STATUS OF LABOUR MARKET IN NAURU: ISSUES AND CHALLENGES.

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EXECUTIVE SUMMARY

Since independence in 1968, the Nauru government and its instrumentalities have been by far the largest employer in Nauru. Nauru has been in financial crisis since 2000. The current Scotty Government has had to introduce drastic measures in order to sustain Government finances and stabilise the economy. Some of these measures have had, and still have, a profound impact on the labour market of Nauru.

In order to enable Nauruan workers to have a regular income the Government is paying each worker a salary of $140 a fortnight. The basic wage was reduced by nearly 65% in the last financial year after two years of Government facing cash shortages to pay full wages - from about $400 a fortnight to $140 a fortnight.

These developments have already resulted in a brain drain for Nauru. Qualified Nauruans have departed for other countries where salaries are much higher. More are planning to make this move. These has resulted in a labour market hierarchy that is bottom heavy with unqualified and unskilled workers.

A big challenge is to develop the private sector to allow Nauruan workers to have alternatives sources of employment.

The Nauru Government has planned the following measures to address these problems:

- Encouraging communities to set up kitchen gardens and other ventures
- Centralising training and recruitment programmes and,
- Sending Nauruans to work in Taiwan.

The Nauru Government hopes that these reforms will lead to a more skilled and diverse labour market that will stabilise the economy and sustain an acceptable standard of living now and in years to come.
INTRODUCTION

This research paper gives a brief overview of Nauru’s labour Market and explains the major factors that have produced this situation.

The island of Nauru is located in the central Pacific Ocean, around 60 km south of the equator. It belongs to the region of Micronesia and its nearest neighbour is Ocean Island (Banaba, part of Kiribati), 330km to the east. Its total land area is 21.1 square km. It is 6 km in length (from the north-east to the south-west) and 4 km in width (from the north-west to south-east), and its circumference measures 19 km.¹ Nauru currently has a population of around 10,649 people.

Nauru is one of the Pacific’s great phosphate islands. Nauru’s only other natural resource is the abundant of fish stocks in the island’s exclusive economic zone. In the period before European arrival, the lifestyle of the small Nauruan population (then around 1,800 people) involved fishing and gathering of food from the island’s fertile centre. The centre of the island has now largely been destroyed by mining, apart from the area around Buada Lagoon, in which small agricultural projects are now being undertaken.

Nauru’s very substantial deposits of phosphate began to be exploited in the early 1900s and phosphate mining has dominated the island’s economy since that time. Throughout most of the period before independence, mining was undertaken by the British Phosphate Commission (BPC), a joint venture of the British, Australian and New Zealand governments. The mine was largely staffed by expatriate workers, with Chinese, I-Kiribati and Tuvaluan miners overseen by British, Australian and New Zealand management. Following independence, the BPC became the Nauru Phosphate Corporation (NPC), which was managed by a Nauruan board but in which mining activity was still largely undertaken by skilled expatriate workers.

Nauru’s geographic isolation, its small size and population and the overwhelming dominance of phosphate mining have produced an economy in which private sector activity is minimal and most activity is centred around government and the government-owned phosphate corporation.

¹ 2002 Nauru Census
After experiencing a period of prosperity and full employment from independence in the 1960s, Nauru’s economy began to decline in the 1990s, with a substantial reduction in the sales of phosphate. Successive administrations borrowed heavily against the Republic’s assets to sustain excessive spending. Nauruan governments showed a chronic lack of fiscal responsibility and accountability and poor use was made of these borrowings. From 2000 onwards, the economic crisis became severe, with government unable to pay regular public service salaries. The Bank of Nauru became insolvent and the financial system collapsed. The Scotty Government, which came into power in 2004, was left with very limited sources of revenue and inadequate funds with which to run the affairs of Government and the services of the country. Therefore, the current Government has had to resort to drastic measures in order to sustain Government finances and stabilise the economy. Some of these measures had, and still have, a profound impact on the labour market of Nauru.
OBJECTIVE

The objective of this paper is to describe the current context of the labour market in Nauru and explain how the current reforms attempts to alleviate the problems and recommend possible solutions to improve the unemployment rate.

COUNTRY PROFILE OF LABOUR MARKET

The population of Nauru

Nauru’s population was last enumerated in the 2002 Census. Using the 2002 results and extrapolating using measured population growth rates, the total population of the Republic of Nauru in September 2006 stands at 10,649 people: 5,434 males and 5,215 females. This represents an increase of 5.8 per cent (584 persons) since the 2002 Census (10,064 persons), and an increase of 7.6 per cent (730 persons) since 1992 (when the population was 9,919). Nauru’s population over the past century has consisted of Nauruans and expatriates from Kiribati, Tuvalu, China and Australia.

Census data shows a higher presence of males (+219) than females in the total population of Nauru, which translates to a sex ratio of 104, which means there are 104 males for every 100 females. In 1992, the sex ratio was slightly higher (105 males as per 100 females). This imbalance reflects the high proportion of single males in the expatriate population brought to Nauru to work in phosphate mining. The sex ratio for the Nauruan citizen population in 2006 (104) shows roughly equal numbers of males and females, with no change since 2002.

A significant change to Nauruan workforce has occurred in 2006, with the voluntary repatriation of I-Kiribati and Tuvaluan workers. “This repatriation is a consequence of the collapse of phosphate mining from 2002 onwards,” which led to the expatriate population of mine workers being effectively stranded in Nauru, with substantial back-salaries owed by the mine. As a result of assistance from the Republic of China (Taiwan), these salaries have now been paid. With assistance from Australia, New Zealand and the Pacific Islands Forum, workers from Kiribati and Tuvalu have been able to return home. Information provided by Nauru Customs and Immigration in August 2006 is shown in the table below. This report shows the number of nationals returning home. The report also shows that a number of

---

2 2002 Nauru Census.
3 Applying the 2002 proportion to 2006 to workout the sex ratio etc.
4 Mr Rominum Dowabobo, 2006 – pers. comm. (Personnel Manager – RONPHOS)
Nauruans left in the repatriation for various reasons, such as inter-marriage to Tuvaluan and I-Kiribati or as dependants of either Tuvaluan or I-Kiribati Nationals.5

**Figure: 1 – Repatriation Report**

<table>
<thead>
<tr>
<th>Tuvalu, I-Kiribati, Nauruan &amp; Others – Repatriation Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuvalu</td>
</tr>
<tr>
<td>Kiribati</td>
</tr>
<tr>
<td>Sri Lankan</td>
</tr>
<tr>
<td>NZ</td>
</tr>
<tr>
<td>Nauruan Nationals</td>
</tr>
<tr>
<td>PRC Nationals</td>
</tr>
<tr>
<td>Est for the next 3 voyages (pending)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

PRC Repatriation (Pending)  
PRC Nationals  

Estimates of Total Repatriation  

| Estimates of Total Repatriation | 1,218 |

Source: Customs and Immigration, August 2006.

The bulk of I-Kiribati expatriates had not yet left Nauru at the time this report was compiled. The repatriation is almost complete, with most I-Kiribati former mine workers have now left Nauru.

At this stage, the Bureau of Statistic has not yet adjusted the 2006 progressive report on the whole population to break up the population between Nauruans and non-Nauruans residing in Nauru, adjusted for the recent repatriation exercise.

**Nauru’s Labour force**

Nauru’s last census was in 2002. Since that time, formal Bureau of Statistics figures on the labour force, employment and unemployment have not been produced. Figures quoted in this paper for 2006 are estimates, derived by applying the 2002 proportions to the 2006 estimates of population.

The figures for labour force exclude everyone between 16 and 65 years of age who attended school or training courses during the reference period, was engaged in housework and caring, or was not engaged in any work (but also did not actively look for work).6

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5 Department of Justice - Customs and Immigration Repatriation report. 8 August, 2006.  
6 2002 Nauru Census.
The category ‘employed’ refers to all persons who had a paid job, persons working to earn money and persons working in activities such as farming, planting, fishing and handicrafts for family consumption or for sale during the seven days prior to the census. All residents not undertaking such activities but who were actively looking for a job either for the first time or otherwise, are defined as ‘unemployed’. (Figure 2).  

On this basis, Nauru’s labour force in August 2006 comprised 3,461 out of a projected 4,512 residents between 16 and 65 years of age, of whom 2,416 are employed and 1,051 are unemployed.8

Figure 2: Nauruan and Non-Nauruan population aged 16 years and over by economic activity status*

*Not include ‘not stated’ cases

Education and training

The Nauru work force can be described as ‘bottom heavy’ or mostly unskilled workers, working in the Public Service and Government Instrumentalities. There are currently limited opportunities for Nauruans to receive training.

- AusAID and the Government of Nauru fund scholarships for a limited number of secondary school students to undertake studies in schools in Fiji.9
- The Republic of China (Taiwan) offers 3 scholarship to undergo studies in Taiwan.

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7 2002 Nauru Census.
8 Applying the 2002 proportion to 2006 to workout the number of Nauruans in Labour force etc.
A small number of students are undertaking tertiary studies overseas, particularly at the University of the South Pacific Nauru Centre.

There are very limited opportunities for vocational training in trade skills. Trade-related training was provided by NPC. Nauru’s only trade school was operated by NPC and was destroyed by fire several years ago. However, AusAID and NZAID are funding a new building for Vocational school. Construction should start off early November.

For the purposes of this paper, a survey was undertaken to investigate the current qualifications within the Nauru work force. The survey targeted the principal providers of employment in Nauru. The survey shows that overall there is a little change in the results compare to the 2002 census. In particular, the number of workers having obtained a diploma and a Degree (undergraduate) has increased by 28 and 3 respectively. The survey showed a significant drop in the number of employees with Secondary certificates and Matriculation certificates, but it should be noted that the major Government departments of Education and Health were unable to provide information on this point, and the survey may thus have understated the numbers of Secondary and Matriculation certificate holders among the employed.

Table: 1 Highest Level of Qualification Achieved

<table>
<thead>
<tr>
<th>Highest qualification</th>
<th>Total</th>
<th></th>
<th>Male</th>
<th></th>
<th>Female</th>
<th></th>
<th>Sex ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>934</td>
<td>100</td>
<td>581</td>
<td>100</td>
<td>430</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Secondary Certificate</td>
<td>307</td>
<td>32.9</td>
<td>152</td>
<td>26.2</td>
<td>155</td>
<td>36.0</td>
<td>98%</td>
</tr>
<tr>
<td>Matriculation Certificate</td>
<td>57</td>
<td>6.1</td>
<td>27</td>
<td>4.6</td>
<td>30</td>
<td>7.0</td>
<td>90%</td>
</tr>
<tr>
<td>Diploma/certificate</td>
<td>87</td>
<td>9.3</td>
<td>17</td>
<td>2.9</td>
<td>71</td>
<td>16.5</td>
<td>24%</td>
</tr>
<tr>
<td>Degree (undergraduate)</td>
<td>18</td>
<td>1.9</td>
<td>1</td>
<td>0.2</td>
<td>17</td>
<td>4.0</td>
<td>6%</td>
</tr>
<tr>
<td>Postgraduate degree</td>
<td>1</td>
<td>0.1</td>
<td>1</td>
<td>0.2</td>
<td>0</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>30</td>
<td>3.2</td>
<td>12</td>
<td>2.1</td>
<td>18</td>
<td>4.2</td>
<td>67%</td>
</tr>
<tr>
<td>None</td>
<td>434</td>
<td>46.5</td>
<td>364</td>
<td>62.7</td>
<td>70</td>
<td>16.3</td>
<td>520%</td>
</tr>
<tr>
<td>Not stated/not applicable</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>1.2</td>
<td>69</td>
<td>16.0</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Data based on survey undertaken for this paper

10 The Table is derive from 2002 Census report - pg 24
Unemployment

In 2004 and 2005, with little or no mining activity taking place, there was a very substantial drop in the mining industry workforce. The numbers of people employed by NPC (later Ronphos) fell by around 1,000 from 1,478 down to 470 workers.\(^{11}\) A significant number of these workers were expatriate workers.

In the 2006-07 financial year, the Government has further reduced the size of the Public sector by either closing agencies altogether or cutting workers down as a cost cutting and efficiency measure. In the 2006-07 fiscal year, this has occurred for the Department of Works, many of whose workers have been retrenched (with others joining a government business enterprise that is now taking on public works) and for the Nauru Insurance Corporation (which is being wound up) and Air Nauru Corporation (which has shed a number of staff).\(^{12}\)

Some of the workers displaced from the phosphate mining industry have found alternative employment with, for example, external organisations such as IOM or projects funded by AusAID. Some have now left Nauru in the repatriation exercise and hence have left the Nauruan workforce. Others may have left the workforce and turned to other sources of income through subsistence fishing.\(^{13}\)

Official Bureau of Statistics figures are not available for the current rate of unemployment. However, an indicative estimate made for the purposes of this paper shows the unemployment rate to have risen substantially as the result of the forced shedding of labour that has occurred with Nauru's changed economic circumstances. Based on the employment survey undertaken for this paper, the unemployment rate is now estimated to be around 30 per cent.

The table below shows the changes in unemployment rate since the last two censuses.

\(^{11}\) Mr Rominum Dowabobo, 2006 – pers. comm. (Personnel Manager – RONPHOS)

\(^{12}\) Republic of Nauru. 2006-07 Budget.
Table: 2 Unemployment rate since the last two censuses

<table>
<thead>
<tr>
<th>Year</th>
<th>Population 16+</th>
<th>Labour Force</th>
<th>Not in Labour Force</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>3,615</td>
<td>2,455</td>
<td>1,160</td>
<td>18.2%</td>
</tr>
<tr>
<td>2002</td>
<td>4,276</td>
<td>3,280</td>
<td>996</td>
<td>22.7%</td>
</tr>
<tr>
<td>Today*</td>
<td>4,512</td>
<td>3,461</td>
<td>1,051</td>
<td>30.0%*</td>
</tr>
</tbody>
</table>

*Source: Bureau of Statistics and author’s survey (*Estimates)*

Sources of employment in Nauru

The principal employers on Nauru today, consist of 4 groups namely, Government, SOEs, and Private and External Organisations. “External organisations” have been classified as those organisations that are present in Nauru as a result of projects undertaken by foreign governments – these organisations include the International Organisation for Migration (IOM) and security, catering and construction companies associated with the Offshore Processing Centre (OPC). The private sector in the survey was represented by the two largest private sector employers in Nauru – Capelle and Partner and MMs, both businesses selling wholesale and retail goods and offering associated services.

The survey undertaken for this paper identified 2,216 Nauruans in employment. The percentage break-up of the Nauruan working population is as follows.14

- Government is the largest employer, employing 46.3% of all working Nauruans.
- RONPHOS (formerly known as NPC) employs 20.4% of working locals overall (78% males but only 22% of working females)
- Other SOEs employ 24.8% of the working population
- The private sector employs 4.7%
- External organisations made up the remaining 3.8%

The total number of employed workers with State Own Enterprise (SOE) is nearly equal to that of the Government Departments. This is partly the result of the policy reforms announced in the 2006-07 Budget, which transferred 80 former Public Works Department employees to form a subsidiary of and existing SOE.15

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14 Based on survey data collect for this paper.

15 Republic of Nauru 2006-07 Budget.
The bar graph below represents the recent number of Nauruan employed by the Government of Nauru and its instrumentalities and by the Private Sector as well as External Organisation.

**Chart: 1 Principal Employers in Nauru 2006 – Nauruan**

<table>
<thead>
<tr>
<th></th>
<th>Income</th>
<th>Government</th>
<th>SOE</th>
<th>Private</th>
<th>Externally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt</td>
<td>1027</td>
<td></td>
<td>1092</td>
<td>103</td>
<td>84</td>
</tr>
</tbody>
</table>

**Income**

Since the economic and financial crisis began at the end of the 1990s, Nauruans have faced a drastic reduction in incomes.

This reduction began in a chaotic way as phosphate mining revenue collapsed and government cash reserves disappeared. For a prolonged period, public servants and phosphate mining workers received irregular payments of salary or received food vouchers that could be drawn on various stores on the island. The result was that the salary scale listed for the public sector no longer reflected actual cash incomes.

In 2005-06, the Government introduced a standard public service cash salary payment of A$140/fortnight as an interim measure, pending reform of the public service salary scale. This represented a substantial reduction in the listed public sector wage scale but allowed the Government to begin paying regular and reliable salaries. The difference between the cash payment and the official public service wage rate was accrued as a debt of government to its employees.
A new salary scale was introduced in the current financial year in which the basic public service wage was reduced by 65\%^{16} - from $400 a fortnight to $140 a fortnight. Because of cash constraints, the new scale will be paid out from April 2007. In the meantime the workers will still be paid their allocated $140 per fortnight.

**Changes in characteristics of the Nauruan labour force over time**

Changes between the censuses undertaken in 1992, 2002 and the survey undertaken for this paper reflect changes in Nauru’s economy over the period.

**Unemployment**

Since 2002, the unemployment situation among native Nauruans has worsened, particularly in 2006 with redundancies at Republic of Nauru Phosphate Corporation (RONPhos).

In 1992, during the height of the phosphate mining industry, unemployment among Nauruan citizens stood at 18.2\%.\(^{17}\) This is high but is explicable because the phosphate mining industry largely employed expatriate workers, with relatively few skilled Nauruan workers in the industry. Although some landowners received substantial royalties and so would not have participated in the labour force, others were seeking work to supplement their incomes.

From the 1990s onwards, the economy gradually contracted but the pinch of financial hardship was clouded by the fact that people still received money from working family members and other sources of incomes such as land rentals and other Government subsidies. However, when the Nauru economy collapsed, the Government was forced to reduce public service numbers. The whole public service was affected, as well as Ronphos (Formerly known as NPC).

Between 1992 and 2002, the unemployment rate rose from 18.2\% to 22.7\%, an increase of 4.3 percentage points. This reflected the worsening economic crisis and associated policy responses.

In the late 1990s, a government retrenchment program was undertaken but this was largely unsuccessful, with many workers re-employed by the Nauru Phosphate Corporation, an SOE. Income from phosphate mining declined substantially over the period, with exports ceasing in 2002. Although the mine did not shed workers at this stage, Nauruans’ incomes declined

\(^{16}\) 65\% reduction from $400 to $142.

\(^{17}\) Nauru National Population Census. (April, 1992)
sharply, with salaries paid irregularly. More Nauruans were forced to seek employment to supplement household incomes.

The 2002 unemployment figure is likely to have understated the underlying rate of unemployment. The phosphate mining industry had come to a halt by 2002 and workers were no longer receiving regular salaries. Although they were still formally employed by NPC, mine workers had no work and little pay.

As the current survey shows, unemployment has worsened considerably since 2002, with now up to 30 per cent of the labour force unemployed.

**Alternative income-generating activities**

As the result of the economic downturn since the late 1990s, more Nauruans have turned to in traditional work such as, fishing, diving, Gardening/Agriculture Arts and Crafts and hunting of birds.

Fishing activity among Nauruans is likely to increase following the repatriation of I-Kiribati and Tuvaluan expatriate workers. Previously, following the winding down of mining operations, most fishing activity was carried out by I-Kiribati and Tuvaluan nationals. Generally, speaking Nauruans and other nationals normally bought fish from the I-Kiribati and Tuvalu fishermen and garden fresh produce from Chinese but with the repatriation of I-Kiribati and Tuvaluan workers and with increasing numbers of Chinese nationals also leaving the island, this is changing. Nauruans can no longer depend on expatriate workers to supply fish and garden produce and now Nauruans themselves are going out to gather the supplies from traditional work such as, fishing etc.

**Changes in composition of labour force**

During the prime period of Phosphate mining, many expatriates were employed than is now the case following repatriation. These workers were mainly I-Kiribati, Tuvaluan and Chinese nationals employed as workers at RONPhos.

The downsizing of RONPhos has resulted in the repatriation of workers from I-Kiribati, Tuvaluan and Chinese nationals. The establishment of the Offshore Processing Centre, which has resulted in a number of expatriate Australian workers arriving in Nauru and other projects organised by the Republic of China (Taiwan) has increased the deployment of Australian and other Nationals in Nauru that are not part of the Government payroll. The chart below
represent the expatriates (67) either employed by the Government of Nauru, or by the State Owned Enterprise sector.

**Chart: 2 – Expatriates employed by Government & State Owned Enterprise**

<table>
<thead>
<tr>
<th></th>
<th>Expatriate Employed by Government &amp; SOE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Departments</td>
<td>24%</td>
</tr>
<tr>
<td>State Owned Enterprise</td>
<td>76%</td>
</tr>
</tbody>
</table>

In the 1992 census, Government, the Nauru Phosphate Corporation, the Nauru Local Government Council and the Private sector were the principal employers at that time. However, today the Nauru Local Government Council no longer exists, with its activities undertaken by a range of SOEs.

On the other hand, other employers have entered the Labour Market. External Organization are now one of the principal employer groups. This sector is comprised of 8 different organizations. These organisations are mostly companies or organisations associated with the Offshore Processing Centre or with delivery of AusAID’s programs on Nauru. The remaining two are the University of the South Pacific campus on Nauru and the US climate monitoring program Atmospheric Radiation (Solar) Measurement {ARMS}.

**Chart: 3 - External Organisation in Nauru.**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AusAid - APS</td>
<td>13%</td>
</tr>
<tr>
<td>ARMS</td>
<td>12%</td>
</tr>
<tr>
<td>AusAid - Consulate General</td>
<td>1%</td>
</tr>
<tr>
<td>HK Shipping</td>
<td>6%</td>
</tr>
<tr>
<td>ESS</td>
<td>42%</td>
</tr>
<tr>
<td>USP</td>
<td>11%</td>
</tr>
<tr>
<td>IOM</td>
<td>15%</td>
</tr>
</tbody>
</table>
The Government employs about 44% of the current Government work force (1,027 Nauruan workers). The Chart below represents the number of Nauruans working for the Public Services. The Department of Police is the largest department in the Public Services. Education follows after the Police, employing 18% and Health employs a further 17% of the total Nauruans working as Public Service.

**Chart: 4 – Percentage of Locals employed by the Government.**

The four Principal employers in Nauru employ 1,285 males and 931 females. This indicate the similar trend since 1992 and 2002 Census “Not surprisingly, the occupations listed by Nauruans were strongly gender oriented. A much larger percentage of Nauruans working as craftsmen and plant operators were males, while more females than males were office workers (clerks) or professionals (teachers and nurses).”

**Occupations**

According to the 2002 Census, the majority of Nauruans were engaged as clerks, services workers, Crafts and Trades and Unskilled workers. Only a handful of the workers were engaged as professional (such as teachers, nurses and police), technicians, legislators, senior officials, plant operators and in agriculture and fishery. Therefore, the work force in Nauru is a relatively unskilled workforce.

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In 2003, a change in Nauru’s labour market occurred with the establishment of the Offshore Processing Centre (OPC) by the Australian Government in 2003. The OPC is a centre to hold people who have attempted to enter Australia directly to seek refugee status but who were apprehended by the Australian authorities before they could reach the Australian immigration zone. The establishment of the OPC opened up job opportunities for the local people (both Nauruan and non-Nauruan) in areas such as unskilled labour, security guards and tradesmen (including carpenters and mechanics). On the other hand, a substantial of expatriate Australian workers came to work on Nauru through the Australian Department of Immigration and Multicultural Affairs, the catering company ESS, the IOM, Chubb Security and the construction company Bloomers. These companies were set up simply because to support the OPC. The services rendered by these companies include security, catering, construction, Mechanics and other occupations.

One of the largest changes in the composition of the labour force over time has been the change involved with the gradual decline of phosphate mining on Nauru. In 38 years of independence, Nauru has seen a steep decline in its phosphate production over the past two decades. In 2000, the industry ground to a halt with the last shipments of phosphate occurring at that time.

NPC generally employed workers from Kiribati and Tuvalu working as machine operators, were about 1,478 employees working before retrenchment. On 1 July 2005, Nauru Phosphate Co-operation changed its named to Republic of Nauru Phosphate Co-operation (RONPhos) due to restructuring of management and employees. As result of decline in the exportation of phosphate, the Government reduced the size of the work force, from 1,487 down to 470. This also has led to the voluntary repatriation of I-Kiribati and Tuvalu workers. According to Immigration reports, 460 Tuvaluan and I-Kiribati have already been repatriated (299 Tuvaluan and 161 I-Kiribati). The repatriation of Tuvaluan and I-Kiribati workers directly affects the population of non-Nauruan and also affect the skills that is available in the phosphate industry.

Approximately, 600 employees were retrenched, due to the failure of the Industry in meeting its short-term financial commitment, such as wages and salaries. There were 134 Tuvaluan and 126 I-Kiribati workers and 67 Chinese workers employed with NPC. Currently, there are only 28 males remaining with RONPhos, assumed to be Tuvalu, I-Kiribati and Chinese nationals. Some may return shortly while others may travel next year due to some unfinished
business with the current employer RONPhos. There are 2 remaining trips to Kiribati under
the voluntary repatriation scheme. Therefore, there is a possibility that some of the 28
workers currently employed may not leave RONPhos.

The current distribution of employers in Nauru remains unchanged from that in previous
years. In the coming years, there should be more employment opportunity in areas such as
Offshore companies and the private sector. Currently, both Offshore companies and the
private sector employ 11% of the total workers employed (not including unemployed
workers).

ISSUES

The fundamental issues facing the Nauruan labour market arise as a result of Nauru’s
physical characteristics. Nauru is a very small place and a long way from its nearest markets.
It is the world's smallest independent republic, with a population of only around 10,000
people. Nauru’s endowment of phosphate resources created a unique pattern of growth that
could not be sustained once mining activity. This creates several fundamental problems that
constrain economic growth and hence employment growth:

- Nauru is far from other markets.
- Nauru’s small population means that there are no economies of scale to be exploited in
  local production
- Nauru’s reliance on phosphate mining has created disincentives for other areas of the
  economy to develop
- The relatively easy revenue derived from phosphate royalties at the height of phosphate
  mining led to high wages for unskilled labour that stifled incentives for Nauruans to
  increase their skills.
- The reliance on government and the Nauru Phosphate Corporation for all services
  stifled the development of the private sector at a time when capital was plentiful.

Since the onset of the economic crisis at the end of the 1990s, a number of other constraints
to economic growth and employment creation have emerged.

- Incomes have dropped very substantially, limiting the amount of money flowing within
  the economy that would fuel economic activity.
• The collapse of the financial sector has deprived Nauruans of any opportunities to obtain finance for private sector activity and to obtain insurance for the assets invested in economic activity.

• Limited government resources have led to a deterioration in quality of education and a lack of training opportunities for young people.

CHALLENGES

The Government faces a number of challenges as a result of the issues identified above.

• Firstly, to diversify the economic base and venture into other avenues besides phosphate mining to expand the economy.

  – Manufacturing locally owned resources for exports is difficult or expensive, because of other limited availability of resources such as, water, electricity, capacity and the distance from markets. For instance, setting a processing industry for fish stocks requires a lot of water and electricity, which Nauru lacks. There is also a lack of skilled Nauruans to make this a successful industry.

• Nauru has always imported skilled workers from other countries. Training workers is now a big challenge because of Nauru’s current circumstances. Nauru is directing donor funds and investing heavily in capacity building with the aim of having qualified workers managing departments and utilising resources to their full capacity. It is a difficult challenge for Nauru to keep its skilled workers from migrating to other countries for better incomes.

• Over the years, income from Phosphate has declined substantially. The Government has been forced to impose drastic measures by streamlining its Public Service to a more manageable size. A climbing unemployment rate creates social problems such as higher crimes and domestic disputes simply because people are unable to earn an income and Nauru has very limited ability to provide social welfare. The Government needs to create more jobs and send people into overseas labour markets.

• As stated in the NSDS cross-cutting sectors – that there is need to “Develop human resources in technical, organisational and financial management capacities”\(^{19}\) These key

\(^{19}\) Nauru. National Sustainable Development Strategy pg 4-5 prepared by Forum
positions such as, technical, organisational and financial management are currently being occupied by expatriates, most of them through donor-funded projects. This generous support that Nauru receives from friends from around the world will not continue indefinitely.

THE GOVERNMENT’S REFORM PROGRAM AND ITS CONTRIBUTION TO THE LABOUR MARKET

The National Sustainable Development Strategy (NSDS) is the Government’s long-term development planning strategy. The NSDS sets out strategies and goals for different sectors of the economy aimed at securing long-term growth for Nauru. The NSDS also sets priorities for government funding of different sectors.

A key element of the strategy is to reform the Government’s budget and so that Nauru’s limited fiscal resources target key priorities. Education and vocational training are key elements of these programs.

Development of economic opportunities

The NSDS places a heavy emphasis on development of economic opportunities that over the longer term will allow Nauru to change the balance between public sector and private sector employment. Key in this is the development of what is known as secondary phosphate mining. Although Nauru’s reserves of surface phosphate are now largely depleted, there remain substantial amounts of deeper phosphate, of around 20 million tonnes. A recent study funded by AusAID has concluded that it is commercially viable to exploit this phosphate, in conjunction with a rehabilitation program that could establish areas of the central part of Nauru suitable for agricultural projects. Secondary phosphate mining of this type would provide Nauru with a stream of income in the future and will provide renewed employment opportunities in the mining industry. It is intended that Nauruans will be trained to take on the skilled employment that was undertaken by expatriates from Kiribati, Tuvalu and China in the earlier phase of phosphate development.

Fisheries revenue is also a key source of revenue and employment opportunities. Currently, fishing is largely undertaken as a subsistence activity and to supplement incomes by small-scale sales. A government business enterprise associated with the National Fisheries and Marine Resources Authority has two fishing vessels. In earlier times, Nauru exported some
fish to overseas markets. It is intended under the NSDS to explore the potential for renewed fish exports, which would provide a source of income and employment in Nauru.

The development of agriculture and aquaculture in Nauru will assist in improving Nauruan health and lifestyle and provide income and employment generating opportunities. A number of small scale horticulture and aquaculture projects are currently in production, with assistance from the FAO and the Republic of China (Taiwan).

Financial system reform

As discussed earlier, a key problem in promoting development of the private sector in Nauru has been the lack of an operational commercial bank on the island.

The Government is working to have a commercial bank re-established on Nauru. The Government is reforming financial sector legislation to modernise the legislation and ensure that it is consistent with international financial sector regulatory standards. These reforms have seen Nauru removed from the OECD’s Financial Action Task Force “black list” of non-cooperative countries, which had imposed sanctions designed to discourage financial institutions from dealing with Nauru.

Labour market mobility

In 2005-06, the Government signed an in-principle agreement with the Republic of China (Taiwan) to provide for 1,000 Nauruan workers each year to work in Taiwan. The Government believes that labour market mobility could provide an important means for Nauruans to provide remittance income to their families in Nauru during a period in which economic opportunities for Nauruans on Nauru are limited.

Income support

The Government is committed to reforming and improving the productivity of Nauru’s public sector. As part of these reforms, it has been necessary to reduce the size of some parts of the Nauruan public service. Since 2005-06, there have been substantial staffing reductions in Ronphos and Air Nauru. The Nauru Insurance Corporation (NIC) and the old Computer Bureau are being wound up. A key budget reform was the closure of the inefficient and unproductive Department of Public Works and the transfer of around half of the staff to Eigigu Holdings, a government business enterprise that will undertake public works on a competitive contractual basis.
These public sector reforms come at the price of an increase in unemployment, with displaced workers re-entering the labour market as job seekers. The Government is providing limited income support to these workers to assist them while they seek alternative sources of employment. This income support is currently provided at the rate of $50/fortnight.

**Small business opportunities**

A key problem in the development of small businesses in Nauru is the lack of access to capital. The Bank of Nauru became insolvent in the late 1990s and most Nauruans lost their savings as a result. There are no financial institutions on the island capable of providing business finance.

The Government has allocated funding from within the Australian aid package for Nauru to establish a Small Business Development Fund, which will assist small businesses that are starting up and provide advice to those trying to establish small businesses. The United Nations Development Program will also provide funds for a complementary program.

**Productivity increases**

To cut costs and improve productivity the Scotty Government has begun a process of streamlining the Nauru Public Service and other Government Instrumentalities – the so called State Owned Enterprises (SOEs) – such as RONPhos, the Bank of Nauru, Eigigu Holdings Corporation, Meneng Hotel, Nauru Rehabilitation Corporation, RONTEL and Air Nauru Corporation. The Government considers that it is essential that these entities function efficiently and in a cost-effective manner. Some entities have ceased to function in the manner they were established to do, and have built substantial debts. Others continue to function but provide poor, costly service. By improving productivity, the Government hopes to increase returns from its SOEs, which will provide it funds to invest in priority areas such as Health and Education.

The government is making training and scholarship available to all departments to instil into the workers an ambition to improve their position by embarking on further training and education. The government is trying to establish a transparent selection criteria for scholarship and training scheme. To improve motivation and productivity in the work place, the Government is running workshops in that improving managerial skills of Head of Departments and training personnel to be more competent in their respective departmental tasks.
Since 2004 every officer and employee in the Public Service has been receiving a wage of $140 a fortnight. This measure was introduced because the previous salary scale had become unaffordable, with cash shortages preventing regular payments to public servants. The reduced, standard salary scale allowed all public servants to receive a regular and reliable income stream and avoided the need for large-scale retrenchments. In the absence of alternative employment, retrenched public servants would face severe economic difficulties. This standard salary scale presented challenges in maintaining public service productivity because it rewarded all workers equally, regardless of their responsibilities, qualifications and work performance.

In 2006-07 Budget, the Government made provision for a new salary scale, with a new basic rate of $142 per fortnight but with a range of higher salary points up to $400/fortnight to reflect the differing requirements of various public service positions. The Government will begin paying full cash salaries under the new salary scale from April 2007. The new salary scale is expected to lead to greater productivity and to reduce the loss of qualified public servants over time.

Education

Improved educational outcomes are a key element of the NSDS strategy. Aid agencies are providing substantial funding in 2006-07 to provide better school infrastructure, develop the curriculum, and offer scholarships for students to study in Australia and Fiji. AusAID also provides a Director of Education under its funding package. Primary and secondary school attendance ratios are rising from the very low levels (60 per cent) shown in the 2002 census and are currently reportedly around 70 per cent. In addition more students are now staying on to matriculation, and schools are now offering courses in science and technology and aiming to meet international standards for literacy and numeracy so that Nauruan students have the prerequisite skills to successfully undertake overseas study.

Given the young age of the Nauruan population the occupational structure of the workforce can change rapidly. While there were only 27 indigenous Nauruans with University degrees at the 2002 Census the supply of professionals could quickly improve with increasing numbers of young Nauruans studying overseas.
SUMMARY AND CONCLUSION

Although Nauru is dependent on donor support from Australia, New Zealand, Japan, Taiwan and other Institutions, the Scotty Government is actively addressing some of Nauru’s major issues such as, Health, Education and reducing expenditure by streamlining the Public Service to a manageable size so that it can operate more efficiently and effectively. Nauru is still in a good position to achieve its national goals as stated in the NSDS.

With its reform measures, as mentioned in the paper, Government is also addressing the difficult issues that arise in Nauru’s labour market. These solutions are in line with the NSDS and should help to stabilize the economy and improve the unemployment rate. The Government and the people of Nauru must work hand in hand in rebuilding our own nation and achieve a better future.
APPENDICES

APPENDIX 1 – PHOSPHATE EXPORTS VALUE


Nauru Independence – 31 Jan 1968 - Source: Department of Treasury Australia.

APPENDIX 2 – Highest level of formal qualifications achieved

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Source
Nauru 2002 Census
APPENDIX 3

1992 Census

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Source: Nauru National Population Census. (April, 1992)
APPENDIX 4 – NSDS Overview Plan for Nauru

Social
- Improve the educational system, focusing on the quality (to regional standards), scope (primary, secondary, vocational and life & trade skills) and reach (new audiences such as the mature age)
- Provision of effective preventative health services reducing lifestyle related diseases
- An efficient and effective judicial system with strong, functioning law and order
- Increase the use of traditional values, knowledge, skills and practices to strengthen cultural and national identity

Economic
- Fully rehabilitate topside with a greater area of rehabilitated land utilized for livelihood sustainability including environment conservation and protection
- Increase revenue generation through the efficient and effective use of the few available remaining resources such as phosphate reserves and fish stocks and establishment of a national Trust Fund
- Increase level of domestic agricultural production initiatives such as kitchen gardens and fish farms to reduce dependence on imported food and to address food security
- Develop an SME sector that includes the participation of the community, as the basis for the economy supported by the development of a conducive business services environment
- Improve labour market access for Nauruans leading to a higher flow of remittances
- Improve the educational system, focusing on the quality (to regional standards), scope (primary, secondary, vocational and life & trade skills) and reach (new audiences such as the mature age)
- Provision of effective preventative health services reducing lifestyle related diseases
- An efficient and effective judicial system with strong, functioning law and order
- Increase the use of traditional values, knowledge, skills and practices to strengthen cultural and national identity

Infrastructure
- Enhance utilities and transport services (including renewable energy, power, water, waste management, roads, sea and air)

Cross-cutting
- Develop the human resources in technical, organizational and financial management capacities
- A stable, trustworthy, fiscally responsible government with transparent and accountable parliamentarians, cabinet and public service
- Establish a legislative and institutional framework conducive to foreign investment and the setting up of companies to generate employment and income including, foreign banking presence and clear tenure/rental laws
- Maintain good bilateral, region-wide and international relations and comply with international standards

Source: Nauru – National Sustainable Development Strategy 2005