HOW THE DEPARTMENT OF LABOR IS CRUSHING AMERICAN SAMOA

The Department of Labor apparently has decided to foster chronic unemployment in American Samoa, the tiny South Pacific U.S. territory 2,000 miles southwest of Hawaii. The Department on May 29th ordered the Samoan government to impose the same $3.35 an hour minimum wage on local labor as is imposed on the U.S. mainland. The order took effect on July 7th. With other countries in the region paying less than $1 an hour, the economic effect in the territory could be devastating. Island leaders predict that as many as 2,000 Samoans, or nearly 20 percent of the entire workforce, could be priced out of the labor market and lose their jobs. Reagan Administration Labor Secretary William Brock, who has demonstrated recently his sensitivity to the job-killing consequences of federal rules, should reverse his Department's extremely unwise ruling and give Samoans a chance to compete with their neighbors.

The economy of American Samoa depends heavily on government. Nearly half the islands' 13,000-person workforce is employed by the government. Federal aid to Samoa per capita exceeds that to any state on the U.S. mainland. Samoa's fragile private sector is highly sensitive to wage differences between the South Pacific islands. Two major U.S. tuna canneries constitute virtually the entire industrial output of the territory. These canneries, as well as most other employers, have managed to keep wages well above than those on nearby islands.

Under the Fair Labor Standards Act of 1938, the Secretary of Labor sets a minimum wage in Samoa in accordance with the recommendations of an "industry committee" he appoints. Congress specified that the minimum wage rate in Samoa should be raised to the mainland level but only "as rapidly as is economically feasible without substantially curtailing employment...." Brock appointed an "industry committee" to assess the Samoan wage situation. When the committee arrived in Samoa for hearings in April, its chairman, then acting Assistant Labor Secretary Ronald St. Cyr, declared: "I'm here to raise the minimum wage, so let's get on with it." The economic consequences apparently were of little concern to St. Cyr.

In May the committee recommended a general increase in rates to the mainland level. This would boost Samoan wages between 19 percent and 129 percent depending on the type of employment. Despite the vigorous protests of Samoan officials and island employers, the Labor Department issued a wage ruling based on the committee recommendations early last month.

This wage hike is proving to be the last straw for the private sector. Workers in the tuna canneries already have begun receiving pink slips. Almost 300 workers--a huge amount for Samoa--have been laid off, and the firms have announced that they will move at least part of their operations out of the territory. Potential foreign investors have cancelled plans for expanding onto the islands.

It is ironic that it is American Samoa that is reeling under the dead hand of the Labor Department bureaucracy. The territory in recent years has been taking firm action, in cooperation with the Department of Interior, to reduce its dependency on the U.S. government and to build up its private sector. Samoan Governor A. P. Lutali has been pressing ahead with a vigorous program of privatizing such government activities as the port railroad, the solid waste system, and the management of various facilities. So impressive have been his steps to stimulate Samoa's private enterprise that Interior Assistant Secretary for Territorial Affairs, Richard T. Montoya, dubs him the "Ronald Reagan of the Pacific." The Interior Department had intended American Samoa to become a showcase of how private initiative could end dependency on Uncle Sam--until the Labor Department stepped in.

U.S. mainland minimum wage rates bear no relation to the prevailing rates in the South Pacific. Rather than protect the Samoan workforce, the mainland rate will create mass unemployment and turn the struggling U.S. dependency into an economic basket case.

While rejecting Samoan objections to the new rule, the U.S. Court of Appeals did rule recently that the Secretary of Labor can amend the wage regulation if there is substantial cause. So the ball is in Secretary Brock's court. He has said that he is anxious to amend regulations that, while intended to "protect" jobs, actually destroy them. To prove his sincerity, he wisely relaxed restrictions on homework, allowing mothers to work at home while taking care of their children. He should show equal understanding of the situation on Samoa and the perverse consequences a U.S. mainland minimum wage can have on the economy of a tiny South Pacific economy. He should allow American Samoa to continue its progress toward economic independence.

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For further information:

Warren Brookes, "Dependence Day in American Samoa?, <u>The Washington Times</u>, July 2, 1986.

Donna Dudek, "Privatization Is Samoa's Answer to U.S. Budget Constraints," <u>The Wall Street Journal</u>, July 7, 1986.