcare workers are often in short supply, pointing to employment opportunities and a priority area for investment in education.

Health and education services are likely to also experience a shift toward digital-based delivery as a result of COVID-19. For PICs, where geographical distance is a key challenge in the provision of essential services, there is potential for greater use of telemedicine and remote learning, which could expand employment in the healthcare and education sectors through enhanced access to, and consequently, demand for such services from remote areas. This, of course, requires upskilling of the labor force in terms of digital literacy, remote working and remote delivery of services, as well as considerable investment in ICT equipment and infrastructure.

Projections of long-term job opportunities, like any long-term projections, are informed speculation at best. Their materialization depends on many factors. Some broad patterns of changes in skills demand over time are nevertheless clear. US jobs data between 1980 and 2012, for example, reveals that the labor market increasingly rewards social skills (Deming, 2017). Similarly, The Future of Jobs survey by the World Economic Forum (WEF, 2016) predicted that soft skills, such as those related to persuasion, emotional intelligence and teaching others, would be in high demand going forward. Given the increasingly dynamic labor market and uncertainty associated with how the 'new normal' will look, investment in broad skills such as these, which can be applied across occupations and sectors, is a sound strategy. The same is true in the case of digital literacy. PICs should look to increase investment in such skill areas as part of their longer-term strategy to expand employment opportunities and maximize incomes for their workers, both domestically and overseas.



6. EMERGING JOB OPPORTUNITIES OVERSEAS

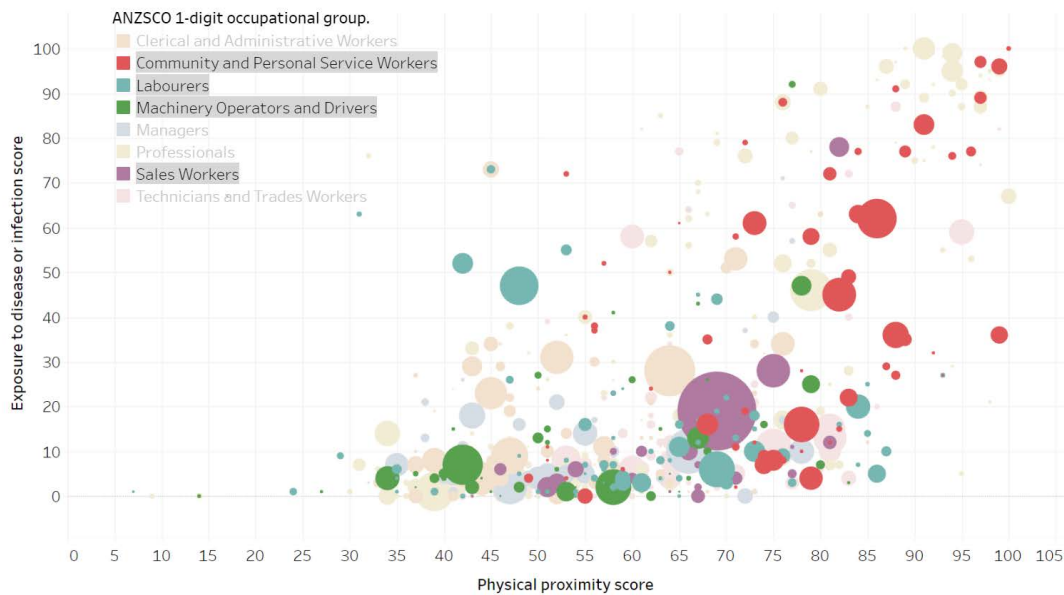
Many Pacific Islanders are employed overseas. Polynesian and Micronesian PICs have amongst the world's highest rates of emigration, with large diaspora populations living overseas. These features have also led to remittances being an important source of income. Seven of the top ten remittance recipients, by share of GDP in the East Asia and Pacific region, are PICs. The vast majority of Pacific Islanders living overseas reside in one of three countries: Australia (28%), New Zealand (32%) or the United States (30%). Migration has often taken the form of special pathways available to PIC citizens. For example, Compacts of Free Association (COFA) allows citizens of the Marshall Islands, Micronesia and Palau to benefit from open access arrangements in the US labor market. Citizens of many Polynesian countries have either open access or special visa arrangements with New Zealand, which also provides pathways to Australia (World Bank, 2017d).

Pacific Islanders living overseas have faced high risks of job/income loss due to the impacts of COVID-19 on labor markets in host countries. This is due to their low education levels and a large reliance on low-skilled and casual jobs that have been severely affected by the crisis. In Australia, for example, laborers, machine operators and drivers constitute between 19-43 percent of the main occupations of Pacific Islanders, compared with only 16 percent on average for Australians. The majority of Pacific Islanders in Australia therefore work in occupations requiring high physical proximity or skill levels that are not easily transitioned into digital or home-office settings (Figure 22 and Figure 23). These occupations are at greater risk of being affected by the COVID-19 crisis.

The pandemic will undoubtedly change future demand for labor across sectors in countries that host Pacific Island workers, with a general slowdown in aggregate economic growth, and with certain economic activities severely restricted. Some sectors will inadvertently be more vulnerable than others to the forced implementation of stop-gap responses designed to control the spread of COVID-19, especially in the short-term. Jobless claims have reached historical highs in the US, while the unemployment rate reached 6.8 percent in August 2020 in Australia, the highest in the last decade, with a significant number of jobs reliant on temporary wage subsidy measures. Low-wage, part-time jobs involving low skill levels have been hit hardest. In the United States, 86 percent of jobs that the pandemic has made vulnerable paid less than US\$40,000 a year. In Australia, job advertisements for sales workers and clerical and administrative workers declined by 20.5 and 31.4 percent, respectively between August 2020 and August 2021, while payroll data shows that the largest declines have occurred in industries that employ large numbers of low-skilled workers, such as accommodation and food services (Figure 24) (Australian Government, 2020). On the other hand, Australian farmers saw acute shortages in labor to harvest perishable seasonal crops which is done primarily by foreign workers.

FIGURE 22.

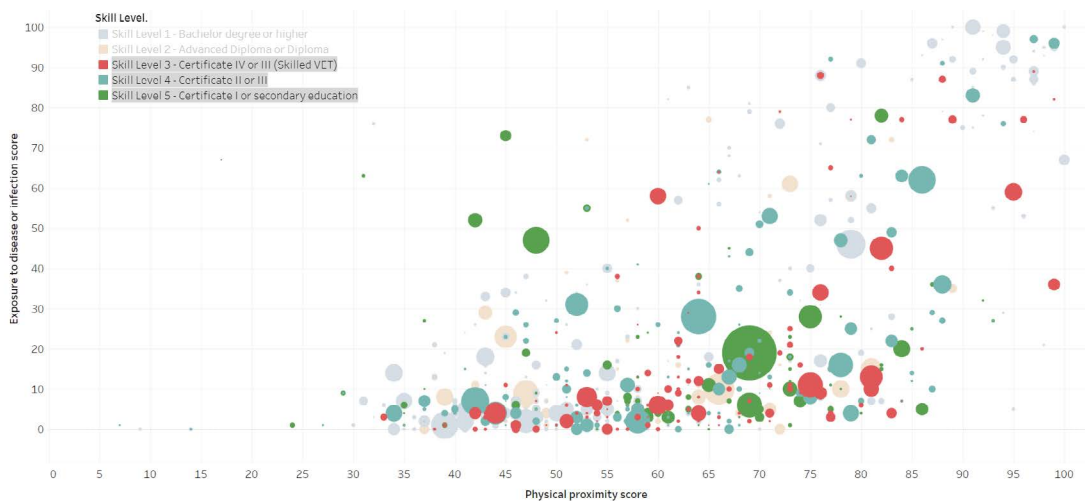
COVID-19 physical proximity score by selected major occupational groups (2020)



Source: Australian Government (2020) Labour Market Information Portal (LMIP).

FIGURE 23.

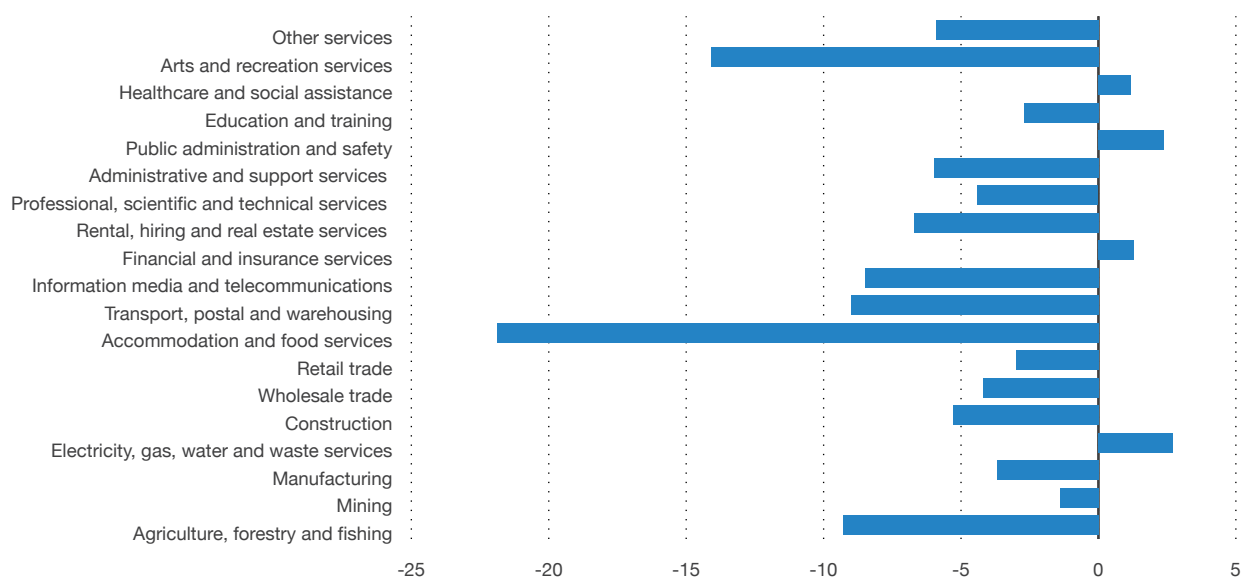
COVID-19 physical proximity score by selected skill level groups (2020)



Source: Australian Government (2020) Labour Market Information Portal (LMIP).

FIGURE 24.

Percentage change in payroll jobs by industry (14 March - 5 September 2020)



Source: Australia Labour Market Information portal.

The medium- and long-term outlook is less clear, given uncertainty around the distribution of a vaccine and associated restrictions designed to control the spread of COVID-19, as well as the potential for structural change that is permanent in nature, such as the shift to home-based work. Furthermore, COVID-19 may push governments to revisit their labor migration policies on who to admit, when and on what terms. On the supply side, prospective migrant workers may also decide to revisit their aspirations of overseas employment in the COVID-19 era. Despite this, a number of long-term structural changes are likely to continue to affect labor market demand in destination countries for Pacific workers.

An aging population and increased demand for home-based care and childcare services will likely see these industries expand over time in all three destination countries. In Australia, employment in the healthcare and social assistance industry over the last two decades has steadily increased, with 1.685 million workers employed in 2018. Australia's Department of Education, Skills, and Employment (DESE) projected that by 2024, the industry would employ an additional 252,000 workers, the majority of whom are likely to be located in New South Wales (89,300), Victoria (65,000), and Queensland (58,300). In terms of skill levels, professionals (those under Skills Level 1 according to the Australian Standards Framework) and support aides (those under Skills Level 3) are projected to be in high demand.

Integration in the global economy, trade patterns and the global trade architecture are likely to also be an important determinant of developments in the labor market, particularly in Australia and New Zealand. The COVID-19 crisis has deeply impacted global supply chains in the short-term, with these effects likely to linger in the medium-term. Long-term impacts on global trade are less certain. Although there has been some discussion in policy circles about increasing self-sufficiency in essential areas (e.g., pharmaceuticals production), there has been minimal policy change to date in this direction. It is likely that the impacts of such measures will be marginal in the long run. This would suggest a continuation of long-term structural changes experienced to date in the labor markets of host countries is likely, including the continued decline of employment in manufacturing and the rise of jobs, both low- and high-skilled, in service industries.

A third factor driving labor market changes in the long-term is digital transformation. An unintended consequence of the COVID-19 pandemic is the accelerated transition towards digital transformation. McKinsey for example has reported that Australians' access to the digital economy has increased due to the pandemic.³⁷ Australians also spent more hours consuming digital content – from social media, to news and entertainment – with the increase in digital activity occurring across all age groups. This change in consumer behavior is a pivotal moment for companies to adapt and will have impacts on the future of work. As previously discussed, virtual or work-from-home arrangements are becoming the 'new normal' for businesses as part of their continuity strategies, especially in the banking and finance, telecommunications, and entertainment industries.³⁸

37. <https://www.mckinsey.com/industries/retail/our-insights/as-physical-doors-close-new-digital-doors-swing-open>

38. <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days>

The impact of the pandemic on Australia's labor outlook poses both challenges and opportunities for workers from PICs. As Australia's international borders gradually reopen, it is likely that access will be given first to countries where COVID-19 has not spread or has been effectively controlled. Most PICs were spared from the effects of the virus. If travel from PICs to Australia and New Zealand is allowed prior to that from other countries, PICs will have the first opportunity to fill the gap in labor supply left by the absence of other migrant worker groups, with visa issuances for foreigners on temporary work and study visas expected to remain at low levels for some time. As such, there is a possibility that low- and semi-skilled labor, supplied previously by foreigners from other regions, may be filled by Pacific Islanders, although there will also be greater competition from Australians given higher unemployment levels.

New job opportunities are likely to arise in a number of industries under existing labor mobility schemes. In horticulture, Pacific Islanders working in Australia under the Seasonal Worker Programme have for some time faced competition from backpackers on Working Holiday Maker visas. These travelers are able to extend their visas after working in a regional area in agriculture (some other industries, such as mining, are also open to visa extensions) (Curtain et al., 2018). With less backpackers in Australia due to COVID-19 (a decline of 39 percent since December 2019), there's more potential for PIC workers to take up agricultural jobs in regional areas under the Seasonal Work Programme (SWP).

For the Pacific Labour Scheme, industries where there is potential for increased employment of Pacific Islanders (including due to lower numbers of other migrant workers) include healthcare and social assistance, agriculture, construction, as well as accommodation and food services. All four industries had been projected to expand prior to COVID-19, although the medium-term outlook for accommodation and food services is less certain now as a result of the pandemic.³⁹ In healthcare and social assistance, clerical and aide work are occupations that are in line with the skills and certification requirements provided through the Australian Pacific Training Coalition (APTC). For construction, there are potential opportunities for manual labor, heavy and civil engineering works, as well as building structure, installation, and completion services.

39. <https://lmip.gov.au/default.aspx?LMIP/GainInsights/EmploymentProjections>



7. CONCLUSION

The COVID-19 pandemic has contracted global economic activities, pushing many countries into economic recession. PICs are no exception. With high exposure to global demand through tourism, commodities, and remittances, PICs are expected to experience a steeper decline in GDP growth in 2020 compared to emerging market developing economies. In tourism-dependent Fiji, Samoa and Vanuatu, international tourism has effectively ceased, and this trend is likely to continue with COVID-19 control measures in place and changing preferences in tourism (e.g., avoiding group tours). Countries are easing lockdown measures cautiously and are projected to recover in 2021 but until a COVID-19 vaccine is distributed widely, uncertainty is likely to remain.

This crisis also poses unprecedented challenges from a social perspective, with a need for expansion of social assistance measures. COVID-19 is likely to exacerbate gender inequality; women are at higher risk of being infected from the virus due to their role as frontline responders within the healthcare system, and of being unemployed, as they are more likely to engage in jobs in the informal sector which require face-to-face interaction. With school closures, children face a loss of learning opportunities, particularly amongst those from disadvantaged and vulnerable groups which tend to have lower access to online learning platforms. This loss will weaken their career prospects and result in widening future income gaps.

Policy Measures and Actions to Address the Challenges

Countries around the world have responded to the employment and livelihood impacts of COVID-19 through a variety of labor market, education and social protection interventions. As of December 2020, for instance, 136 countries and territories have implemented 346 social insurance programs, including paid sick support, health insurance support, pensions, unemployment benefits and social security contribution subsidies/waivers. In addition, 198 active labor market programs, such as wage subsidy, training, and labor regulatory adjustments have been implemented in 107 countries. PICs can draw on measures that have worked in other contexts to inform their own responses.

Employment retention support could moderate job loss. Disruptions to businesses/demand will increase formal sector unemployment to an unprecedented level. It is expected that the global rate of unemployment will reach its highest level since 1965 (World Bank, 2020a). Fiji has already seen unemployment claims rise and new employment contract sharply. Unemployment is likely to be pronounced in the labor-intensive tourism sector and other service sectors (such as taxi transportation and construction). By May 2020, employment retention schemes, such as wage subsidies, had supported about 50 million jobs across OECD countries (Gentilini et al., 2020).

Social safety nets need to be devised to insulate unemployed informal workers. Workers and micro/small enterprises in the informal sector, including youth, will be hit hard. As their employment is not registered, they have no, or at best limited, access to social protection and social safety nets, and are more likely to be excluded from government stimulus packages. Loss of employment during this crisis could push them into poverty. So far, countries have introduced a total of 724 social assistance measures, accounting for more than 60 percent of COVID-19 support measures – most commonly in the form of cash transfers, followed by in-kind transfers and waiving of utility fees or financial obligations (ibid).

Proactive employment services (including training) could help unemployed workers transition to new jobs by expediting labor reallocation from low-demand sectors to high-demand ones. Some examples can be seen in Asian countries such as Indonesia, where the number of subsidized vouchers has been increased for unemployed workers to help with skilling and reskilling. An estimated 5.6 million informal workers and small and micro enterprises affected by COVID-19 in Indonesia will have access to these vouchers. In Malaysia, subsidies for short courses in digital skills have been announced (ibid).

Work-study dual training systems and apprenticeship schemes could be strengthened to help graduates to gain relevant skills. Work-based learning programs offer a valuable opportunity to connect on-the-job learning with related technical in-class studies. During the COVID-19 pandemic, countries continued to promote work-based learning programs by adapting to social distancing measures, and employing distance learning or virtual learning techniques, while assuring financial stability to individuals undertaking work-based learning courses.

The crisis has established remote working arrangements (or telework) as the ‘new normal’, which could lead to new opportunities for Pacific Island workers. By undertaking structural reforms to create more conducive business environments for IT-based service industries, PICs could expand IT-related infrastructure, increase their engagement in the digital economy, and position themselves to export digital services across borders. This transition would help reallocate domestic labor from sectors that require physical proximity, such as tourism and aviation, to emerging services sectors where work could be carried out remotely.

A successful transition to an expanded digital economy rests on upskilling and reskilling of workers. New mechanisms are needed to help workers who have lost their jobs transition into occupations in which labor demand still outstrips supply, and rapidly build the skills needed for these new roles. Examples include: talent exchange platforms, as seen in the US and Australia; the employee sharing plan (between grocery retail companies and hotel/tourism businesses); and the redeployment of seasonal workers among employers under the SWP and the Recognised Seasonal Employer (RSE) scheme in New Zealand.

In the medium-term, increasing capacity of both workers and domestic businesses to adjust and absorb new ways of doing things is key to capitalizing on these opportunities. Potential solutions that governments and business associations could consider include: (i) qualification recognition based on microcredit/short courses instead of degrees in order to better adapt skill-matching to dynamic situations; (ii) encouragement of female participation and the registration of informal businesses in exchange for finance, and fast-tracked issuance of licenses for businesses to expand into related activities (e.g., restaurants providing delivery services); (iii) credit and tax incentives for employers to upskill their employees, especially in the case of micro, small and medium businesses, which account for the majority of private sector jobs in most PICs; and (iv) inclusive skills development training on technical and socio-emotional skills to cope with digital work arrangements. Moreover, when international borders are opened, cross-country coordination to promote the Pacific as a COVID-safe travel destination would help restore confidence for potential visitors.

There will continue to be demand for PIC workers overseas, notably in the agriculture, logistics, and healthcare sectors. During the lockdown phase when most occupation groups reported annual job losses, labor demand in aged care, e-commerce and logistics increased in most advanced economies. COVID-19 has also led to higher digital transactions, which could potentially contribute in the long-term to opportunities for workers in the Pacific in auxiliary services.

TVET providers have an important role to play in developing skills to mitigate the socioeconomic impacts of COVID-19 (Annex). During the recovery from the COVID-19 crisis, TVET institutions in the Pacific should focus on helping laid-off workers increase their mobility to other industries where there is labor demand. Training institutions should scale up investments in flexible and remote learning, establish mechanisms to identify the emerging skills needs of employers, develop training programs in response to these needs (in collaboration with businesses), and design upskilling/reskilling programs. To improve labor mobility, the Australian Pacific Training Coalition (APTC) could play a convening role, in partnership with the Pacific Labour Facility (PLF), so that employers in Australia are both aware of and can more easily identify workers in the Pacific that meet their requirements.

In the short- to medium-term, PICs could respond to Australia's labor demand by undertaking measures to expand participation of their citizens in labor mobility programs, including the Pacific Labour Scheme. Upskilling of workers in areas where there is likely to be demand is an obvious priority. At a technical level, ensuring appropriate accreditation to Australian standards will be necessary in some (but not all) occupations. More broadly, enhancement of 'work ready skills', along with support for engaging with employers and applying for jobs, would help improve the likelihood of Pacific Islanders gaining employment under such schemes. PIC governments could do more to streamline mobilization procedures so that they are responsive and 'friendly' to employers. Marketing and outreach to employers should be developed in the medium-term. Sending countries can also lower labor migration costs by reducing fees for medical exams and shortening deployment-processing time by streamlining procedures.

In the long-term, demand for workers from the Pacific, along with growth of the PLS, will be strongly influenced by Australia's immigration and work visa policies. The onus here is on the Australian government to support its Pacific Step-up⁴⁰ by ensuring that migration policy settings complement and support the desire to grow the PLS and the number of Pacific Islanders working in Australia. Continued dialogue between the Australian and PIC governments, which also incorporates important stakeholders such as Australian employers and training providers in the region, will be crucial for the long-term success of labor mobility from the region to Australia.

40. Pacific Step-up is one of Australia's highest foreign policy priorities, highlighted in Australia's 2017 Foreign Policy White Paper (<https://www.dfat.gov.au/sites/default/files/minisite/static/4ca0813c-585e-4fe1-86eb-de665e65001a/fpwhitepaper/index.html>) and 2016 Defense White Paper (<https://www.defence.gov.au/whitepaper/>) as of fundamental importance to Australia. The Step-up was first announced in September 2016 as a 'step-change' in the way Australia would engage the region, responding to and recognizing the broad-ranging challenges of the region, including: strengthening climate and disaster resilience; sustained economic growth; and support to promote healthy, educated, inclusive populations.



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ANNEX

AUSTRALIAN PACIFIC TRAINING COALITION

The Australian Pacific Training Coalition (APTC) is funded by the Australian government with the aim of improving technical and vocational education in the Pacific region. The center offers 21 courses across seven disciplines in five PICs: Fiji, PNG, Samoa, Solomon Islands, and Vanuatu. Upon completion, participants may receive Certificate Level II, up to diplomas. These certificates and diplomas are recognized by the Australian Qualifications Framework.

Apart from the technical competencies, the center offers a labor mobility track, wherein participants are taught skills that may be needed by overseas employers, including topics on financial literacy and personal well-being among others.

The APTC is also partnering with the Pacific Labour Facility (PLF) of the Australian government to provide workers to businesses located in rural and regional Australia. This provides Pacific Islanders with a gateway to the Pacific Labour Scheme (PLS) and the Seasonal Work Programme (SWP) offered by the Australian government.

To date, the APTC offers the following courses across five campuses. All of the courses offered have a designated Level III Certificate, which is Level 3 according to the Australia Qualification of the ANZSCO Skills Level. To achieve Level 3 status, however, the participant should also have two years of on-the-job training apart from the certificate.

DISCIPLINE	CERTIFICATE	COURSE	FIJI	PNG	SAMOA	SOLOMON ISLANDS	VANUATU
Built Environment	III	Carpentry	x	x		x	x
Built Environment	III	Painting and Decorating	x				
Built Environment	III	Plumbing			x		
Built Environment	III	Wall and Floor Tiling	x				
Community Services	III	Individual Support (Aging, Home and Community)	x				
Education	III	Education Support			x		x
Engineering	III	Air-conditioning and Refrigeration	x				
Engineering	III	Light Vehicle Mechanical Technology	x	x			

DISCIPLINE	CERTIFICATE	COURSE	FIJI	PNG	SAMOA	SOLOMON ISLANDS	VANUATU
Engineering	III	Engineering - Mechanical Trade (Maintenance) Diesel Fitting Pathway	x	x			
Engineering	III	Engineering - Mechanical Trade (Maintenance) Fitting and/or Turning Pathway	x	x			
Engineering	III	Engineering - Fabrication Trade		x	x		
Engineering	III	Electrotechnology Electrician		x			
Engineering	II	Electrotechnology (Career Start)	x				
Fashion	III	Applied Fashion Design and Technology	x				
Hospitality and Tourism	III	Commercial Cookery	x	x	x		
Hospitality and Tourism	III	Tourism					x
Hospitality and Tourism	III	Hospitality	x	x	x		

DISCIPLINE	CERTIFICATE	COURSE	FIJI	PAPUA NEW GUINEA	SAMOA	SOLOMON ISLANDS	VANUATU
Built Environment	III	Carpentry	x	x		x	x
Built Environment	III	Painting and Decorating	x				
Built Environment	III	Plumbing			x		
Built Environment	III	Wall and Floor Tiling	x				
Community Services	III	Individual Support (Aging, Home and Community)	x				
Education	III	Education Support			x		x
Engineering	III	Air-conditioning and Refrigeration	x				
Engineering	III	Light Vehicle Mechanical Technology	x	x			
Engineering	III	Engineering - Mechanical Trade (Maintenance) Diesel Fitting Pathway	x	x			
Engineering	III	Engineering - Mechanical Trade (Maintenance) Fitting and/or Turning Pathway	x	x			
Engineering	III	Engineering - Fabrication Trade		x	x		
Engineering	III	Electrotechnology Electrician		x			

DISCIPLINE	CERTIFICATE	COURSE	FIJI	PAPUA NEW GUINEA	SAMOA	SOLOMON ISLANDS	VANUATU
Engineering	II	Electrotechnology (Career Start)	x				
Fashion	III	Applied Fashion Design and Technology	x				
Hospitality and Tourism	III	Commercial Cookery	x	x	x		
Hospitality and Tourism	III	Tourism					x
Hospitality and Tourism	III	Hospitality	x	x	x		

