

Highlights of GAO-10-333, a report to congressional committees

April 2010

## AMERICAN SAMOA AND COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

### Wages, Employment, Employer Actions, Earnings, and Worker Views Since Minimum Wage Increases Began

#### 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). The law applied the first \$.50 per hour increase in July 2007 and mandated additional increases in each subsequent year until the minimum wages reach the level of the U.S. minimum wage—currently \$7.25 per hour. American Samoa's lowest paid will reach that wage in 2016, and the CNMI in 2015. In American Samoa, one of two tuna canneries employing almost a third of workers closed in September 2009. In the CNMI, where the garment industry was one of two major employers, the last garment factory closed in early 2009.

The American Recovery and Reinvestment Act requires GAO to report annually on the impact of the minimum wage increases in American Samoa and the CNMI. In this report GAO describes, since the increases began, wages, employment, employer actions, inflation-adjusted earnings, and worker views. GAO reviewed existing information from federal and local sources. GAO also collected data from large employers (at least 50 employees) through a questionnaire and from small employers and workers through discussion groups, in addition to conducting interviews during visits to each area.

GAO shared the report with relevant federal agencies and the governments of American Samoa and the CNMI and incorporated their comments as appropriate.

[View GAO-10-333 or key components.](#)  
For more information, contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

#### What GAO Found

In American Samoa, the first minimum wage increase raised the wages of about three-quarters of workers at private sector employers that responded to GAO's questionnaire. June 2009 wage data from GAO's questionnaire indicate that by 2016, the minimum wage increases would affect the wages of close to 95 percent of those employers' private sector workers. Earnings data show that employment grew from 2006 to 2008, while questionnaire responses show that employment dropped from 2008 to 2009; since the September 2009 closure of one tuna cannery, employment has very likely continued to drop. Cannery officials said that minimum wage increases were a significant contributing factor in the closure of one cannery, in addition to other factors. Public and private sector officials expressed concern about the significant impact on employment if future minimum wage increases lead the remaining cannery to close or make attracting new industries more difficult. Many employers reported having taken cost-cutting actions, such as freezing hiring and cutting worker benefits, since the increases began. Employers also reported planning actions such as leaving American Samoa or closing by the end of 2010. More employers attributed their actions to the minimum wage increases than to other factors. Federal data show that median annual inflation-adjusted earnings in American Samoa declined by about 6 percent from 2006 to 2008. GAO estimated that inflation-adjusted earnings for full-time minimum wage workers who retained their jobs and hours rose by about 14 percent. In discussion groups, workers generally said that their support for the wage increases had dwindled because of concerns about issues such as the cannery closure, job insecurity, and loss of benefits.

In the CNMI, the first minimum wage increase raised wages for about a third of workers at private sector employers that responded to GAO's questionnaire. June 2009 wage data from GAO's questionnaire indicate that the future increases will affect the wages of more than 80 percent of those employers' workers by 2015. CNMI government data show that following the 2007 wage increase, employment continued an existing downward trend largely reflecting the garment factory closures. Small employers and other private sector officials expressed mixed views about the future increases, and many expressed greater concern about immigration changes. In questionnaire responses, employers reported having taken cost-cutting actions, such as freezing hiring, since the increases began and also reported planning such actions by the end of 2010. Employers attributed their actions both to the minimum wage increases and to other factors. Based on an analysis of responses from CNMI employers in the hotel industry, GAO found that raising room rates to cover higher wage costs may cause a 2.6 to 13.7 percent decline in visits to the CNMI. CNMI government tax data show that average annual inflation-adjusted earnings declined by about 6 percent from 2006 to 2008. GAO estimated that annual inflation-adjusted earnings for minimum wage full-time workers who retained their jobs and hours rose by about 12 percent. In discussion groups, CNMI workers generally expressed support for the minimum wage increases and cited other factors affecting living standards.