

Sustainable Economic Development in the Midst of Growing Uncertainty: The Federated States of Micronesia Case

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I Introduction

Given the unique development challenges imposed on Pacific Islands countries by their economic geography, it is widely accepted that labor mobility will continue to represent a critical development opportunity well into the future. However, there are both demand and supply-side constraints that are currently preventing the Pacific from realizing the full potential of this opportunity. (World Bank 2015:1)

Here we will look at the current situation in the FSM to provide insight into whether and how similar compacts of free association with Australia, New Zealand or other receiving countries might be possible for other Pacific Islands countries. In these countries, the isolated, low-lying atolls are the most at risk to sea-level rise. Some of them already take part in seasonal worker schemes, as well as entry to the Pacific Access Category, and multi-year microstate work visas for Australia. Also, they continue to send relatively large numbers of seafarers abroad.

The Federated States of Micronesia migrants have visa-free entry into the United States to work. As this paper will show, this arrangement has worked well, with FSM emigrants being about 40 percent of the resident FSM population. This study examines international migration of the Federated States of Micronesia under the Compact of Free Association to draw insights and implications on ways similar international migration arrangements can offer sustainable livelihood solutions in the Pacific Islands nations which are the worst affected by climate change.

II Micronesian migrants

FSM has had long-term ties to the United States, starting just after World War II, when FSM was part of the strategic Trust Territory of the Pacific Islands (TTPI) administered by the United States for the United Nations (UN). FSM became a Freely Associated State (FAS) with the United States in late 1986 through the Compact of Free Association (COFA). Free Association permits visa-free entry into the United States for education and work.

II.1 Background on the Compact of Free Association

In 1986, the United States and the Federated States of Micronesia (FSM) formally implemented the Compact of Free Association. This Compact marked the beginning of independence for FSM. Under the terms of the Compact, citizens of FSM were granted free entry into the U.S. to “lawfully engage in occupations and establish a residence as non-immigrants in the U.S. and its territories.” For the first time, Micronesians had legal immigration into the U.S. The FSM and the U.S. felt the Compact became essential to the survival of a small island nation with a high population growth rate but with limited resources and a dubious pathway toward economic development.

After Compact implementation, heavy emigration developed from FSM to the United States and the Territory of Guam and the Commonwealth of the Northern Mariana Islands (CNMI). Although fewer than 1,000 FSM born had migrated before Compact implementation, by 2012, about 50,000 Micronesians and their offspring were in the United States and territories. While the outflow of migrants from FSM was initially relatively slow, the tempo of outward migration picked up in the mid- and late-1990s as the FSM job market remained stagnant, and health and education services declined.

II.2 Sources Measuring the Migration

The U.S. Department of the Interior’s Office of Insular Affairs (OIA) funded a series of emigrant surveys starting in 1992. Hezel and McGrath did their own survey soon after Compact implementation (1989). The OIA surveys used the snowball method to collect information on almost all migrants to Guam in 1992, 1997, and 2003, to the CNMI in 1993, 1998, and 2003, and to Hawaii in 1997 and 2003. In 2012, the Federated States of Micronesia’s Congress of Micronesia funded sample surveys in Saipan, Guam, Hawaii, and the United States Mainland. Reports for all receiving areas included Hezel (2013), Hezel and Levin (1989, 1996, 2013), Levin (1997, 2003, 2007). The individual receiving areas’ reports included CNMI (1994, 2000) and the University of Guam (1992).

II.3 Citizens living abroad and emigration.

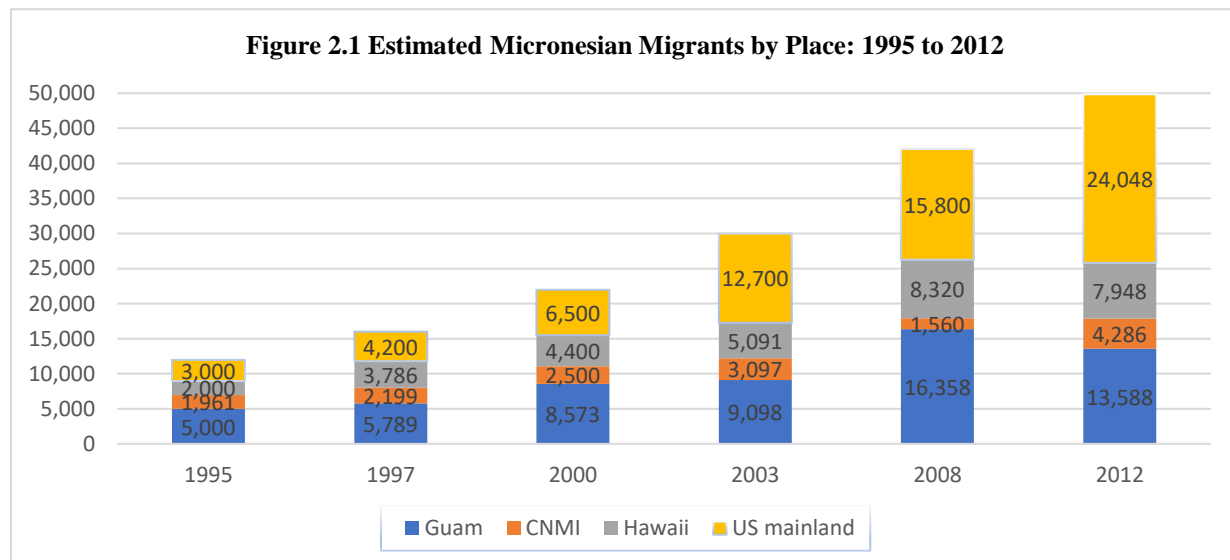
Although some Micronesians migrated before 1980, most were students who got Basic Educational Opportunity Grant (BEOG) or Pell Grant in the late 1970s. Most of those students returned to the FSM whether they graduated. Even in the early 1980s, FSM saw little emigration. As Table 2.1 shows, about 410 Micronesians were living on Guam and 552 in the CNMI in 1980 according to the U.S. Decennial censuses. Many of the Micronesians in the CNMI were part of the Trust Territory Administration in Saipan. As the Trusteeship wound down, many returned to the FSM; others married on Saipan or remained with spouses and children they had brought there if they moved into the new Commonwealth administration.

Table 2.1: Micronesian migrant populations, Guam, CNMI and Hawaii: 1980 to 2012

Year	Guam		CNMI		Hawaii	
	Population	Source	Population	Source	Population	Source
1980	410	1980 Guam Census (a)	552	1980 CNMI Census (i)		
1988	ca 1,700	McGrath household survey (b)	ca 1,400	Est based on school children (b)	ca 405	Est 1980 Hawaii Census (m)
1990	2,944	Guam 1990 Census (c)				
1992/3	4,954	UOG Micronesian Survey (d)	2,261	CNMI Survey (j)		
1995			1,961	1995 CNMI Census (i)		
1997/8	5,789	1997/1998 Migrant Surveys [e]	2,199	1997/1998 Migrant Surveys (k)	3,786	1997/98 Migrant Surveys (n)
2000	8,573	2000 Guam Census (f)				
2003	9,098	2003 Migrant Surveys (g)	3,097	2003 Migrant Surveys (k)	5,091	2003 Migrant Surveys (o)
2008	16,358	2008 Migrant Surveys (h)	ca. 1,560	2008 Migrant Surveys (l)	ca. 8,320	ACS (q)
2012	13,588	2012 Migrant Surveys (p)	4,286	2012 Migrant Surveys (p)	7,948	2012 Migrant Surveys (p)

Sources: (a) USBC 1980, table 26; (b) Hezel and McGrath 1989; (c) USBC 1990; (d) Rubenstein and Levin 1992, Rubenstein 1993; (e) Levin 1998, table 2; (f) Gov Guam 2004:30; (g) Levin 2003, table 3-3; (h) USBC 2009; (i) CNMI 2000, table 2; (j) Levin 1998:3; (k) Levin 2003, table 3-11; (l) U.S. GAO 2011:63, (m) Levin 2003, tab 15-4; (n) Levin 1998, table 1; (o) Levin 2003, table 3-4; (p) Hezel and Levin 2013; (q) USBC 2009

The Compact of Free Association went into effect in the late 1980s, and with it, visa-free entry into Guam, CNMI, and the United States. Hence, by the 1990 census of Guam, almost 3,000 FSM migrants were counted. The numbers increased continuously after that, as shown in the table with its references.



The total numbers of emigrants increased from about 12,000 in 1995 to 22,000 in 2000, 30,000 in 2003, 42,000 in 2008, and 50,000 in 2013. The numbers also increased throughout the period in each of the receiving areas. The increase has been rapid, partly because the surveys also count children of migrants as migrants, and partly because rather than sending remittances, once migrants establish themselves, they bring out the next “generation” of migrants by buying their plane tickets, and then housing them until they can start their own households.

II.4 Earnings and remittances of FSM migrants

Micronesians choose to go to very few places when they leave Micronesia. Some join the U.S. military, and so go wherever they go to various places around the world. But most of the civilians go either to Guam, Hawaii, or the U.S. Mainland.

Migrants on the mainland are the most likely to have paid employment – over 62 percent of the adults, those 16 years and over (Table 2.2). Those in the CNMI were least likely to have paid employment, at about 26 percent. CNMI and Hawaii had the largest proportions doing paid work and subsistence (growing food or fishing for home consumption), while Hawaii’s migrants reported the largest percentages doing subsistence only. It is important to remember that subsistence encompasses more than just fishing and growing taro, but also includes those making handicrafts (although these are supposed to be for the home – when made for sale, they should report as working for pay, although the enumerators may not have known that.) About 3/4th of the adult migrants to CNMI were reported as not working.

Table 2.2: Work in previous week by location, Migrants: 2012

Work in Previous Week	Total	Hawaii	Guam	CNMI	Mainland
Total	33,278	5,550	8,215	2,637	16,876
Paid and no subsistence	15,163	1,314	3,068	489	10,292
Paid and subsistence	1,275	644	172	190	269
Percent paid	49.4	35.3	39.4	25.7	62.6
Subsistence only	700	403	162	28	107
Did no work	16,139	3,188	4,813	1,931	6,207

Source: 2012 Surveys of Micronesian Migrants

Regarding sector, because most of the Micronesian migration is relatively recent, and because it is harder for them to qualify for some public sector jobs since they are not U.S. citizens, the ratio of private to public sector jobs is high in all areas except for the Northern Mariana Islands. Even in CNMI, about 60 percent of the migrant workers, first- and second-generation migrants combined, were working for the government; many of these migrants had family contacts before their moves, helping to ease them into public sector jobs (Table 2.3). Less than 10 percent of all the 2012 Micronesian migrants were in the public sector, with CNMI having the largest percent in that sector, and Guam and the U.S. Mainland having the smallest percentages.

Table 2.3: Class of worker by location, Migrants: 2012

	Total	Hawaii	Guam	CNMI	Mainland
Total	16,440	1,959	3,240	679	10,562
Private company	14,720	1,590	3,004	417	9,709
Percent	89.5	81.2	92.7	61.4	91.9
Government	1,392	243	170	258	721
Self employed	328	126	66	5	131

Source: 2012 Surveys of Micronesian Migrants

The average annual wage income for all migrant adults in 2011 was about \$17,000 (whether they were full-time year-round workers or not). These were individual wages, and since few Micronesian households depend on only one income, the household and family incomes would be much higher, depending on the number of workers in the household. Male migrants earned more than females in all the areas.

It is important to note that the migration for jobs, and workers with their families, has not been easy. Guam and Hawaii report to OIA on the impact of the Micronesians on social services and education, but do not consider the positive benefits of having the Micronesians in the workforce. And, because they “look different”, the women wearing colorful clothing, and often having their own and other children with them when they venture out, like migrants before them, they often become the subjects of local anxiety.

The World Development Indicators for selected countries appear in Table 2.4. The annual migration as of 2012 was about 2,000 emigrants from Kiribati compared to 8,000 for the FSM. While the 3,000 emigrants for Kiribati in the second line is possible, and the 6,000 for Palau (about 30 percent of its resident population), the numbers for the Marshall Islands and FSM are too low. The rates of emigration show high percentages as all the emigrants look for jobs abroad. Palau, especially, has a centralized, well-endowed high school and community college system, producing steady streams of graduates seeking jobs, with many of them having to go abroad to get them. The total amount of remittances received were like the numbers in the previous table and make up a fair share of the GDP and personal incomes of the island residents.

Table 2.4: World Development Indicators: Movement of People across Borders and remittances, selected countries, and years

Migration and Remittances	Units	Year	Kiribati	RMI	FSM	Palau	Samoa	Tonga
Net migration	Thousands	2012	-2	..	-8	..	-13	-8
International Migration Stock	Thousands	2010	3	3	3	6	5	5
Emigration rate of tertiary educated	Prct of 25+	2000	55.7	42.8	35.7	80.9	73.4	75.6
Personal remittances received	\$ Millions	2014	16	26	23	2	141	114
Personal remittances paid	\$ Millions	2014	1	24	17	10	12	5

Source: World Bank Development Indicators

Note: Educated is to OECD countries

Table 2.5 shows remittance data presented by the World Bank from the International Monetary Funds’ Balance of Payments Statistics data base for 4 of the 5 considered countries. Migrants remitted about \$22 million dollars to FSM and the Marshall Islands. For the Marshall Islands, this amount was about 11.5 percent of their Gross Domestic Product, compared to about 7 percent of FSM’s GDP. While these amounts are significant, they clearly do not make up most of the Gross Domestic Product and could not cover funding for economic development or increased education and health activities.

Table 2.5: Migrant Remittance Inflows (U.S.\$ million) for Selected Countries: 2009 to 2014

Year	2009	2010	2011	2012	2013	2014e	GDP share
Kiribati	10.6	11.7	12.4	12.8	12.8	13.1	7.6%
Marshalls	23.6	22.4	22.3	22.0	22.0	22.2	11.5%
FSM	17.3	18.1	19.4	20.8	22.0	22.0	7.0%
Tuvalu	4.8	3.9	4.6	3.8	4.1	4.1	10.6%

Source: World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases country sources as of April 2015

Notes: All numbers are in current (nominal) U.S. Dollars; GDP data from WDI.

Both the FSM and the Marshall Islands, with legal free entry to the United States and its territories, should see remittances at least as high as those seen for Samoa and Tonga. And yet they don’t. Average remittances for the Marshall Islands were \$11 per person in 2002, and \$22 on average for the FSM. It would be hard to fund a government on that.

The 2010 FSM Census collected information on remittances received (Table 2.6). While the remittances included those internally and internationally, very little within FSM remittances occurred because of the low minimum wage and the wage structure; subsistence activities also diminished the need for and the actual amount of internal remittances. Of the 16,800 households in the census, about 6,800 received remittances, so about 40 percent (2 in every 5 households). The median was about \$700. The mean household remittances received were \$1,120.

Table 2.6: FSM Household remittances received in 2009.

Remittances	Total	Yap	Chuuk	Pohnpei	Kosrae
Total Households	16,767	2,311	7,024	6,289	1,143
Households with remittances	6,795	283	3,704	2,134	674
Percent	40.5	12.2	52.7	33.9	59.0
Median amount	\$686	\$337	\$629	\$803	\$782
Mean amount	\$1,120	\$832	\$1,013	\$1,383	\$989
Mean for all units	\$454	\$102	\$534	\$469	\$583

Source: 2010 FSM Census unpublished table

Figure 2.7 shows the other end of the stream. At the sending end of remittances, the 2012 surveys showed an average of \$1,026 being remitted to households to the receiving households. The highest average remittances were coming from the U.S. Mainland, at an average of \$2,320, with Hawaii also contributing near the average, at \$1,100. Households in the CNMI sent much lower remittances, about \$450 from households on Guam and \$250 for those on Saipan.

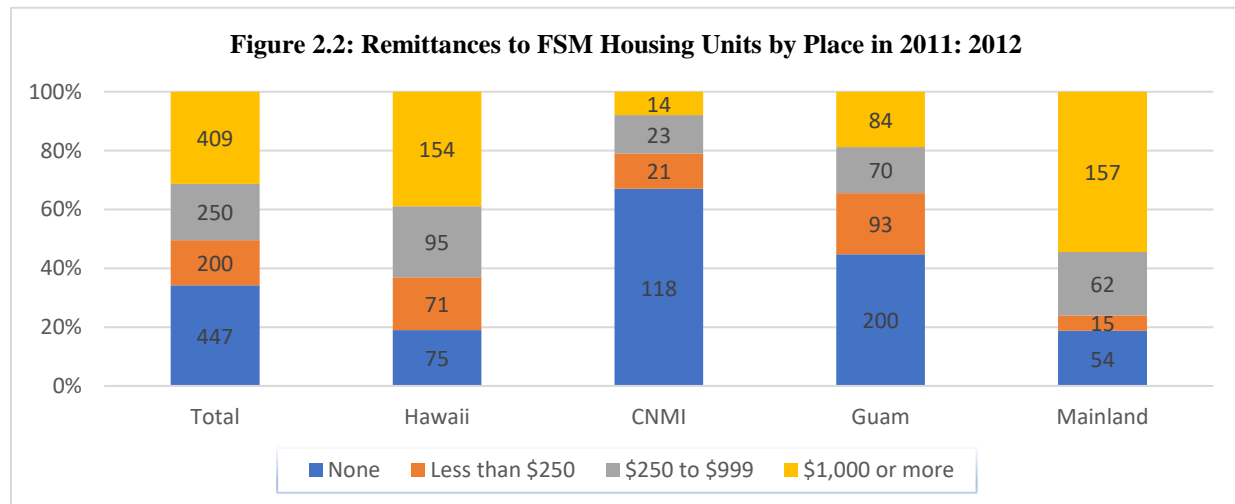


Table 2.7 inflates the numbers by multiplying the number of units by the average remittances. By these calculations, households in the FSM would receive about \$25.6 million in remittances over the year.

Table 2.7: Remittances from Micronesian Migrants: 2012

Remittances	Total	Hawaii	CNMI	Guam	Mainland
Mean	\$1,026	\$1,081	\$251	\$449	\$2,320
Est total	\$26 M	\$3 M	\$4 M	\$2 M	\$19 M
Est HHlds	18,332	3,333	1,666	5,000	8,333

Source: 2012 Micronesian Migrants Surveys

The estimated remittances look substantial, but they would not fund all government activities, even in the best of times. Still, the migration is young, and as time goes by, more established emigrant households may remit and those remitting may remit more.

So, it is important to note that Micronesian remittance behavior differs from that seen in the South Pacific (and, in fact, most countries of the world) because of visa-free entry. Instead of remitting relatively large amounts of funds, Micronesians are more likely to save those funds to accumulate enough to buy a plane ticket and help the next generation of migrants get to Guam or Hawaii or the U.S. Mainland and begin their lives in the so-called greener pastures.

Migrant wages and total income among migrants are higher than in Micronesia, once established in a receiving Area. Remittances remain low, as seen at both ends of the migration – in the sending populations and in the receiving households in the FSM. Income is high by third-world standards, but needs and wants are also high, and so the United States and FSM should increase economic development.

The comparisons of the census and the surveys show the migrants who had better educational attainment were more likely to be in the labor force. The data on the numbers and characteristics of the Micronesian migrants in the sections above show that Micronesians of all educational levels are preparing to emigrate. And the flow speeds up as the Micronesian economy declined. Even “A” students have trouble finding jobs in the government sector, let alone in the private sector. The data also show that while reasonably educated students depart for jobs in the receiving Areas, those with the least education remain behind and live at subsistence or in what would be entry-level jobs abroad, working in Mom-and-Pop stores or fishing and growing taro and bananas and collecting breadfruit.

The migration started in the late 1970s with students going to Guam and the United States under Pell Grants (called Basic Education Opportunity Grants). Some came back, but others stayed and married and now have children and even grandchildren, many of whom have never returned to Micronesia. The early 1980s saw a decrease in migrants, but after implementation of the Compact, the flow began. The first migrants were the traditional ones – students and recent high school graduates looking for jobs. As they became established, they began bringing their brothers and sisters, wives and husbands and children, then parents, and then other relatives. By the 2000s, the floodgates were open because all migrants already had some relatives abroad who could help them get settled and into entry-level jobs. And little pockets of Micronesians appeared in places like Corsicana, Texas, and Milan, Minnesota. So, at this point Micronesians of both sexes, all ages, all educations, and all skills, are emigrating under the auspices of visa-free migration.

Because the Micronesian migration stream under the Compacts of Free Association has been so recent, anthropologists have made very few studies of the numbers and characteristics of migrants from individual islands and villages on islands. The studies show the ease in migrating and bringing successive waves of relatives to follow those making beachheads in various cities on Guam, Hawaii, and the U.S. Mainland. This type of migration would not be possible without the ease of entry provided by that part of the Compact allowing for visa-free entry.

Another factor in Micronesia has been the United States Peace Corps. In the early years of the Corps, Micronesia moved into “International” for bringing in low cost, highly educated teachers. And the result was several generations of Micronesian leaders. Few Peace Corps remain, but second and third generation potential migrants benefited from their presence.

The biggest incentive to emigration is the lack of a developing economy. Because of its beauty and relative access from major Asian countries, tourism would be a likely economic endeavor. However, FSM has very few tourists. Partly, even though it is less than a plane ride from Asia, and even from Hawaii and the U.S. Mainland, only one carrier serves the country, and infrequently, and at a very high-ticket price. Probably because of this lack of access, the hotel and restaurant industries are under-developed. These factors are unlikely to change soon, so serve as a big push factor for likely migrants.

Because of lack of economic development, the relatively young ages of many of the public sector workers, and large numbers of students coming up through the education system, the stream of emigrants will continue. As students graduate from high school, they either go to the College of Micronesia and then back to their home islands or outside Micronesia, or they leave immediately (or after a lag at home) after high school to the receiving Areas. Once these former students establish their beachheads or in previously started communities by earlier migrants, they earn enough money to bring out their parents and other relatives. The stream is currently very strong and is unlikely to diminish until many more people have left Micronesia for better education and health and jobs.

Employment of FSM migrants in the United States and its territories has included largely entry-level jobs as house cleaners, aides in nursing homes, security guards, deliverymen, cashiers at convenience stores and eateries, among others. The 2012 Micronesian Migrants’ Surveys showed migrants to the U.S. mainland had a high percentage (63 percent) finding paying jobs with average annual incomes of \$27,000, a substantial increase on their earning potential had they remained in FSM. However, Micronesian migrants in Hawaii, Guam and CNMI had lower levels of formal employment and a greater reliance on government benefits. On Guam, 58 percent of FSM households received food stamps, while some migrants moved to Hawaii specifically to receive medical treatment that they would otherwise could not afford, illustrating some of the downside impact for receiving countries if the right support mechanisms are not present.