

Why GAO Did This Study

In 2007, the United States enacted a law incrementally raising the minimum wages in American Samoa and the Commonwealth of the Northern Mariana Islands (CNMI) until they equal the U.S. minimum wage. American Samoa's minimum wage increased by \$.50 three times, and the CNMI's four times before legislation delayed the increases, providing for no increase in American Samoa in 2010 or 2011 and none in the CNMI in 2011. As scheduled, American Samoa's minimum wage will equal the current U.S. minimum wage of \$7.25 in 2018, and the CNMI's will reach it in 2016. Recent economic declines in both areas reflect the closure of one of two tuna canneries in American Samoa and the departure of the garment industry in the CNMI.

GAO is required to report in 2010, 2011, 2013, and biennially thereafter on the impact of the minimum wage increases. This report updates GAO's 2010 report and describes, since the increases began, (1) employment and earnings, and (2) the status of key industries. GAO reviewed federal and local information; collected data from employers through a questionnaire and from employers and workers through discussion groups; and conducted interviews during visits to each area.

GAO shared the report with relevant federal agencies and the governments of American Samoa and the CNMI. While generally agreeing with the findings, they raised a number of technical concerns that have been incorporated as appropriate.

View [GAO-11-427](#) or key components. For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

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AMERICAN SAMOA AND COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began

What GAO Found

In American Samoa, employment fell 19 percent from 2008 to 2009 and 14 percent from 2006 to 2009. Data for 2010 total employment are not available. GAO questionnaire responses show that tuna canning employment fell 55 percent from 2009 to 2010, reflecting the closure of one cannery and layoffs in the remaining cannery. Average inflation-adjusted earnings fell by 5 percent from 2008 to 2009 and by 11 percent from 2006 to 2009; however, the hourly wage of minimum wage workers who remained employed increased by significantly more than inflation. Private sector officials said the minimum wage was one of a number of factors making business difficult. In the tuna canning industry, future minimum wage increases would affect the wages of 99 percent of hourly-wage workers employed by the two employers included in GAO's questionnaire. The employers reported taking cost-cutting actions from June 2009 to June 2010, including laying off workers and freezing hiring. The employers attributed most of these actions largely to the minimum wage increases. Cannery officials expressed concern in interviews about American Samoa's dwindling global competitive advantage. Available data suggest that relocating tuna canning operations to a tariff-free country with lower labor costs would significantly reduce operating costs but reduce American Samoa jobs; however, maintaining some operations in American Samoa would allow continued competition for U.S. government contracts. Some workers said they were disappointed by the 2010 minimum wage increase delay; however, more workers expressed concern over job security than favored a wage increase with potential for layoffs.

In the CNMI, employment fell 13 percent from 2008 to 2009 and 35 percent from 2006 to 2009. Average inflation-adjusted earnings rose by 3 percent from 2008 to 2009 and remained largely unchanged from 2006 to 2009. Over the same periods, the hourly wage of minimum wage workers who remained employed increased by significantly more than inflation. In discussion groups, private sector employers said minimum wage increases imposed additional costs during a time in which multiple factors made it difficult to operate. In the tourism industry, scheduled minimum wage increases through 2016 would affect 95 percent of workers employed by questionnaire respondents. Tourism employers reported that they took cost-cutting actions from June 2009 to June 2010 and planned to take additional actions, including laying off workers. Few of these tourism employers attributed past actions largely to the minimum wage increases, and one half or less did so for each of the planned actions. Available data suggest that hotels generally absorbed minimum wage costs rather than raise room rates. Hotel payroll will represent an increasing share of total operating costs due to the minimum wage increases. In discussion groups, some tourism employers expressed concern about the minimum wage increases, but others said the increases were needed and manageable and that the primary difficulty was the CNMI tourism industry's decline. Workers participating in GAO's CNMI discussion groups expressed mixed views regarding the minimum wage increases and said they would like pay increases but were concerned about losing jobs and work hours.