

GAO Highlights

Highlights of [GAO-14-381](#), a report to congressional committees

Why GAO Did This Study

In 2007, the United States enacted a law incrementally raising the minimum wages in American Samoa and the CNMI until they equal the U.S. minimum wage. American Samoa's minimum wage increased by \$.50 per hour three times, and the CNMI's four times before legislation delayed the increases amid concerns that they would have a detrimental effect on the American Samoa and CNMI economies. The most recent increase in American Samoa occurred on May 25, 2009. The next is scheduled for September 30, 2015, with additional increases every 3 years thereafter. Under current law, the minimum wage in American Samoa's tuna canning industry will equal the current U.S. minimum wage of \$7.25 in 2027. The CNMI's most recent increase occurred on September 30, 2012. The next increase is scheduled for September 30, 2014, with additional increases in 2016 and annually thereafter until it reaches the U.S. minimum wage.

GAO is mandated to report in 2014, and every 3 years thereafter, on the impact of the minimum wage increases. This report updates our previous reports and discusses for each territory (1) changes in employment and earnings and (2) changes in key industries since the most recent federal minimum wage increase and since the increases began. GAO reviewed local and federal earnings information; collected data from employers in key industries through a questionnaire and from employers and workers through discussion groups and interviews during visits to each area.

American Samoa's government said GAO captured the consensus to postpone a 2015 minimum wage increase. CNMI's government said GAO captured the general economic condition of the CNMI.

View [GAO-14-381](#). For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov

March 2014

AMERICAN SAMOA AND THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Economic Indicators Since Minimum Wage Increases Began

What GAO Found

American Samoa employment and earnings have decreased since 2007, but employment increased slightly from 2011 to 2012. Since 2005, the American Samoa economy has had a flat or declining real gross domestic product (GDP).

American Samoa Employment

Employment	Change
All sectors, 2011-2012	+1.5%
All sectors, 2007-2012	-11%
Tuna canning hourly workers, 2012-2013	-13%
Tuna canning hourly workers, 2007-2013	-58%

Source: GAO analysis of data from GAO tuna canning industry questionnaire and American Samoa tax office data.

Average inflation-adjusted earnings of those employed fell by 5 percent overall from 2007 to 2012 and by 2 percent from 2011 to 2012.

One of American Samoa's two tuna canneries closed in 2009. However, a new company is renovating the closed cannery and plans to re-open it in 2015. Two employers in the tuna canning industry took cost-cutting actions from 2010 to 2013, including labor-saving strategies and reduced overtime. The employers attributed to a moderate or large extent all but one of their actions to minimum wage increases, but also to increased utility and material costs. Two of the three employers planned more cost-cutting actions and attributed those plans to a moderate or large extent to minimum wage increases, but also to other increased costs and business factors.

Commonwealth of the Northern Mariana Islands (CNMI) employment and earnings have decreased overall since 2006, but earnings increased slightly from 2011 to 2012. After falling rapidly from 2005 to 2009, CNMI real GDP remained relatively stagnant from 2009 to 2012.

CNMI Employment

Employment	Change
All sectors, 2011-2012	-6%
All sectors, 2006-2012	-45%
Hotel industry hourly workers, 2012-2013	+3%
Hotel industry hourly workers, 2007-2013	-21%

Source: GAO analysis of data from GAO hotel industry questionnaire and CNMI government tax data.

Average inflation-adjusted earnings of those employed fell by about 2 percent overall from 2006 to 2012 but rose by 1 percent from 2011 to 2012.

CNMI hotel occupancy and room rates have risen in recent years, but industry representatives we spoke with characterized the recent growth as an opportunity to recover and reinvest in their properties. Hotels representing the majority of all workers employed by respondents to GAO's questionnaire attributed past cost-saving strategies and price increases to minimum wage increases. Hotels also attributed their actions to other increased costs and changes to U.S. immigration law, which reduce the number of available permits for foreign workers in the CNMI. Hotels representing 90 percent or more of all workers employed by questionnaire respondents attributed plans for further cost-cutting to minimum wage increases, but also to increasing utility, material, and transportation costs.