

GAO Highlights

Highlights of [GAO-17-83](#), a report to congressional committees

Why GAO Did This Study

The federal minimum wage, established by the Fair Labor Standards Act of 1938, has not been applied in American Samoa for many years. In 2007, Congress passed legislation to incrementally raise minimum wages in American Samoa to the federal level. Subsequent legislation postponed or reduced these increases.

Pub. L. No. 114-61, enacted in October 2015, included a provision for GAO to report on alternative ways of increasing minimum wages in American Samoa to keep pace with the territory's cost of living and eventually equal the federal minimum wage. In addition, Pub. L. No. 111-5, enacted in February 2009, included a provision for GAO to report periodically on the economic impact of minimum wage increases in the territory. This report examines (1) the history of minimum wage implementation in American Samoa; (2) the status of the American Samoa economy, including changes in employment, earnings, and key industries since scheduled minimum wage increases began in 2007; and (3) alternative approaches for increasing minimum wages in American Samoa to meet GAO's two reporting criteria in Pub. L. No. 114-61. GAO reviewed American Samoa local and federal earnings information; collected data from American Samoa employers in a key industry through a questionnaire; and reviewed methods used to set minimum wages in the United States and around the world.

Commenting on a draft of this report, the Department of the Interior suggested further study and the American Samoa government suggested creating a committee to set minimum wages in the territory.

View [GAO-17-83](#). For more information, contact David Gootnick at (202) 512-3149, or gootnickd@gao.gov.

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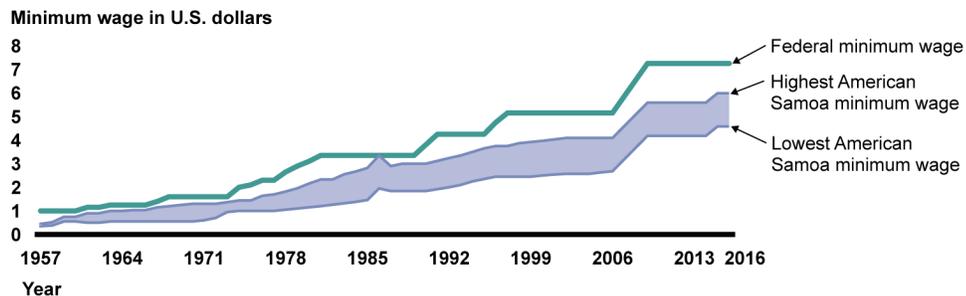
AMERICAN SAMOA

Alternatives for Raising Minimum Wages to Keep Pace with the Cost of Living and Reach the Federal Level

What GAO Found

Federal legislation passed in 2007 created a schedule of periodic increases to minimum wages in American Samoa. During the previous 50 years, special industry committees had periodically recommended industry-specific minimum wages. Historically, minimum wages in the U.S. territory have generally remained below the federal minimum wage (see fig.). The current schedule of increases would raise all American Samoa minimum wages to the current federal hourly rate of \$7.25 by 2036. However, any new increase in the federal rate will lengthen the time required to achieve convergence.

Minimum Wages in American Samoa Relative to the Federal Minimum Wage, 1957-2016



Source: GAO analysis of Department of Labor data. | GAO-17-83

American Samoa's gross domestic product (GDP) per capita is less than a quarter of the U.S.'s GDP per capita and, adjusted for inflation, has declined over the past decade. Local government and tuna canneries are the largest employers, accounting in 2014 for 42 percent and 14 percent of the workforce, respectively. From 2007 to 2014, overall employment fell by 4 percent, and workers' average inflation-adjusted earnings fell by about 11 percent. During the same period, cannery employment decreased by 50 percent, and the minimum wage for cannery workers rose. Cannery officials reported labor costs and fisheries access among the challenges of operating in the territory, and one of the two canneries announced plans to suspend operations indefinitely in December 2016. The American Samoa government has expressed concern that continued minimum wage increases are at odds with sustainable economic development.

There are two basic approaches for increasing American Samoa's minimum wages to keep pace with the cost of living in American Samoa and to eventually equal the federal minimum wage—the criteria included in the provision for GAO to report on this issue. The first approach relies on indexing minimum wages to the cost of living. The second approach relies on using a schedule of future adjustments. Aspects of each approach could also be combined, as needed, with respect to the amount and timing of future increases to the territory's minimum wages. Given concerns about potential negative effects of increasing American Samoa's minimum wage on the territory's economy, other design options could be incorporated to safeguard against such effects. For example, minimum wage increases could be reduced or suspended based on economic indicators that reflect the general health of the American Samoa economy or critical sectors.