



Unemployment in Fiji

The working age population of a country can be subdivided into two categories: the employed and the unemployed.

This article explains and discusses different types of unemployment and provides a snapshot of Fiji's unemployment history.

What is Unemployment?

Unemployment refers to when someone who is willing, able to work and is actively seeking employment, does not have a job.

Types of Unemployment

There are four types of unemployment that can exist in an economy at a particular time, namely cyclical, frictional, structural and seasonal unemployment.

The first type of unemployment occurs when a country is experiencing a recession or a downturn in economic activity. During this time, there is a decline in total production and demand in an economy. As a result, employers may need fewer employees and in some cases, firms may even close down. Workers that are laid off during a recession or downturn in economic activity are classed as *cyclically unemployed*.

The second type of unemployment occurs when workers move between jobs for better working conditions or pay. During this time, these workers have either resigned, been dismissed or withdraw from the labour force for special training. For example, a university student leaves a part-time job to find full-time employment in their field of study after graduation. Workers transitioning through this phase of their career are classified as *frictionally unemployed*.

The third type of unemployment occurs when there is a change in the types of jobs that an industry or company requires.

During a company or industry restructure, workers may lose their jobs because of developments in technology or due to new levels of skills required to do the job. For example, the introduction of computers has reduced the demand for shorthand writing skills in a workplace. Workers who are let go in these situations are classified under *structural unemployment*.

The final type of unemployment occurs due to regular and predictable seasonal changes whereby companies or industries produce only certain products at certain times of the year. Therefore, during these production periods, there are changes in the demand for labour. One such example is the sugar industry in Fiji. There is usually a high demand for cane cutters during the harvesting season and less demand when the crushing season is over. Workers who are laid off as a result of changes in seasonal patterns are referred to as *seasonally unemployed*.

Measures of Unemployment

Countries measure unemployment in a number of ways. Two of the more common methods include labour force surveys and the claimant count measure.

Fiji uses the former approach to collect information from people that are both available for work immediately and have been seeking employment for a period of at least four weeks. This is carried out by the Fiji Bureau of Statistics, the Fiji Government's official statistical agency, through its Employment and Unemployment Survey.

Alternatively, the claimant count measure records the number of people making an unemployment benefit claim. This method is not widely used in Fiji due to limitations including constant changes to the eligibility

criteria, which make data comparisons difficult.

Why Monitor Unemployment Levels?

Unemployment and economic growth/development are inversely related. Unemployment levels generally fall when a country increases its economic activity over time and vice versa. In addition to the earlier mentioned reasons, unemployment also depends on labour productivity levels, population demography and wage structures in the labour market.

Unemployment levels are monitored because of its implications on individuals and families, the business sector and Government. At the household level, the resulting loss of income from unemployment affects a family's ability to afford basic needs and services as well as keep up with loan payments. Being unemployed for a period of time can also lead to a loss of skills and further increases the difficulty of finding another job.

A significant increase in unemployment eventually leads to a fall in the demand for goods and services in the country. This may cause businesses to cut back on production and trigger a cycle, leading to further unemployment and higher poverty rates.

At the national level, unemployment results in the Government spending more on unemployment and social welfare benefits. This adds pressure on Government's budget and diverts funds away from other important areas such as education, health and infrastructure. At the same time, unemployment results in a decline in income for the Government through lower personal and indirect tax collections. In addition, social issues such as crime and violence tend to rise with high unemployment.

Therefore, balanced, appropriate and holistic policies are necessary for a sustainable level of growth and development to create

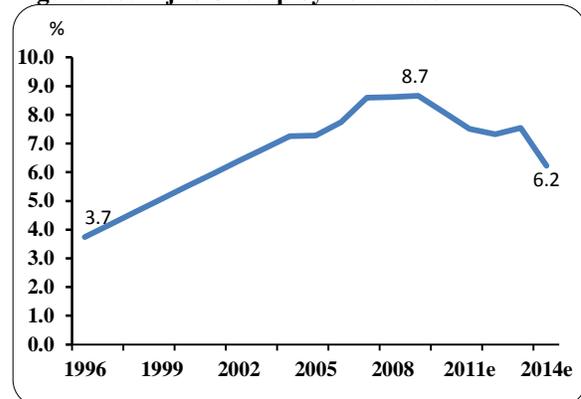
employment as well as increase a country's level of productivity.

Fiji: A Snapshot

The unemployment rate is calculated as the number of unemployed persons as a percentage of the country's labour force (the total number of employed and unemployed people).

Figure 1.0 below highlights Fiji's unemployment rate over the past 18 years. For the period 1996 to 2014, Fiji's unemployment rate averaged around 6.7 percent. Unemployment increased steadily in the late 1990s and peaked in 2009 as domestic growth slowed due to weak global demand from the global financial crisis, high world food and fuel prices, coupled with natural disasters (flooding in early 2009 and Cyclone Mick in December 2009) in Fiji.

Figure 1.0: Fiji's Unemployment Rate



Sources: Fiji Bureau of Statistics (FBOS)
Note: FBOS estimates for 2010 - 2014

Since 2009, unemployment levels have gradually fallen in line with improved domestic economic growth. During the 2010-2015 period, the Fijian economy grew by 3.5 percent on average. In addition, results of the Reserve Bank's Job Advertisement Survey – a partial indicator for the labour market – suggest that recruitment intentions in Fiji have steadily increased since 2011, confirming improved labour market outcomes and the fall in Fiji's official unemployment rate.