

Office of Insular Affairs Federal Minimum Wage Rules for AS & CNMI



- **❖** PL 110-28: Fed min wage rules apply to AS and CNMI, Jul 07;
- Min wage rises 50 cents a year till AS & CNMI equal \$7.25;
- CNMI reaches U.S. rate in 2015 and AS in 2016;
- Main Point: Value of labor in AS & CNMI to be priced as in the nation.



American Samoa







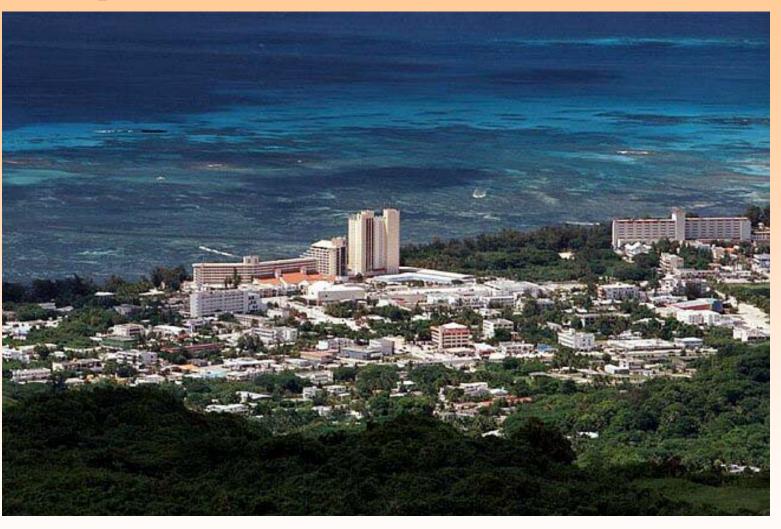
Recent Developments

- One cannery in AS closed in Sep 09;
- Over 2,100 direct jobs lost (12.3% of AS's total payroll employment);
- **Adding indirect jobs = more than 12.3%**
- **AS's main challenge: no econ activity to replace the econ value of canneries;**
- More job losses = prolonged unemployment => prolonged public finance issues
- **Garment factories in CNMI closed, not so much because of min wage but world trade.**
- GAO will soon issue its report;
- Main Point: Strong arguments on both sides of the minimum wage increases!



Saipan







Arguments

- Con: Min wage kills jobs, limits entry to the labor market for young & unskilled workers;
- Pro: Min wage increases income, especially for beginners and unskilled workers;
- Applying national minimum wage rules is a way to integrate the territories into the national economy, despite distances.
- As difficult as transitions caused by major events such as min wage laws may be, economies adjust in the long run, e.g. Guam & USVI.
- Main Point: It is ultimately up to the Congress to keep PL 110-28 as is, or amend it.