



Position on the Proposed Amendments to the Labour (Work Permits) Act

Summary Report | December 2020

Prepared by

Strategy Labs

On behalf of



Vanuatu in the face of a global crisis

Vanuatu's Government has been struggling to reach an economic growth target of 4% due to underdeveloped agriculture, a concentrated services sector, and damage caused by natural disasters. In addition, the COVID-19 pandemic is threatening to push Vanuatu into a deep recession, forcing an unprecedented GDP contraction of 8.3% in 2020, followed by a painfully slow recovery.

To ensure resilience to crises and foster economic development in the long-run, Government needs to prioritise investment into education, transform the economy, and provide decent jobs for a growing population.

Shortage of skills restricts development

Shortage of highly skilled employees, mostly managers, professionals and technicians, is evident in both public and private sectors in Vanuatu. It is estimated that the Government needs nearly 4,600 skilled employees to meet the goals of the National Development Plan. The private sector also confirms that finding skilled employees is the top issue faced by local businesses.

Despite relatively high unemployment among Ni-Vanuatu youth, citizens cannot fill the vacancies due to limited qualifications.

Supply of skilled labour is highly restricted by a poor education system. At 6.8 mean years of schooling, Vanuatu is positioned well below global and regional peers. Only 5% of the population has attained tertiary or vocational education, while the supply of fresh graduates meets just a fraction of market demand.

FDI facilitates inflow of investment and skills

Vanuatu needs FDI to gain access to capital, technology and know-how required for economic development.

FDI constitutes 4.5% of annual GDP and has already created around 9,000 jobs (21% of total wage employment) for Ni-Vanuatu. An additional 1,400 jobs and nearly VT 20 billion in investment have been confirmed, yet might be postponed due to the pandemic situation.

Out of 3,250 foreign immigrants in Vanuatu, more than two-thirds are non-working residents or employees of visa exempt organisations, including public

enterprises and NGOs, while 900 foreign citizens possess work permits. The majority of foreign workers occupy management and professional positions, bringing valuable knowledge and lacking skills to the country.

Foreign workers also participate in the local economy by increasing consumption and creating more demand for goods and services domestically.

Reserving occupations will remove jobs from the country

In June 2020, the Government of Vanuatu proposed to include an additional 33 positions to the List of Reserved Occupations. The majority of these occupations require quality education and relevant work experience.

Due to the scarcity of human capital, these positions are not likely to be filled by Ni-Vanuatu. Instead, companies will either outsource certain positions overseas, reducing the opportunity for the local population to gain vital skills, or entire businesses will relocate out of the country, resulting in a loss of jobs and investment.

Furthermore, nearly 500 foreign workers, mostly managers, professionals and technicians, might be forced to lose their jobs and leave the country. Undoubtedly, such policies will create repercussions in the international arena and further discourage FDI inflows, hurting pandemic recovery efforts and economic development in the long-run.

Unlocking Vanuatu's potential

Foreign immigrant stock in Vanuatu is already among the lowest in the region, signalling that the country fails to attract and retain global talent.

The Government is advised to follow regional leaders, by keeping the domestic labour market protected, while at the same time increasing its appeal to highly skilled foreign employees by simplified admission procedures and special incentives.

Vanuatu is also well-positioned to capitalise on recent trends of remote work. The introduction of a Digital Nomad Visa for remote workers and entrepreneurs will cushion the loss of tourism sector income caused by the pandemic and create impetus for increased business activity and economic growth.

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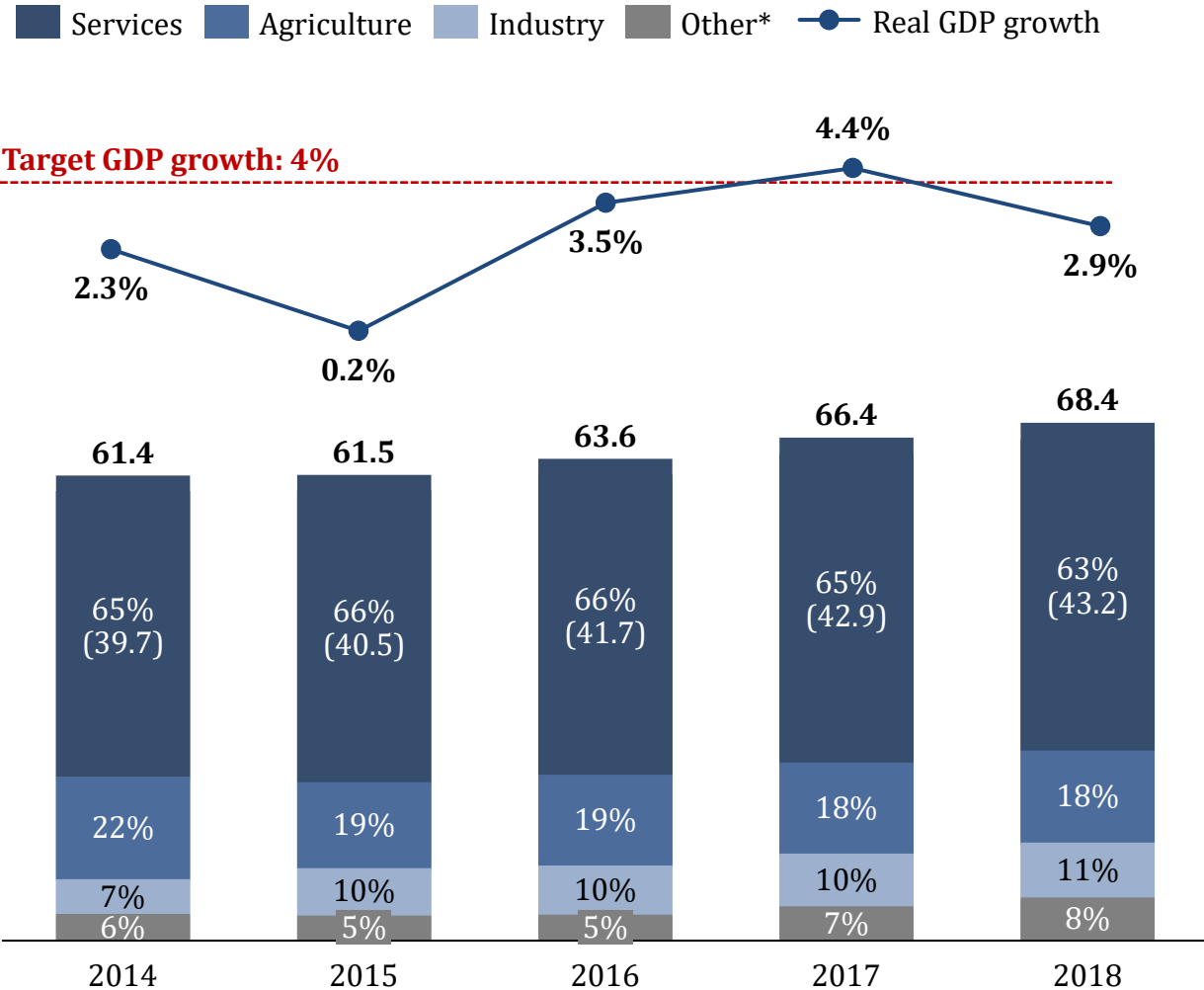
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Vanuatu failed to reach economic growth targets due to volatility in agricultural and service sectors, and damage caused by natural disasters

Real GDP by Sector, billion VT



Highlights

- Vanuatu’s Government has pledged to **maintain GDP growth of 4%** as one of the economic objectives set forth in the National Development Plan (NDP) 2016-2030.
- Conversely, Vanuatu **economy has been growing at 2.7%** throughout 2014-2018.
- Historically, Vanuatu has been **highly dependent on Services**, dominated by Tourism. However, tourist flows depend on economic cycles, making the economy exposed to global and regional downturns.
- Agricultural sector that provides jobs to more than half of Vanuatu population and generates 18% of GDP is also **vulnerable to weather conditions and natural disasters**, which are unpredictable by definition.

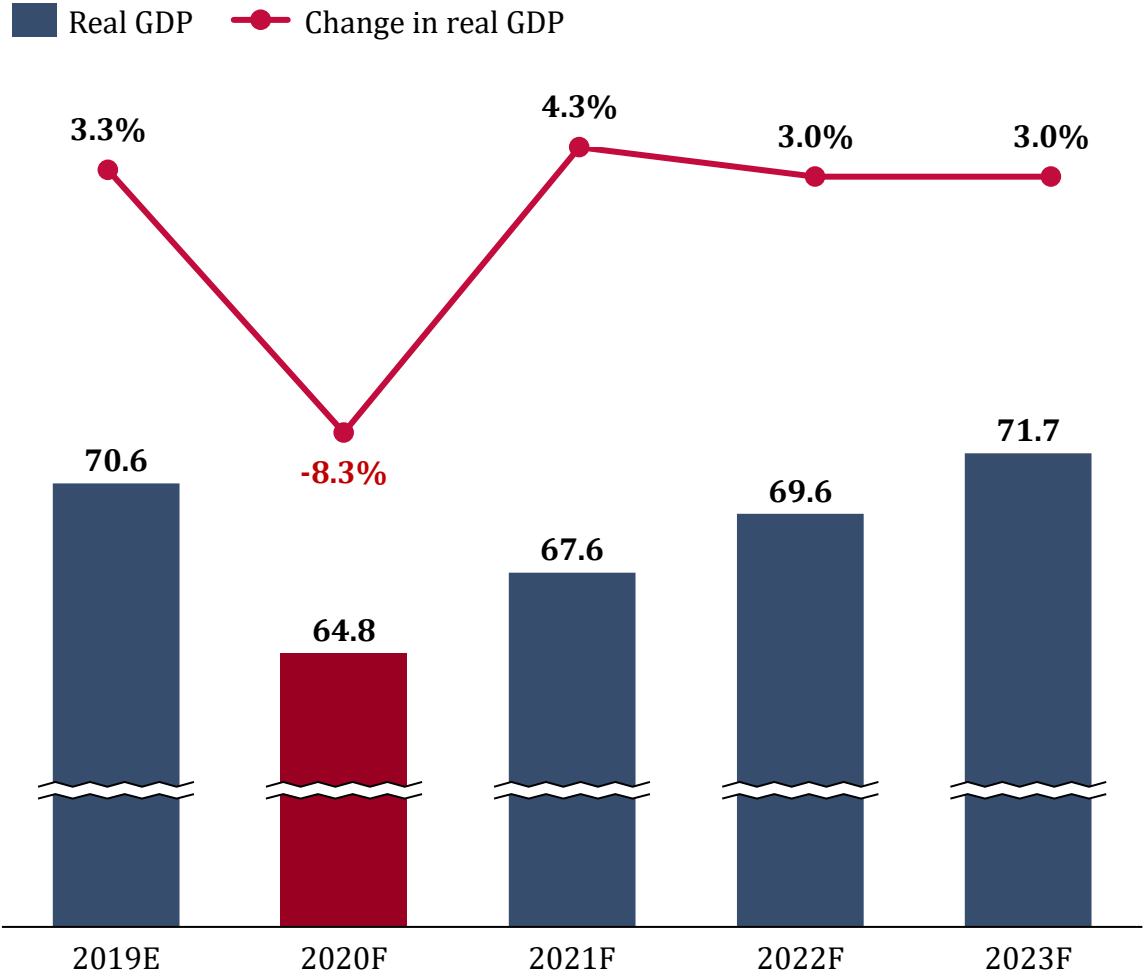
* - Net taxes on products less Imputed bank service charges

COVID-19 pandemic is expected to have devastating effects on Vanuatu's economy followed by a painfully slow recovery

COVID-19 impact on Vanuatu economy

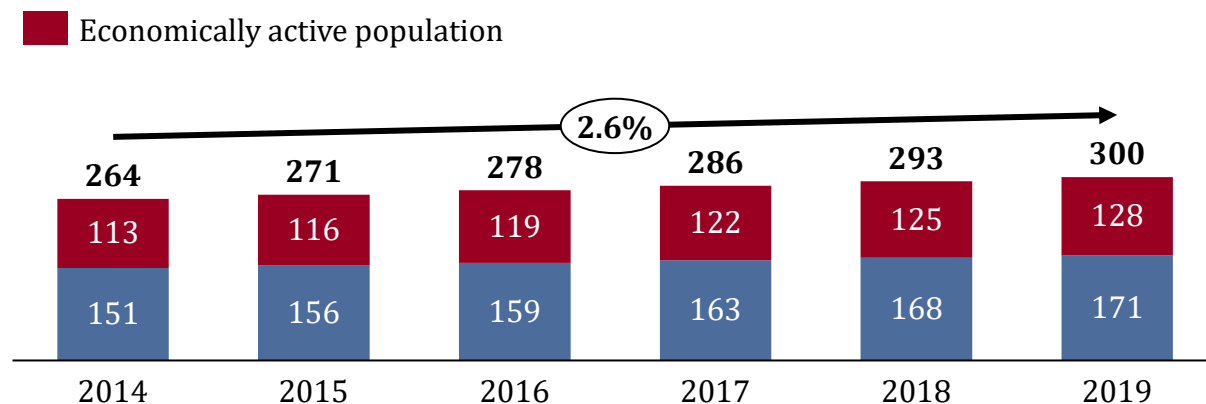
- 
Full-stop of Tourism, generating 20-30% of GDP
- 
Reduced domestic consumption due to sharp drop in household income
- 
Reduced demand from local businesses facing bankruptcies and heavy cost-cutting
- 
Reduced investment and interest in new loans
- 
Cost of sea freight increased by 30% and air freight by up to 300%
- 
Reduced remittances from seasonal workers due to the lack of jobs abroad

Real GDP forecast, billion VT

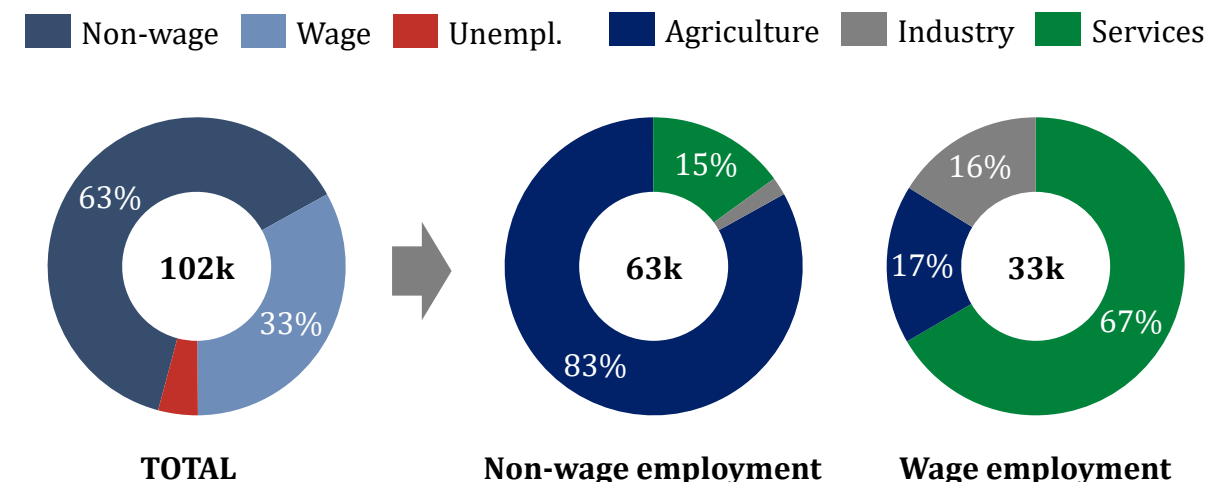


Government needs to facilitate creation of formal, well-paid jobs in order to improve living standards for Ni-Vanuatu

Vanuatu population dynamics, 2018, thousands



Non-wage and Wage employment by Sector, 2010, number of employees

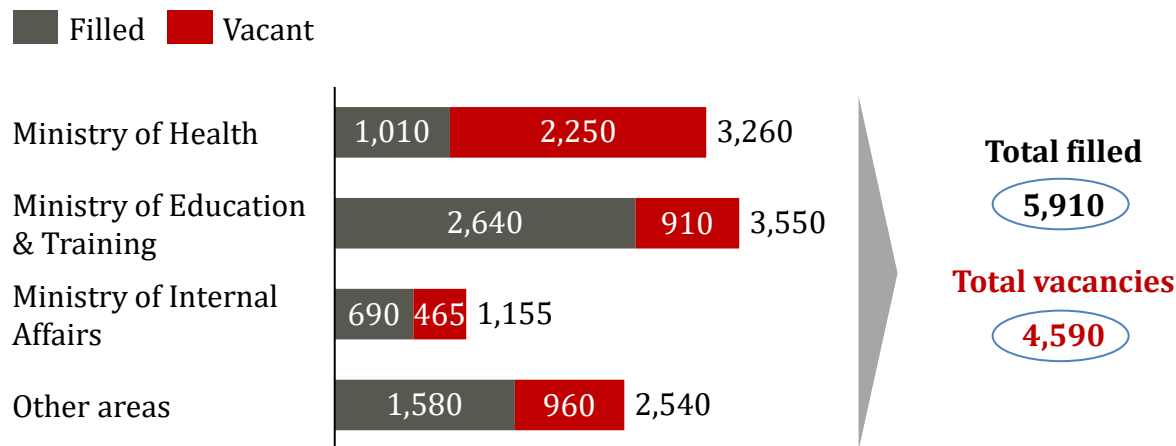


Highlights

- **Improvement of living standards in Vanuatu languishes**, since population grows almost at the same rate as the real GDP.
- **Majority of economically active Ni-Vanuatu population is engaged in subsistence economy** (non-wage employment), which is most prevalent in agricultural sector.
- **GDP generated per employee in agriculture is 5 times less than the value created in services and industrial sector** that provide jobs for 44% of population.
- Although average unemployment rate is 4.4% nationwide, **unemployment is abnormally high among urban youth**: 23% of economically active males aged 15-29 and 14.6% of females in the same age cohort were unemployed in urban areas in 2010.
- In order to attain sustainable development, the Government of Vanuatu must aim to shift economic focus towards **creation of more jobs in higher value-added sectors**.

Public sector already suffers from shortage of skilled employees, as nearly 4,600 positions are vacant and cannot be filled domestically

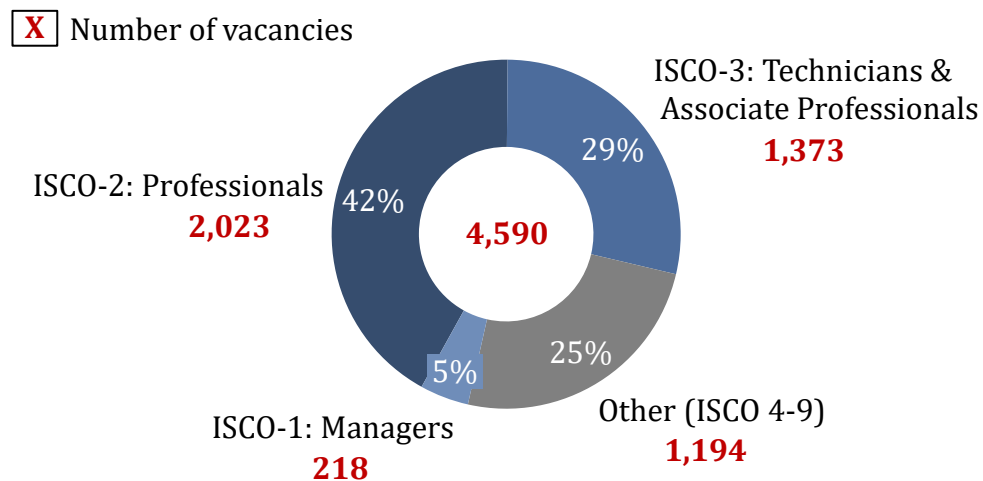
Public sector vacancies by Ministry, 2018



Highlights

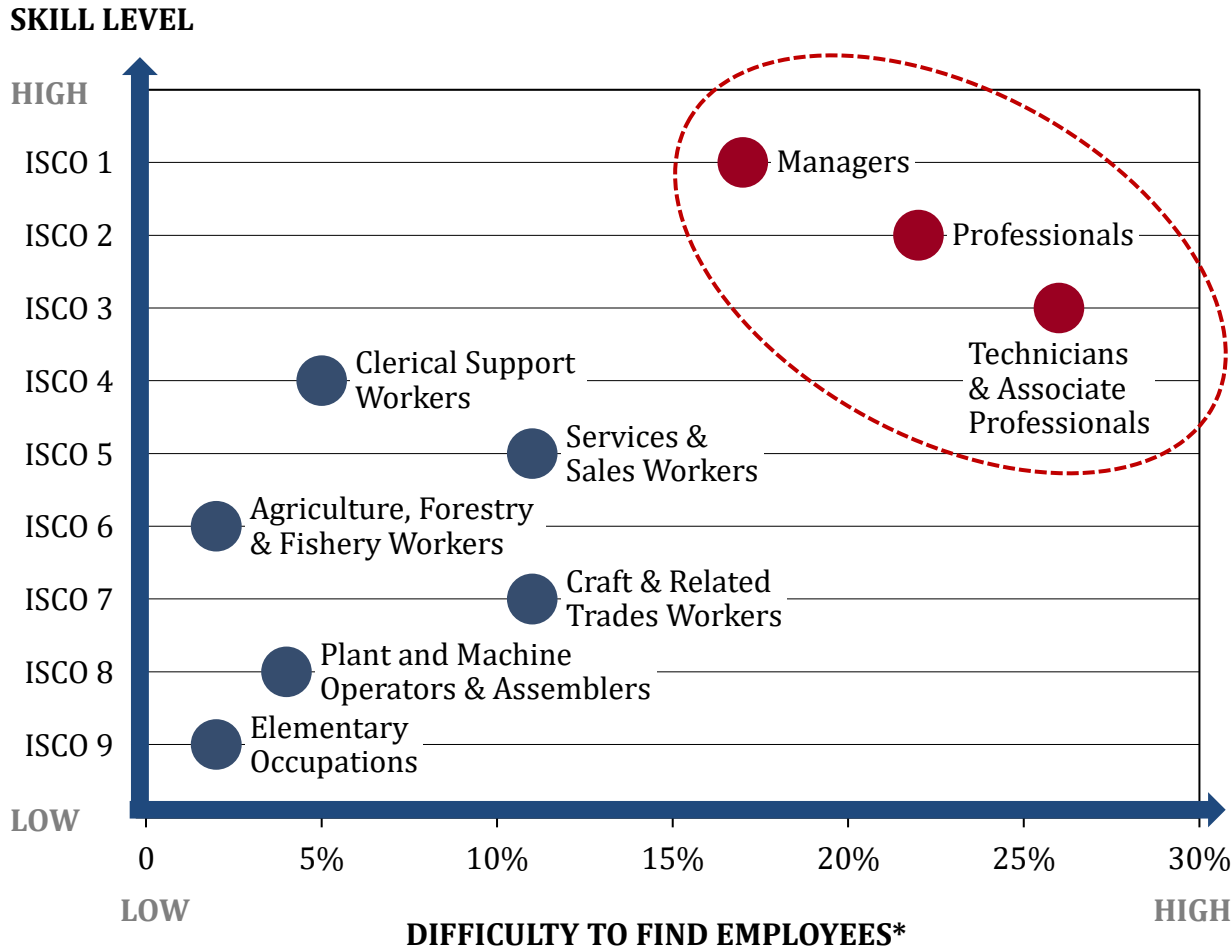
- Out of 10,500 positions in the public sector of Vanuatu, **almost 4,600 positions were vacant** due to a shortage of suitable candidates in 2018. Many incumbent public servants are also underqualified for their posts.
- In addition, almost **1000 public servants are approaching mandatory retirement age**.
- **Healthcare and education sectors dominate the list of public vacancies** (35% and 16% of total positions respectively), denying citizens quality service delivery and a solid foundation for future development.
- **75% of all vacant positions are open for managers, professionals and technicians** that require highly skilled labour.

Public sector vacancies by ISCO, 2018



Local businesses also struggle to recruit employees, especially for managerial, professional and technical positions

Shortage of labour in Vanuatu by ISCO class



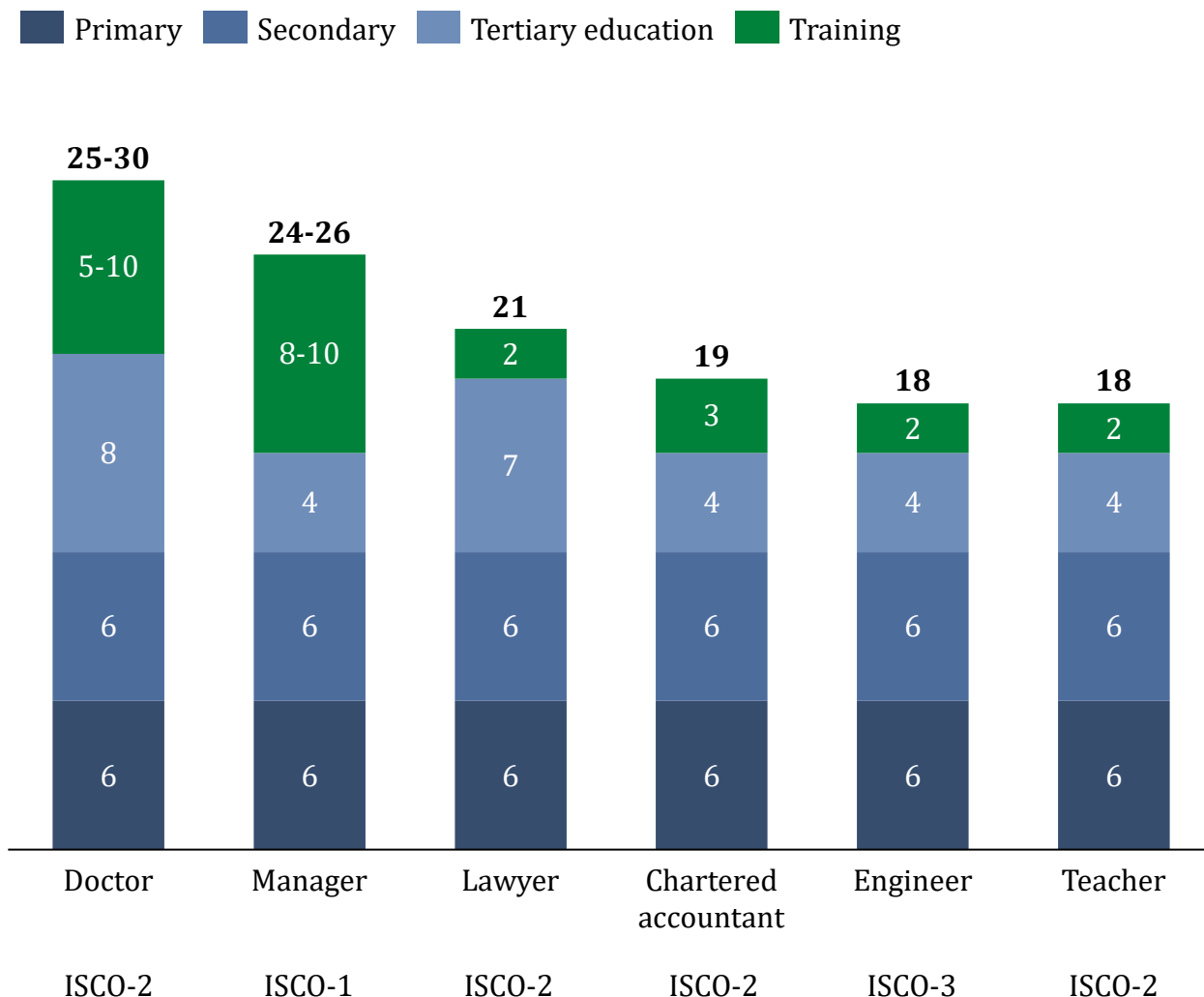
Highlights

- **Finding skilled employees is the primary issue** faced by businesses in Vanuatu. 60% of respondents indicated that it was hard or very hard to recruit workers with required skills in a survey conducted in 2018.
- **Difficulty to recruit employees increases with the level of skills required.** Hence, managers, professionals and technicians are the most sought after in the market.
- Even so, only **51% of managers** and 40% of professionals working in Vanuatu have **attained higher education**. Recognising skill gaps, almost 50% of local businesses have a history of funding employee training.

* - Based on the Survey of Vanuatu businesses (n=201), conducted in 2018

Development of highly-skilled professionals requires years of formal education and quality on-the-job training

Occupations by Education and Training required, years

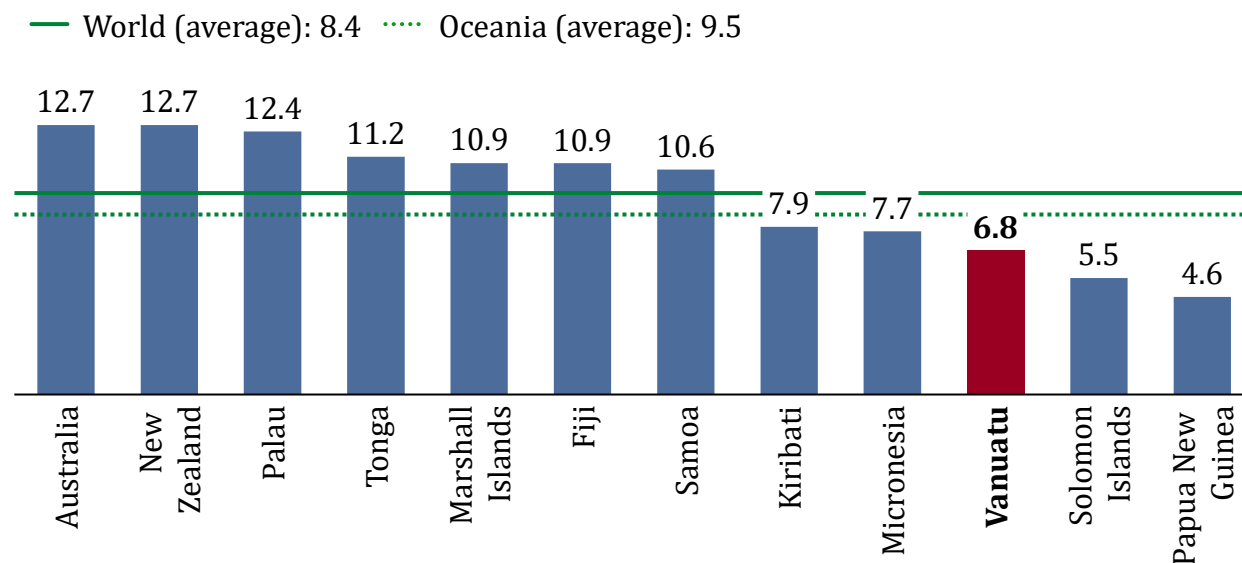


Highlights

- **Quality tertiary education and post-graduate training** is typically required for ISCO 1-3 occupations, such as managers, professionals and technicians.
- **Highly skilled business professionals** are hired to lead organisations and internal departments, plan, direct and execute operations, supervise and train junior employees.
- Various specialist roles, such as medical doctors, lawyers, accountants, and engineers, also require **highly technical knowledge and skills**.

Labour market demand for highly skilled employees cannot be fulfilled, as human capital is extremely scarce in Vanuatu

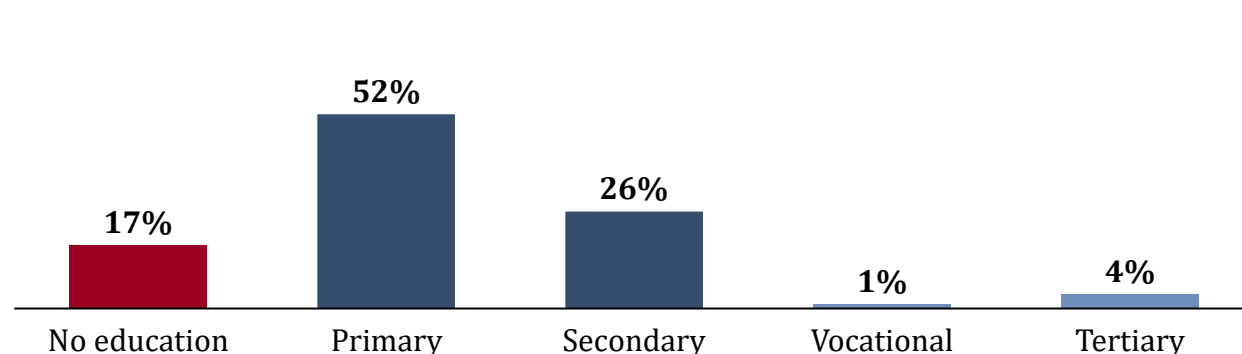
Mean years of Schooling, years



Highlights

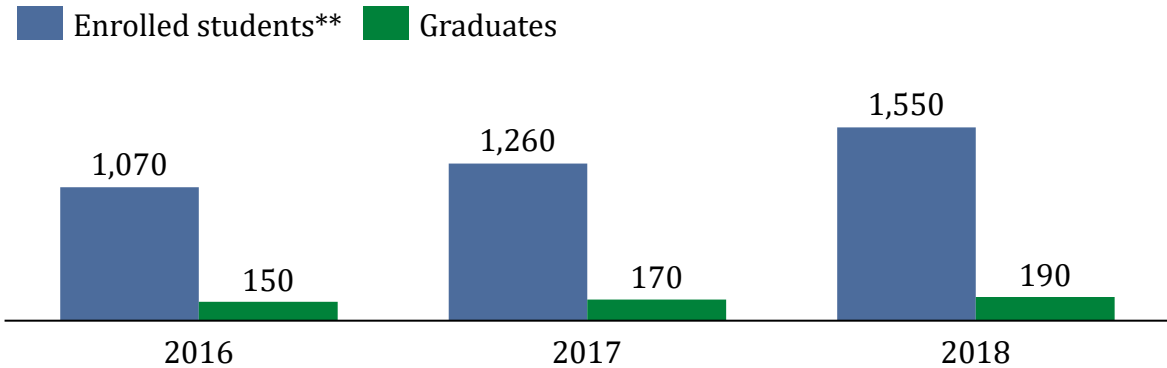
- **Vanuatu lags behind its regional and global peers by years of schooling** provided to students. Although global average grew from 7.9 to 8.4 over 2014-2018, indicator for Vanuatu remained unchanged over the same period.
- **Human capital is extremely scarce in Vanuatu**, as only 5% of population has attained higher than secondary education, while 17% has no formal education.
- In addition, low level of English and French language literacy as well as computer skills significantly **limit Ni-Vanuatu prospects for attaining higher education** domestically and overseas.

Vanuatu's population (>15 y) by Level of Education, 2009

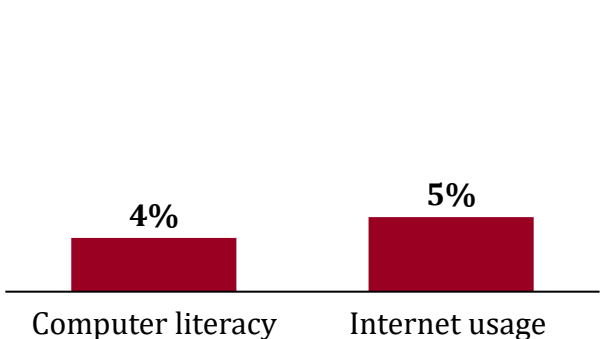


Low language and computer literacy levels are a significant impediment to obtaining tertiary education and professional qualifications

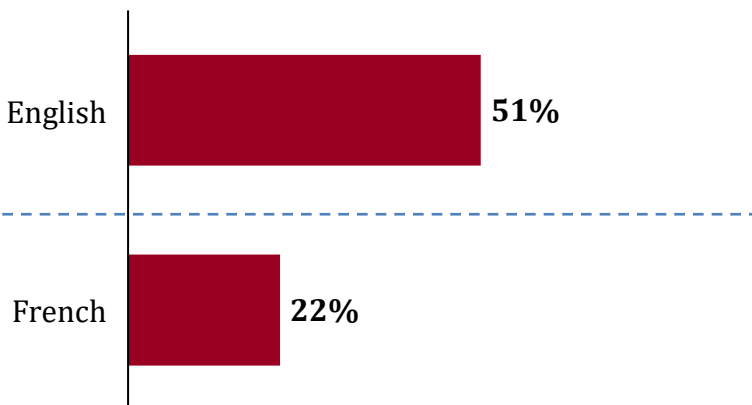
Number of Enrolled Ni-Vanuatu students and Graduates (tertiary education)*



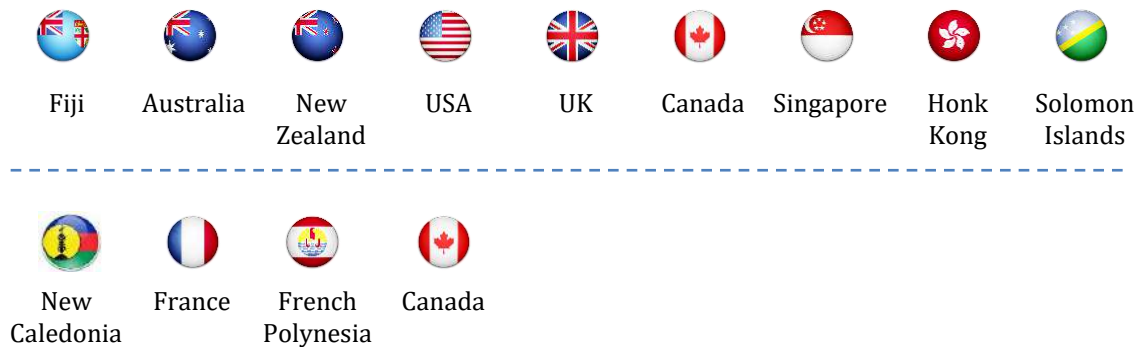
Computer literacy and access to Internet at Schools, share of students, 2013



Perceived language literacy, total population, 2012



Countries where education is available and accessible in English and French



* - University of South Pacific and *Agence Universitaire de la Francophonie*

** - Excluding students in preliminary and foundation courses

Foreign workers are instrumental for economic development in Vanuatu, since they supplement crucial skills, facilitate foreign investment and job creation



CRITICAL SKILLS

- Out of 900 foreign citizens holding work permits in Vanuatu, **86% are highly-skilled managers, professionals, and technicians**
- Although working foreign citizens constitute **less than 1% of total population**, they provide **critical skills for business, education and healthcare** systems that would not function otherwise.



INVESTMENT AND JOBS

- Foreigners provide training to local employees, boost organisational development, and supervise operations on behalf on parent companies. This **facilitates FDI inflows to the country** totalling **VT 20 billion between 2015-2019**.
- Foreign businesses create new formal jobs for Ni-Vanuatu, mostly in high-potential service industries. With **9000 jobs already created and more approved**, foreign businesses play crucial role in the labour market, providing more employment than the public sector*.



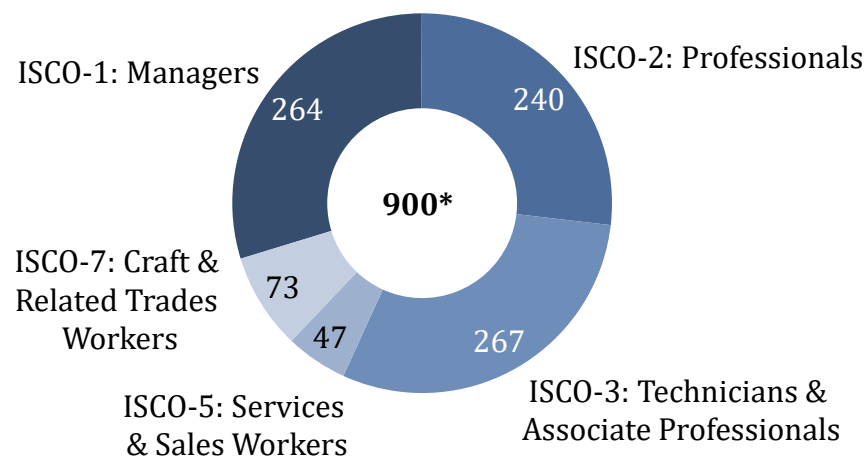
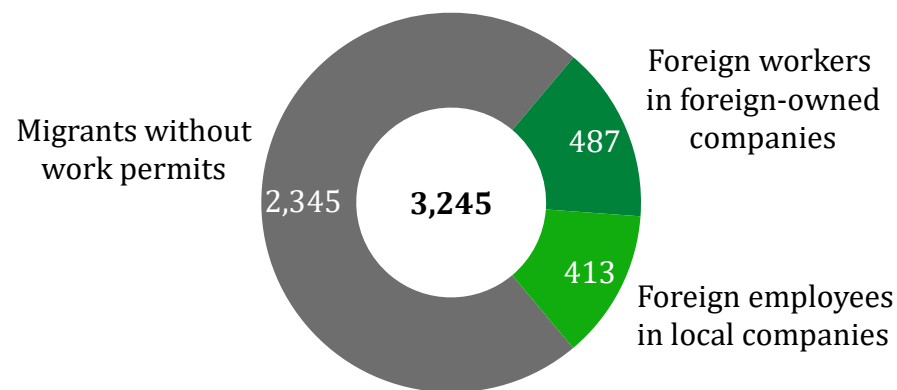
SYNERGIES

- Foreign employees create **additional demand for domestic goods and services**, creating an **economic multiplier effect** through income to local businesses and individuals.
- Presence of foreigners **positively affects overall business environment**, boosts innovation and entrepreneurship, and facilitates international networking.

* - Excluding vacancies

Although foreign workers constitute less than 1% of the economically active population, their impact on Vanuatu's labour market is significant

Immigrant stock in Vanuatu by Occupation, 2018



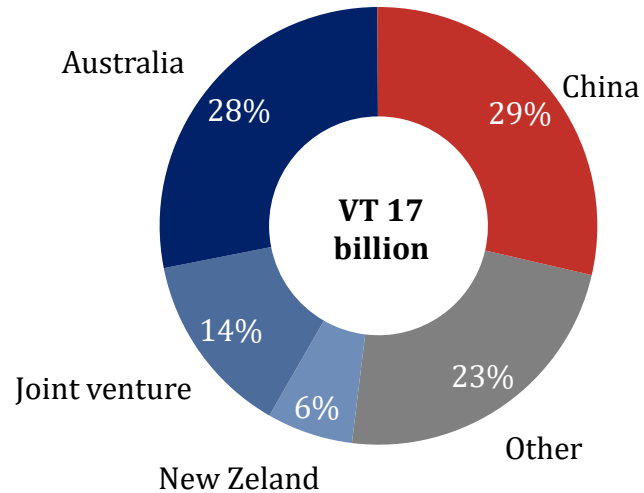
* - Information on occupation of 9 foreign employees is not available

Highlights

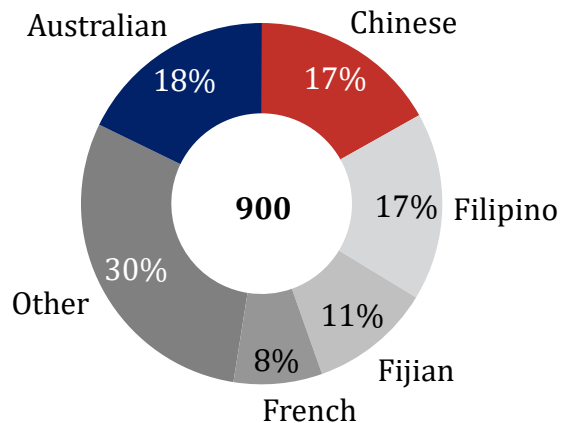
- There were **3,245 foreign immigrants** in Vanuatu in 2018. More than two-thirds of them are non-working residents or employees of visa exempt organisations, which include state-owned enterprises, foreign government delegations, NGOs, non-profit and religious missions, etc.
- Out of **900 foreign immigrants with work permits**, approximately half work for foreign-owned entities, while the rest are employed by local businesses.
- Although work permit holders constitute 2.2% of formal employment in the country or **just 0.72% of the total economically active population** of Vanuatu, their impact is significant.
- **86% of foreign workers hold ISCO 1-3 class positions** that are the most difficult to recruit locally.
- Consequently, **foreign workers constitute 22% of all Managers**, 6% of Professionals, and 10% of Technicians and Associate professionals employed in the country.

Foreign businesses rely on employees from home markets to develop and oversee operations

FDI inflow by Country, 2015-2019, billion VT



Foreign work permit holders by Nationality, 2018

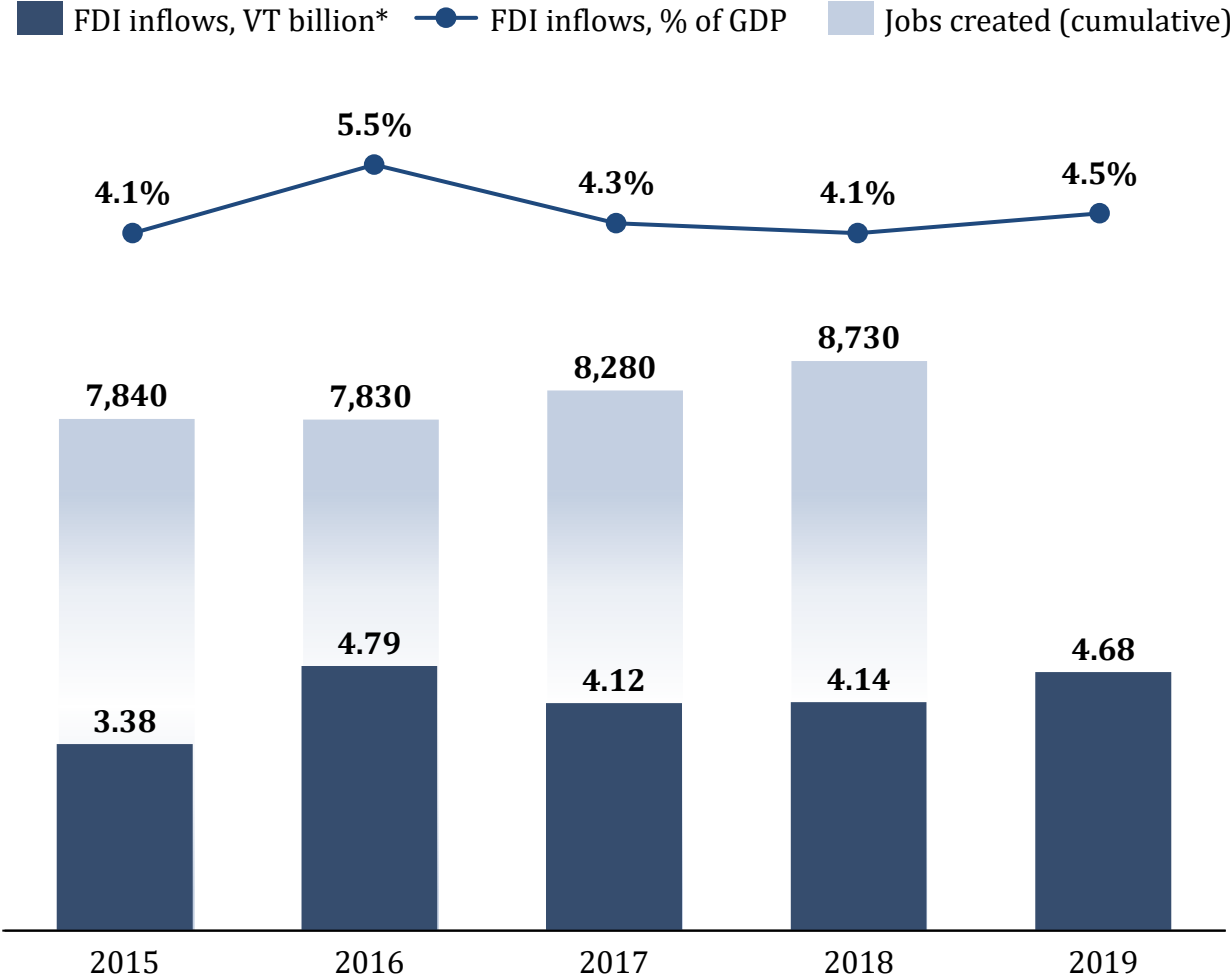


Highlights

- **The main FDI contributors by country are Australia and China**, which actively participate in Vanuatu's infrastructure development assistance projects, some of which come in the form of FDI.
- In addition, citizens from Australia and China registered 349 new legal entities in Vanuatu in 2015-2019, which accounts for **49% of all legal entities** established by foreigners during this period.
- Naturally, **citizenship of foreign employees closely correlates with the origin of top FDI sponsors**, as 35% of all foreign work permit holders in Vanuatu come from Australia and China.
- **Foreign investors rely on professionals** from their existing offices to support business development in new markets, add needed skills, and enhance control over local operations. Therefore, foreign labour mobility is among the top concerns when choosing a location for investment.

Foreign direct investment constitutes 4.5% of GDP and drives employment by creating jobs for nearly 9000 Ni-Vanuatu

Benefits of FDI to Vanuatu economy



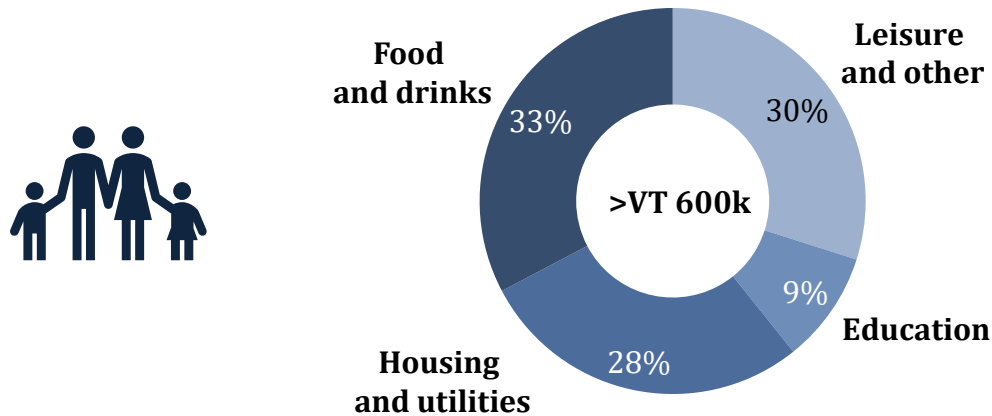
* - Converted from USD

Highlights

- **VT 20 billion was invested** by foreign businesses in Vanuatu over 2015-2019.
- Approximately **85% of FDI was absorbed by the Services sector**, followed by 10% in Industrial and 5% in Agricultural sectors.
- Local employment created by FDI constitutes **21% of total wage employment** in the country (in comparison, jobs in the public sector are estimated to amount to 14% of formal employment).
- More than 150 new foreign investment approvals were granted in 2018. FDI pipeline included total investment of VT 19 billion and 1400 additional jobs. However, **planned investment is likely to be postponed** due to the COVID-19 pandemic.

Presence of highly skilled foreign workers in the economy is proven to increase income for the local population

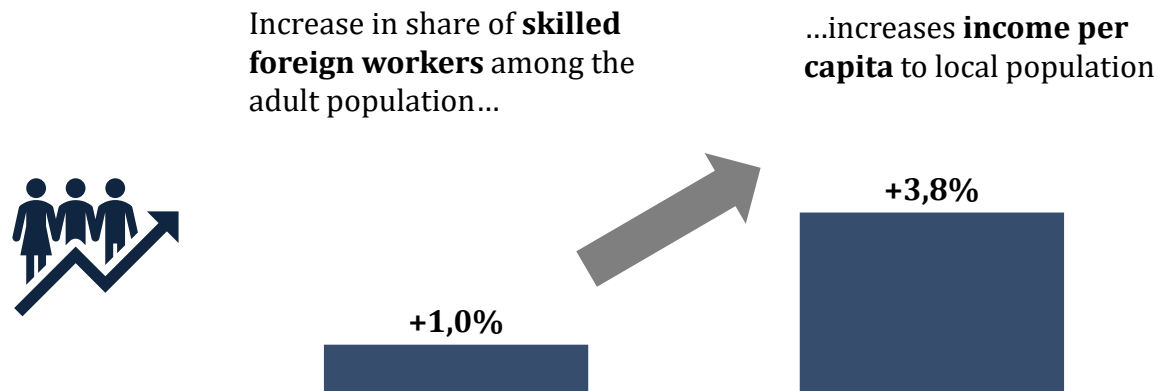
Monthly expenses of highly skilled foreign worker household (4-person family)



Highlights

- Foreign workers with long-term contracts are likely to relocate to Vanuatu with their families, who will be spending **VT 600-800 thousand per month** on basic needs.
- These funds **provide income to local businesses** and the local population, which in turn supports the development of Vanuatu's economy.
- Research confirms that contribution to value added by immigrants in developing countries mostly **exceeds their share of employment**.

Effect on income per capita in local population



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Proposed new list of Reserved Occupations will have detrimental long-term effects on Vanuatu's economy and slow the recovery from COVID-19 pandemic



DEEPER SKILL SHORTAGE

- Out of 33 proposed new Reserved Occupations, a **majority of the positions refer to managers, professionals and technicians** (ISCO 1-3).
- Since both private and public sectors already **struggle to recruit skilled employees domestically**, and Vanuatu's education system cannot keep up with market demands, further **restrictions on labour mobility would only intensify skill shortages** in Vanuatu economy.



THREAT TO LOCAL BUSINESSES AND JOBS

- Proposed new **restrictions will not produce more jobs for Ni-Vanuatu**, as there is not enough human capital within the country.
- Instead, businesses that have been relying on foreign workers will have to close and **lay-off local employees**.
- Other businesses will adapt by **outsourcing key positions abroad**, as COVID-19 pandemic has accelerated the adoption of remote work practices in corporate environment.

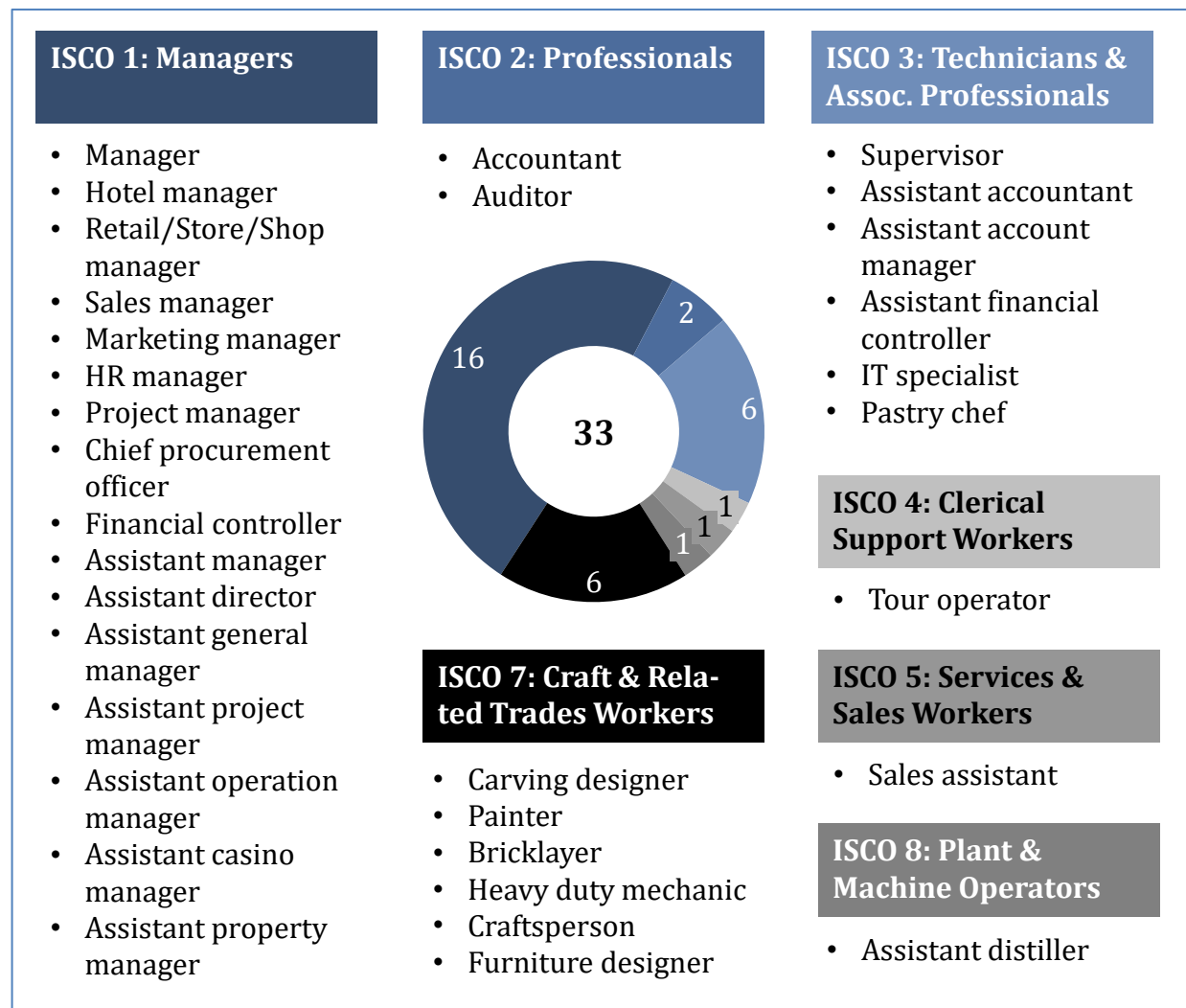


DISCOURAGEMENT OF FOREIGN INVESTMENT

- Business leaders and experts agree that the **biggest impediment to FDI is the lack of human capital**.
- Market attractiveness is further reduced by imposing **restrictions on labour mobility and foreign key personnel**.
- Reserving occupations to Ni-Vanuatu may force foreign businesses to **suspend investment and relocate** to markets with more favourable business environment.

Majority of newly proposed Reserved Occupations require highly-skilled employees that are in low supply in Vanuatu

Proposed new Reserved Occupations by ISCO class



Highlights

- **Majority of proposed new Reserved Occupations** are attributed to ISCO 1-3 classes that usually **require tertiary education**.
- Prior **work experience is also required for many senior and specialist roles**, as they demand business acumen and skills needed to make complex decisions, provide guidance and training to junior employees, oversee certain areas of operations, etc.
- Due to **vague descriptions and lack of alignment with international standards**, certain Reserved Occupations cannot be attributed to ISCO classes. Such occupations include Supervisor and most of the Assistant positions.

Up to 500 foreign workers might be forced to leave the country, putting local businesses and jobs at risk

ISCO Class	Occupation Group	Foreign employees holding work permits, 2018	Foreign employees at risk**
ISCO 1	Managers	264	264
ISCO 2	Professionals	240	45
ISCO 3	Technicians & Associate Professionals	267	93
ISCO 5	Services & Sales Workers	47	45
ISCO 7	Craft & Related Trades Workers	73	52
TOTAL		900*	499

- Lack of skills in the labour market will prevent positions of foreign workers to be filled in by Ni-Vanuatu, forcing **local businesses to stop operations and lay off employees**.
- Other businesses, especially foreign-owned, are likely to **outsource positions to teleworkers from other countries**, further reducing economic and human capital development in Vanuatu.

* - Information on occupation of 9 foreign employees is not available

** - Foreign workers might be at risk due to interpretation of descriptions of Reserved Occupations (“Manager”, “Supervisor”, various assistant managerial positions)

Instead of hiring Ni-Vanuatu to Reserved Positions, businesses will switch to recruiting remote workers from overseas

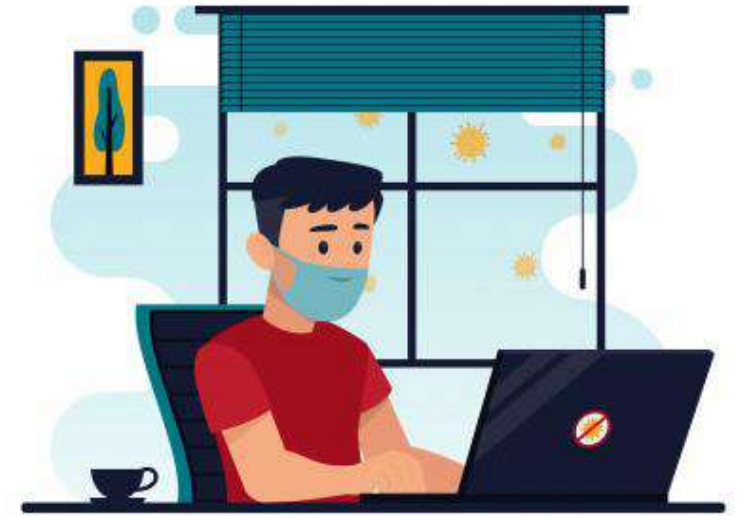
Coronavirus pandemic **has accelerated adoption of remote work (telework) practices** across the globe due to imposed domestic lock-downs and restrictions on travelling.

Many multinational companies already announced plans to retain remote and blended work arrangements past the pandemic, since it is **more flexible and cheaper** (reduced office, travelling and other operating expenses).

Highly skilled workers are also likely to appreciate remote work, since it provides **more independence and broader career opportunities** (working abroad without the need for relocation).

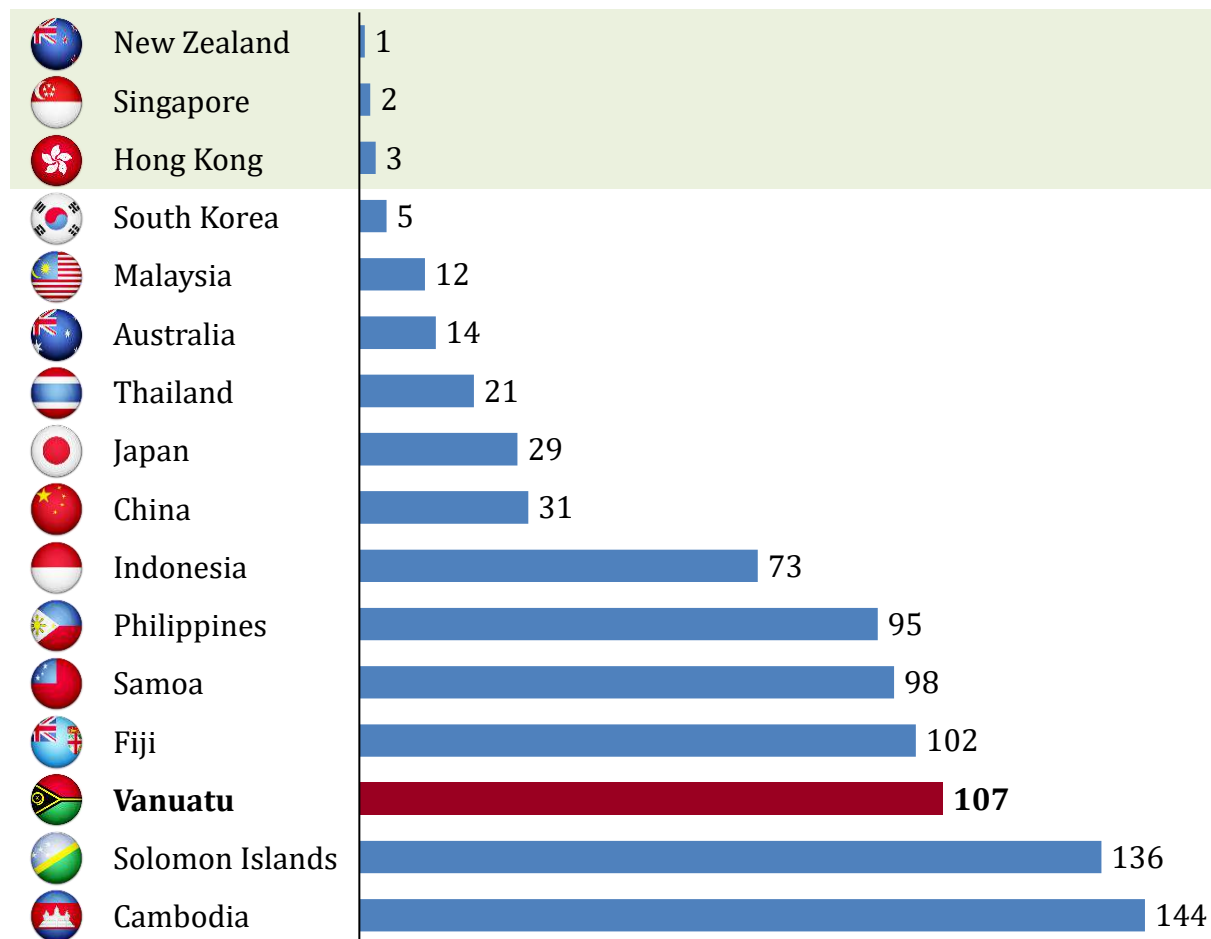
Therefore, instead of recruiting Ni-Vanuatu to Reserved Occupations, **business will opt for hiring remote workers** from other countries, where there is no shortage of professionals.

This would result in **jobs permanently lost** to international competition. Furthermore, as there will be no foreign immigrants that contribute their skills and increased spending locally, this would **further hinder economic development in Vanuatu**.



Increased regulation of labour mobility and restrictions on key foreign personnel will decrease Vanuatu's attractiveness for potential donors of FDI

Doing Business country rankings, APAC region, 2020



Highlights

- Currently **Vanuatu ranks 107th by ease of doing business** among 190 economies worldwide.
- Research confirms that strict employment legislation influences **incentives for companies to enter and exit the economy**, which in turn has implications for job creation and economic growth.
- On the contrary, **cumbersome labour regulations lead to higher unemployment**, especially among youth and female workers.
- **Restrictions on labour mobility** in general and key foreign personnel (management and board members) in particular sit on the very top of checklists of **foreign companies, evaluating locations for new investment**.

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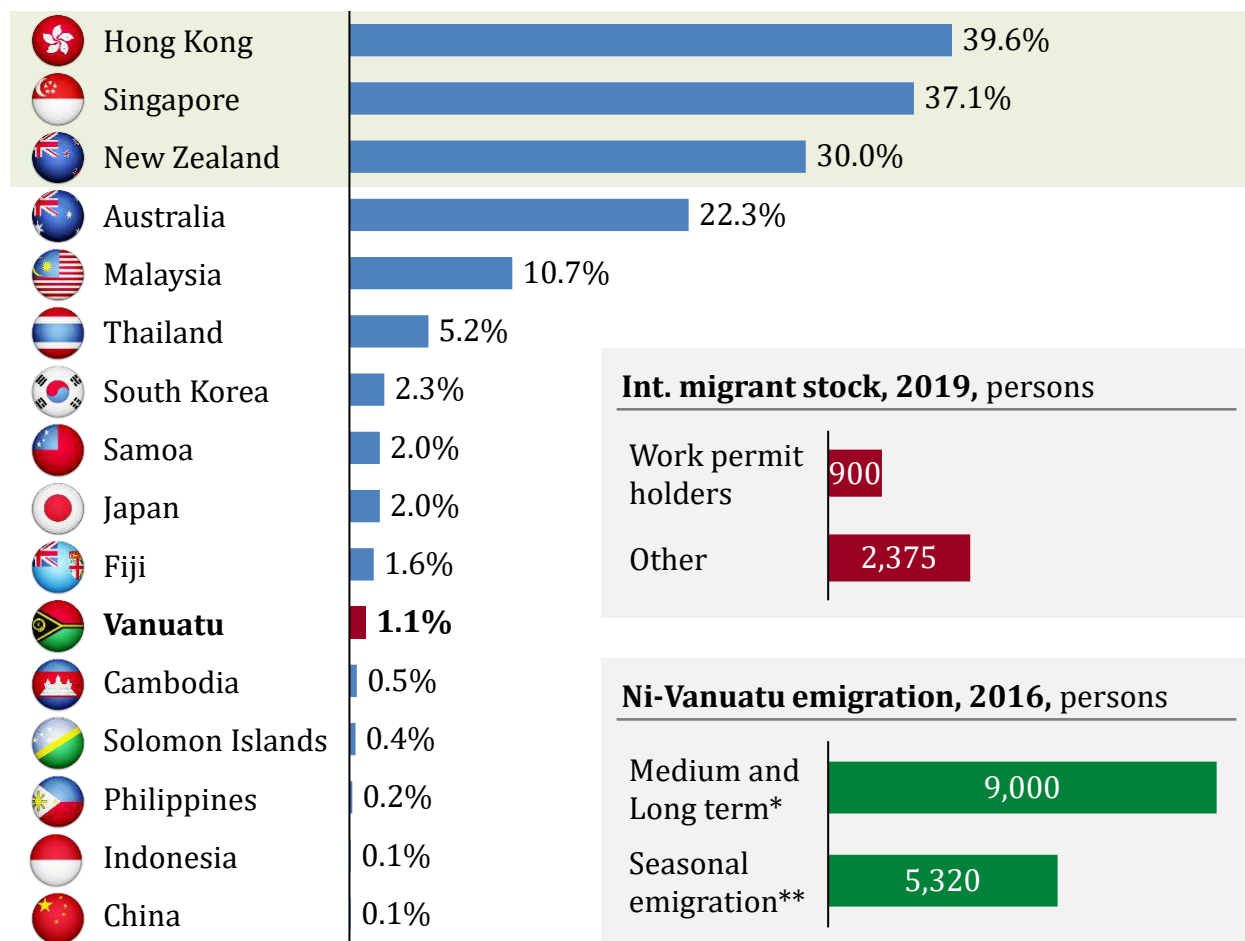
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International migrant stock in Vanuatu is among the lowest in the region, which signals that country's potential is not fully exploited

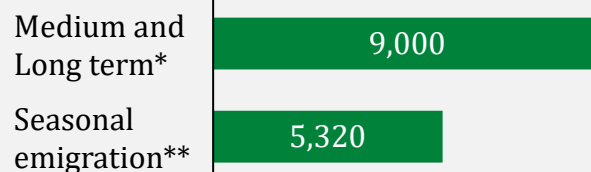
Share of international migrant stock in selected APAC countries, 2019



Int. migrant stock, 2019, persons



Ni-Vanuatu emigration, 2016, persons



Highlights

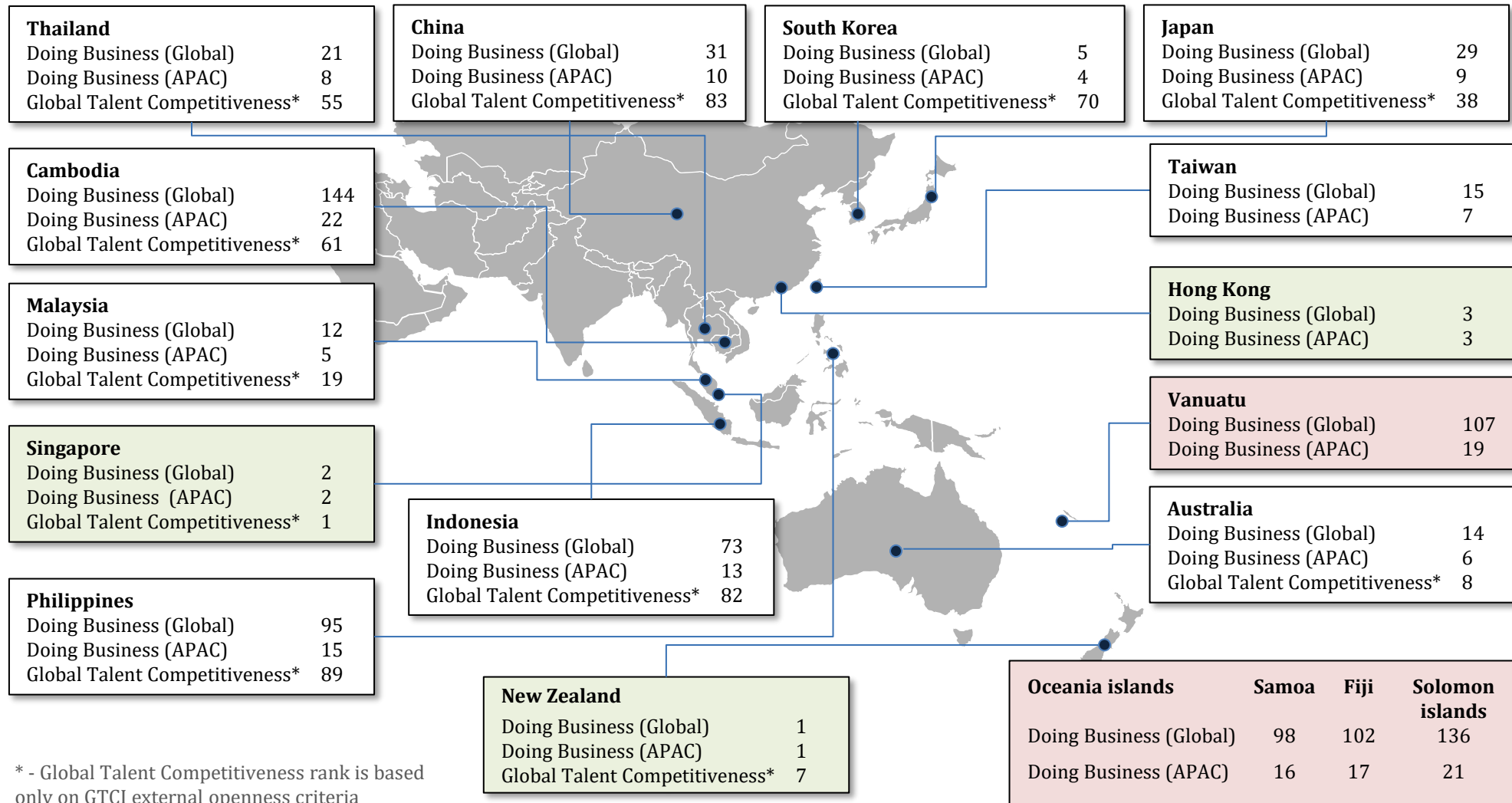
- In general, presence of foreign immigrants in the country correlates with **higher level of economic development**.
- **Vanuatu is at the bottom of country rankings by the share of foreign immigrants**, which constitutes 1.1% of the total population.
- Despite **persistent shortage of skilled labour** across all sectors in Vanuatu, **only 900 foreigners hold work permits** in the country (other immigrants are either non-working residents or employees of visa exempt organisations).
- Conversely, ~9,000 Ni-Vanuatu have moved abroad and another 5,000 participate in seasonal employment schemes in Australia and New Zealand. These schemes were **specially designed to address local skill shortages** in host countries.

* - Approximate (cumulative)

** - Participation in the New Zealand Recognised Seasonal Employer (RSE) scheme and the Australian Seasonal Workers Program (SWP) in season 2016/2017

Regional leaders can be used as examples for balanced foreign worker admission policies

Rankings of selected Asia-Pacific countries in Doing Business and Talent Attraction indices



Vanuatu admission policies for low-skilled workers are consistent with regional peers, yet incentives for foreign talent still need to be introduced

COUNTRY

GENERAL PROTECTIVE MEASURES

EXEMPTIONS FOR HIGHLY-SKILLED FOREIGN EMPLOYEES



New Zealand

- Employers must conduct **labour market tests** to verify the need for foreign employees by advertising positions in local media or engaging with recruitment agencies, and reporting the outcome of recruitment efforts to authorities.

- Labour market tests are not required given certain positions are included in **skill shortage lists** that mostly contain occupations of ISCO 1-3 and ISCO 7 classes.
- Exemptions also apply for **accredited employers** that are in good financial condition and adhere to decent HR practices, given certain **salary thresholds** (higher than median) are reached.



Singapore

- Employers must conduct **labour market tests** by advertising vacancies on government websites and accepting citizen applications.
- **Numeric limits** (quotas) may also be applied for certain occupations.

- Labour market tests are not required above certain **salary thresholds** under Personalised Employment Pass (PEP), and no quota or levy is demanded from the employer. PEP also gives greater job flexibility for its holder.



Hong Kong

- Employers must **prioritize citizens and provide adequate training to locals** before employing foreign workers.

- **High-tech employers** engaged in various technology fields are allowed to hire **technical professionals** under a specially designed Technology Talent Admission Scheme. Employers have to apply for a quota and hire the requisite number of local employees to be able to use the Scheme.




Vanuatu

- Employers must conduct **labour market test** by advertising vacancies in local media and reporting outcome of recruitment efforts to authorities.

Vanuatu has been protecting its labour market from low-skilled foreign labour. However, **specific measures are required to incentivise recruitment of highly-skilled employees** from abroad.

Salary thresholds can be used as an effective alternative to labour market tests to identify highly-skilled candidates

MOST POPULAR ALTERNATIVES	SKILL SHORTAGE LISTS	QUOTAS AND CAPS	LABOUR MARKET TEST	SALARY THRESHOLD
DESCRIPTION	Provide catalogues of occupations that are in short supply domestically (derived after a thorough analysis of supply and demand trends)	Establish limits on the number of foreigners that can be admitted to a certain occupation, sector or individual business entity	Requires seeking local citizens first (by posting job ads locally, establishing waiting periods, etc.) before hiring foreign immigrants	Certain salary level (usually higher than median) can be used to identify individuals with highly valuable skillsets
PROS	<ul style="list-style-type: none"> • Uses systematic approach, well-documented, and aligned to international standards • Communication tool to signal market needs 	<ul style="list-style-type: none"> • Provide a clear frame for all stakeholders, including administrators and employers 	<ul style="list-style-type: none"> • Reflects actual demand in the labour market • More efficient and less bureaucratic than skill shortage lists and quotas 	<ul style="list-style-type: none"> • Simple and quick to implement and control
CONS	<ul style="list-style-type: none"> • Requires substantial administrative effort to produce and keep lists up to date 	<ul style="list-style-type: none"> • Slow to respond to market demands and may reduce competitive position of local businesses 	<ul style="list-style-type: none"> • Less rigid than skill shortage lists and quotas 	<ul style="list-style-type: none"> • Geared towards top positions • Less rigid than other methods
DIFFICULTY TO IMPLEMENT	<ul style="list-style-type: none"> • HIGH 		<ul style="list-style-type: none"> • MEDIUM 	<ul style="list-style-type: none"> • LOW
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Can be used in combination with Points-Based-System </div>			IMPLEMENTED	RECOMMENDED

In order to attract foreign talent, the Government needs to simplify admission, create appealing incentives, and align communication

RECOMMEN- DATIONS	SIMPLIFY ADMISSION	OFFER FINANCIAL INCENTIVES	INTENSIFY COMMUNICATION
OBJECTIVES	<ul style="list-style-type: none"> • Reduce barriers of entry for highly skilled foreign employees and their dependents in terms of time and cost 	<ul style="list-style-type: none"> • Provide additional financial incentives for employees and employers to chose Vanuatu over alternative markets 	<ul style="list-style-type: none"> • Build reputation of Vanuatu in international labour market • Simplify access to information for highly skilled candidates from abroad
TASKS	<ul style="list-style-type: none"> • Design specific visa options for highly skilled employees based on minimal qualification criteria (occupation class by ISCO, level of education, skill category, etc.) and/or salary threshold. • Reduce paperwork and time required to receive visas and work permits for highly skilled employees. • Simplify visa extension procedures and increase period of visa validity. 	<ul style="list-style-type: none"> • Eliminate work permit fees for highly skilled foreign workers, holding specific type of visa. 	<ul style="list-style-type: none"> • Launch targeted web portal for international job seekers to cover information on open vacancies in Vanuatu, living conditions, visa options, etc. • Provide free consultations to foreign workers on admission procedures, process of moving into the country with family members, etc. • Actively advertise needed skills and attractive living conditions in Vanuatu via online media channels, foreign embassies, Ni-Vanuatu diaspora, etc.

Qualification criteria can be rendered from the **study on national skill shortages** for businesses and the public sector. Salary thresholds or vacancy tests would be a less rigid but faster option.

In addition, Vanuatu should seize the opportunity to capitalize on new trends of remote work by attracting knowledge workers into the country

Policies designed for openness, not restrictions

- **COVID-19 pandemic is likely to have a permanent impact on work habits** of “knowledge workers” that are primarily engaged in intellectual activities. Highly skilled professionals from the developed countries will no longer need to be physically connected to their office and are likely to choose **working remotely from peaceful tropical locations**, provided they have fast Internet connection.
- Antigua & Barbuda, Bermuda, Barbados, Estonia, Georgia and other countries recently introduced **visas for Digital Nomads to stimulate business environment and offset tourism revenue lost** to COVID-19. These visa programs target foreign remote workers, employed by a business operating outside the host country.
- Usually, **application process for Digital Nomad Visas is vastly simplified** and accessible online. Foreigners need to provide a proof of remote work engagement that allows earning income, exceeding a specified threshold. Certain countries also offer Digital Nomad Visas to freelancers and location-independent business owners.

RECOMMENDED:

- **Vanuatu climate and coronavirus-free environment** can be capitalized to attract corporate teleworkers and digital nomads to the country.
- **Special visa program needs to be designed** to facilitate admission of digital nomads, freelancers and online entrepreneurs, followed by an effective **international communication campaign**.

Promotion of Digital Nomad Visas



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APPENDIX 1: Key definitions and abbreviations

Term	Abbreviation	Definition
Asia-Pacific countries	APAC	Countries located in East Asia, South Asia, Southeast Asia, and Oceania.
Doing Business Rank	-	Doing Business measures business regulations and their enforcement across 190 countries and selected cities at the subnational and regional level.
Foreign direct investment	FDI	An investment in the form of a controlling ownership in a business in one country by an entity based in another country. FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company.
Global Talent Competitiveness Index	GTCI	Annual benchmarking index that measures and ranks countries based on their ability to grow, attract and retain talent.
International Standard Classification of Occupations	ISCO	International Labour Organization (ILO) classification structure for organizing information on labour and jobs. It is part of the international family of economic and social classifications of the United Nations.
International Standard Classification of Education	ISCED	A statistical statistical framework for organizing information on education maintained by the United Nations Educational, Scientific and Cultural Organization (UNESCO)
National Sustainable Development Plan	NSDP	National Sustainable Development Plan of Vanuatu for the period 2016-2030.
Non-wage employment	-	Work for profit or family gain in cash or in-kind.
Post School Education and Training	PSET	Post School Education and Training for qualification certificates lower than bachelor degree.
Subsistence economy	-	An economy directed to basic subsistence (provision of food, clothing, shelter) rather than to the market.
Wage employment	-	Salaried or paid job under contract to another person, organization or enterprise.

APPENDIX 2: International Standard Classification of Occupations (ISCO)

International Standard Classification of Occupations

ISCO class	Major group	Broad group	Level of education
ISCO 1	Managers	High-skilled non-manual	Tertiary (ISCED 5-6): Short-cycle tertiary education or Bachelor degree or equivalent
ISCO 2	Professionals		
ISCO 3	Technicians & Associate Professionals		
ISCO 4	Clerical Support Workers	Low-skilled non-manual	Secondary (ISCED 3-4): Upper secondary or Post-secondary non tertiary education
ISCO 5	Services & Sales Workers		
ISCO 6	Agriculture, Forestry & Fishery Workers	Skilled manual	
ISCO 7	Craft & Related Trades Workers		
ISCO 8	Plant, Machine Operators & Assemblers		
ISCO 9	Elementary Occupations	Unskilled	Primary (ISCED 1-2): Primary or Lower secondary education

Hierarchy of selected occupations

1 Managers

- 11 Chief Executives, Senior Officials and Legislators
 - 111 Legislators and Senior Officials
 - 1111 Legislators
 - 1112 Senior Government Officials
 - 1113 Traditional Chiefs and Heads of Villages
 - 1114 Senior Officials of Special-interest Organizations
 - 112 Managing Directors and Chief Executives
 - 1120 Managing Directors and Chief Executives

3 Technicians and Associate Professionals

- 31 Science and Engineering Associate Professionals
 - 311 Physical and Engineering Science Technicians
 - 3111 Chemical and Physical Science Technicians
 - 3112 Civil Engineering Technicians
 - 3113 Electrical Engineering Technicians
 - 3114 Electronics Engineering Technicians
 - 3115 Mechanical Engineering Technicians
 - 3116 Chemical Engineering Technicians
 - 3117 Mining and Metallurgical Technicians

5 Services and Sales Workers

- 51 Personal Services Workers
 - 511 Travel Attendants, Conductors and Guides
 - 5111 Travel Attendants and Travel Stewards
 - 5112 Transport Conductors
 - 5113 Travel Guides

Note: International Standard Classification of Occupations (ISCO) is an International Labour Organization (ILO) classification structure for organizing information on labour and jobs. It is part of the international family of economic and social classifications of the United Nations. The current version ISCO-08 was published in 2008.

APPENDIX 3: International Standard Classification of Education (ISCED)

ISCED level	Group	Description
0	Early childhood Education (01 Early childhood educational development)	Education designed to support early development in preparation for participation in school and society. Programmes designed for children below the age of 3.
	Early childhood Education (02 Pre-primary education)	Education designed to support early development in preparation for participation in school and society. Programmes designed for children from age 3 to the start of primary education.
1	Primary education	Programmes typically designed to provide students with fundamental skills in reading, writing and mathematics and to establish a solid foundation for learning.
2	Lower secondary education	First stage of secondary education building on primary education, typically with a more subject-oriented curriculum.
3	Upper secondary education	Second/final stage of secondary education preparing for tertiary education and/or providing skills relevant to employment. Usually with an increased range of subject options and streams.
4	Post-secondary non-tertiary education	Programmes providing learning experiences that build on secondary education and prepare for labour market entry and/or tertiary education. The content is broader than secondary but not as complex as tertiary education.
5	Short-cycle tertiary education	Short first tertiary programmes that are typically practically-based, occupationally-specific and prepare for labour market entry. These programmes may also provide a pathway to other tertiary programmes.
6	Bachelor or equivalent	Programmes designed to provide intermediate academic and/or professional knowledge, skills and competencies leading to a first tertiary degree or equivalent qualification.
7	Master or equivalent	Programmes designed to provide advanced academic and/or professional knowledge, skills and competencies leading to a second tertiary degree or equivalent qualification.
8	Doctoral or equivalent	Programmes designed primarily to lead to an advanced research qualification, usually concluding with the submission and defence of a substantive dissertation of publishable quality based on original research.

APPENDIX 4: Number of foreign workers in Vanuatu by occupation and ISCO classification (1/2)

List of foreign workers holding work permits by occupation*, 2018

ISCO	ISCO 1 Managers	264	ISCO	ISCO 2 Professionals	240
142	Retail and wholesale trade managers	72	263	Social and religious professionals	53
141	Hotel and restaurant managers	47	241	Finance professionals	45
122	Sales, marketing and development managers	40	243	Sales, Marketing, Public relations	18
134	Professional services managers	21	231	University and higher education teachers	14
132	Manufacturing, mining, construction managers	20	214	Engineering professionals (excluding electrotechnology)	14
121	Business services and administration managers	20	233	Secondary education teachers	13
112	Managing directors and chief executives	11	251	Software and applications developers	11
133	Information and communications technology	9	226	Other health professionals	11
131	Production managers in agriculture, forestry	8	224	Paramedical practitioners	10
143	Other services managers	16	232	Vocation education teachers	9
			216	Architects, planners, surveyors and designers	8
			242	Administration professionals	7
			264	Authors, journalists and linguists	5
			261	Legal professionals	5
			235	Other teaching professionals	5
			221	Medical doctors	3
			215	Electrotechnology engineers	3
			252	Database and network professionals	2
			265	Creative and performing artists	1
			262	Librarians, archivists and curators	1
			234	Primary school and early childhood teachers	1
			225	Veterinarians	1

* - Occupation of 9 foreign employees is unknown

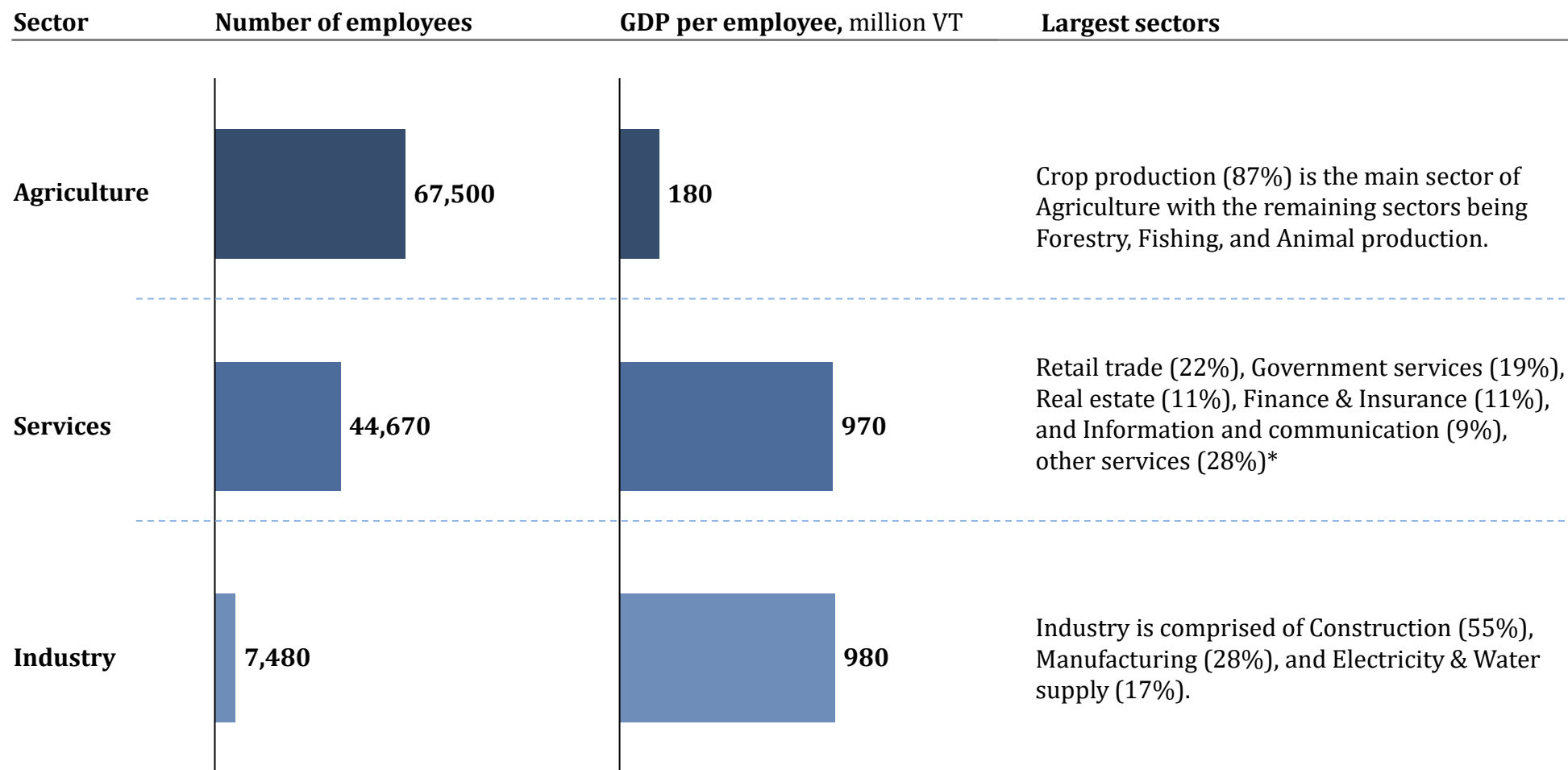
APPENDIX 4: Number of foreign workers in Vanuatu by occupation and ISCO classification (2/2)

List of foreign workers holding work permits by occupation*, 2018

ISCO	ISCO 3 Technicians & Associate Professionals	267	ISCO	ISCO 5 Services and Sales	47	ISCO	ISCO 7 Craft and Related Trades	73
311	Physical and engineering science technicians	70	522	Shop salespersons	30	711	Building frame and related trades workers	27
315	Ship and aircraft controllers and technicians	52	514	Hairdressers, beauticians and related workers	10	723	Machinery mechanics and repairers	16
343	Artistic, cultural and culinary associate professionals	44	524	Other sales workers	6	722	Blacksmiths, toolmakers and related trades	7
331	Financial and mathematical associate professionals	32	541	Protective services workers	1	712	Building finishers and related trades workers	7
334	Administrative and specialized secretaries	20				753	Garment and related trades workers	4
351	ICT operations and user support technicians	12				713	Painters, building structure cleaners and related workers	4
342	Sports and fitness workers	9				754	Other craft and related workers	2
313	Process control technicians	9				732	Printing trades workers	2
333	Business services agents	7				752	Wood treaters, cabinet makers and related workers	1
312	Mining, manufacturing and construction supervisors	5				751	Food processing and related trades workers	1
341	Legal, social and religious associate professionals	3				741	Electrical equipment installers and repairers	1
352	Telecommunications and broadcasting technicians	2				721	Sheet and structural metal workers, moulders	1
332	Sales and purchasing agents and brokers	2						

* - Occupation of 9 foreign employees is unknown

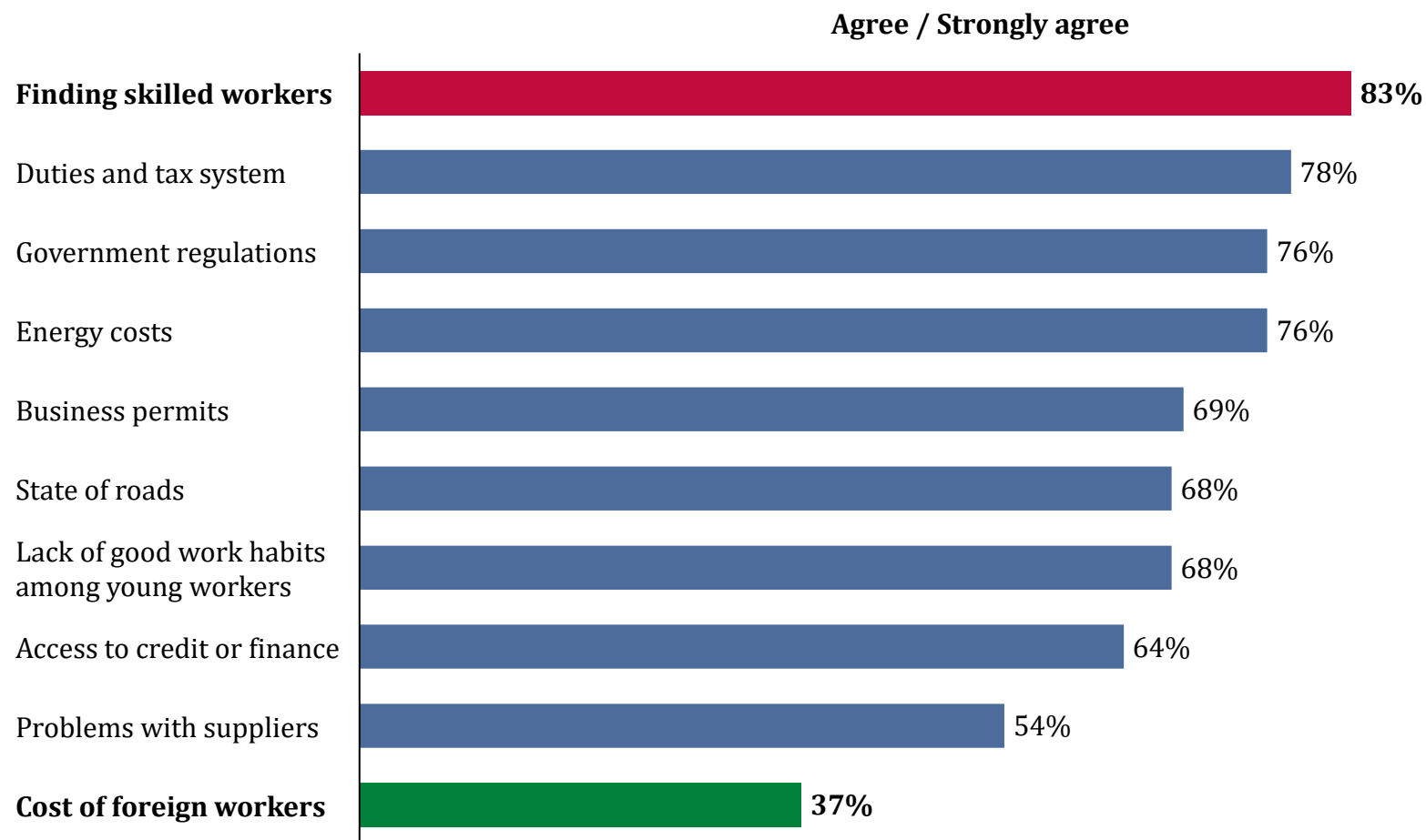
APPENDIX 5: Relative contribution to GDP by sector



* - Tourism industry covers a substantial share in Accommodation & Food services, Transport, Retail trade, Finance & Insurance, and Real Estate sectors, and generates 30-50% of the whole Services sector or 20-30% of Vanuatu GDP

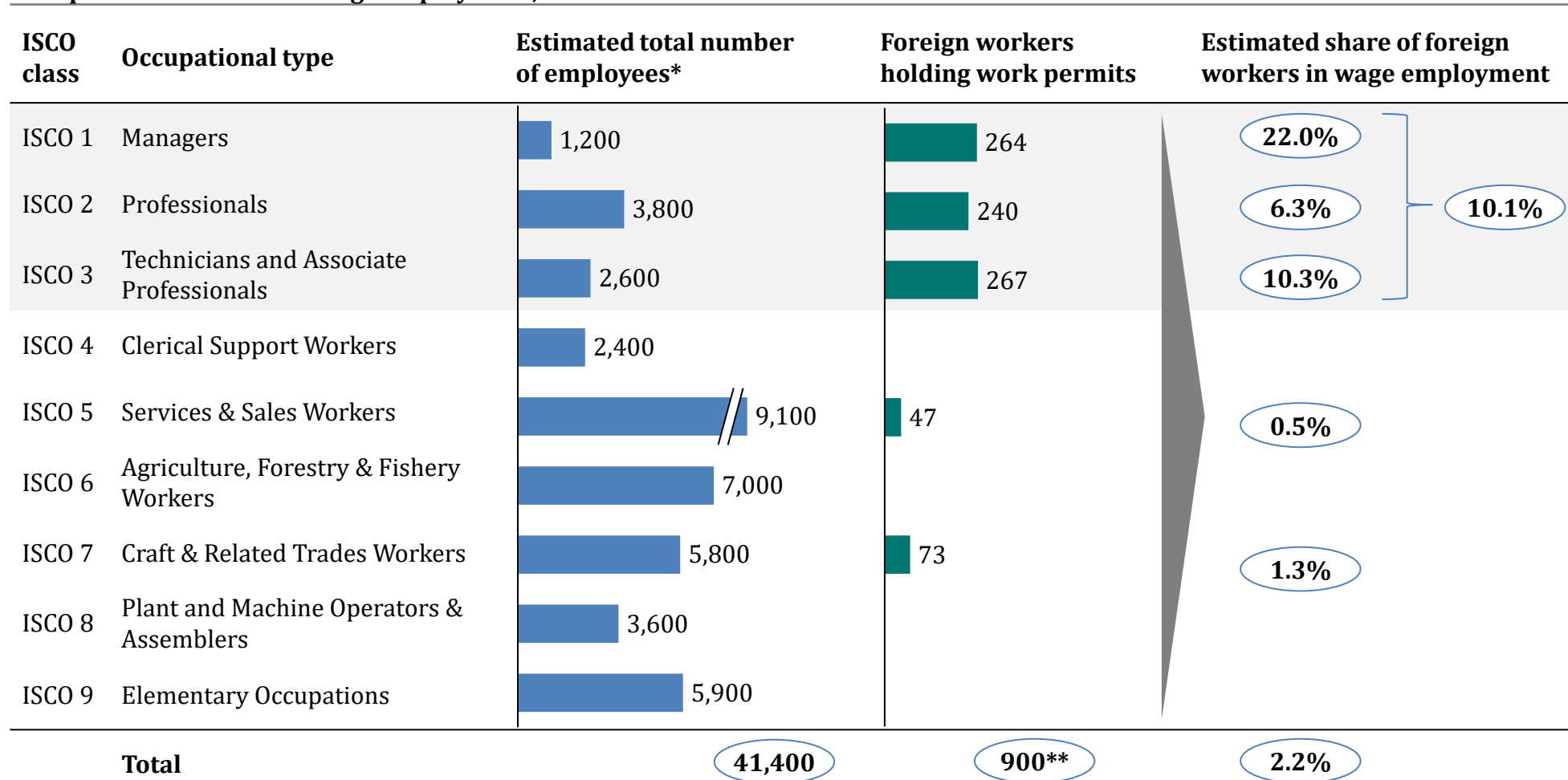
APPENDIX 6: Key issues faced by Vanuatu businesses

Issues faced by Vanuatu businesses (n=201), 2018



APPENDIX 7: Estimated share of foreign workers in wage employment

Occupational structure of wage employment, 2018

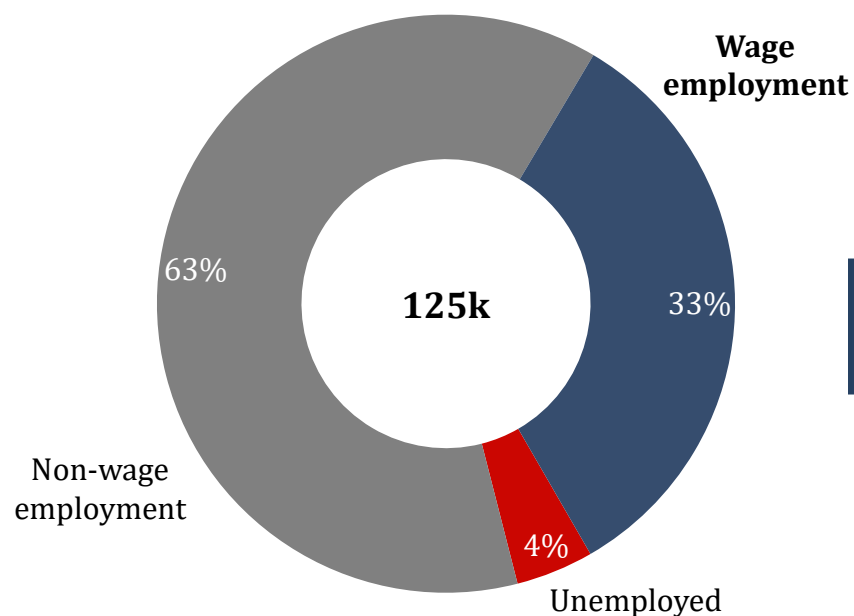


* - Extrapolated based on breakdown of wage employment (both public and private sectors) by ISCO class (2010) and total wage employment estimate (2018)

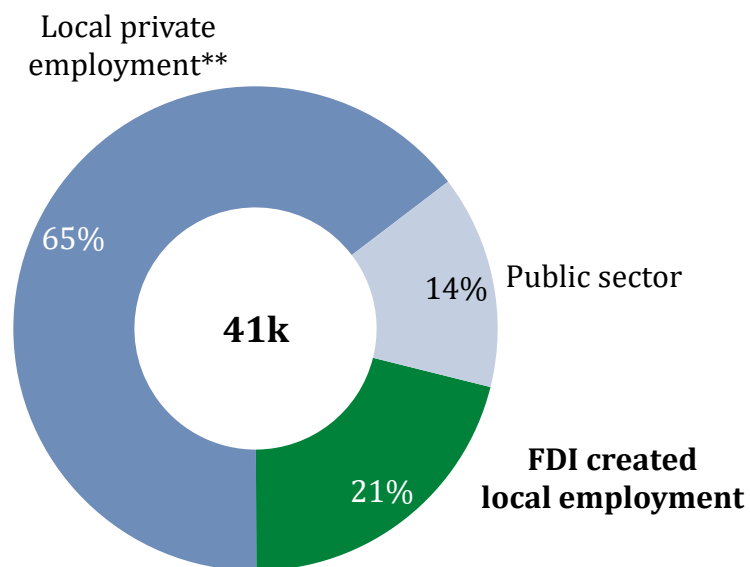
** - Information on occupation of 9 foreign employees is not available

APPENDIX 8: Estimated share of jobs created by FDI

Economically active population by type of employment, 2018*



Wage employment by employer type, 2018



* - Estimated using historical breakdown from 2010

** - Estimated

APPENDIX 9: Example of a Skill Shortage List (New Zealand)



Long Term Skill Shortage List

This is the revised Long Term Skill Shortage List, effective from 27 May 2019.

This list is part of Government immigration instructions as described in section 22 of the Immigration Act 2009 (see WR3.10.1) and Government residence instructions as described in sections 22 and 23 of the Immigration Act 2009 (see RW4).

Occupational Group	Occupation Occupations are listed by ANZSCO (Australian and New Zealand Standard Classification of Occupations) code.	Long Term Skill Shortage List Requirements Qualifications must be comparable to the standard of the New Zealand qualification listed. Unless otherwise stated all qualifications listed are New Zealand qualifications (see Note 1 at the end of this list).
Construction	Construction Project Manager (133111)	<p>One of the following:</p> <ul style="list-style-type: none"> - Bachelor of Engineering with Honours (NZQF Level 8) - Bachelor of Engineering Technology (NZQF Level 7) - Bachelor of Construction (NZQF Level 7) - A bachelor's degree at NZQF Level 7, or a higher qualification with the minimum equivalent of 360 credits, which includes the requirements of a New Zealand major in the focus areas of construction management, civil engineering or highway engineering - A Graduate Diploma at NZQF Level 7, or a higher qualification which includes the knowledge requirements of a New Zealand Graduate Diploma in the focus areas of construction management, highway engineering, civil engineering or construction project management - A diploma at NZQF Level 6, or a higher qualification, with the minimum equivalent of 240 credits, which includes the knowledge requirements of a New Zealand Diploma in the focus areas of civil engineering, highway engineering, construction or construction management - A Washington Accord or Sydney Accord accredited undergraduate (initial) engineering degree in Civil Engineering (listed - see Note 3) - A qualification at NZQF Level 7 or higher, with a letter from Engineering New Zealand certifying that the degree and any further learning meet the benchmark requirements towards Chartered Professional Engineer professional status in New Zealand - NZ registration in the field of civil engineering as a Chartered Professional Engineer or an Engineering Technologist by Engineering New Zealand <p>AND a minimum of five years' relevant post-qualification work experience</p>
Construction	Project Builder (including Building Project Manager and Site Foreman) (133112)	<p>One of the following qualifications:</p> <ul style="list-style-type: none"> - A bachelor's degree at NZQF Level 7, or a higher qualification with the minimum equivalent of 360 credits, which includes the requirements of a New Zealand major in quantity surveying or construction economics - A Graduate Diploma at NZQF Level 7, or a higher qualification, which includes the knowledge requirements of a New Zealand Graduate Diploma in the focus areas of construction, construction management or construction project management - A diploma at NZQF Level 6, or a higher qualification, with the minimum equivalent of 240 credits, which includes the knowledge requirements of a New Zealand Diploma (Level 6) in the focus areas of quantity surveying, construction economics, construction management or building <p>AND a minimum of three years' relevant post-qualification work experience</p>

Corresponding occupation description in ANZSCO

UNIT GROUP 1331 CONSTRUCTION MANAGERS

CONSTRUCTION MANAGERS plan, organise, direct, control and coordinate the construction of civil engineering projects, buildings and dwellings, and the physical and human resources involved in building and construction.

Indicative Skill Level:

In Australia and New Zealand:

Most occupations in this unit group have a level of skill commensurate with a bachelor degree or higher qualification. At least five years of relevant experience may substitute for the formal qualification. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification (ANZSCO Skill Level 1).

Registration or licensing may be required.

Tasks Include:

- interpreting architectural drawings and specifications
- coordinating labour resources, and procurement and delivery of materials, plant and equipment
- consulting with Architects, Engineering Professionals and other professionals, and Technical and Trades Workers
- negotiating with building owners, property developers and subcontractors involved in the construction process to ensure projects are completed on time and within budget
- preparing tenders and contract bids
- operating and implementing coordinated work programs for sites
- ensuring adherence to building legislation and standards of performance, quality, cost and safety
- arranging submission of plans to local authorities
- building under contract, or subcontracting specialised building services
- overseeing the standard and progress of subcontractors' work
- arranging building inspections by local authorities

Occupations:

133111 Construction Project Manager
133112 Project Builder

133111 CONSTRUCTION PROJECT MANAGER

Alternative Title:

Building and Construction Manager

Plans, organises, directs, controls and coordinates construction of civil engineering and building projects, and the physical and human resources involved in the construction process. Registration or licensing may be required.

Skill Level: 1

APPENDIX 10: Key FDI restrictions

FDI restrictiveness index



I. Foreign equity limits	Scores
	Start-ups and acquisitions
No foreign equity allowed	1
Foreign equity < 50% of total equity	0.5
Foreign equity > 50% but < 100% of total equity	0.25
	Acquisitions
No foreign equity allowed	0.5
Foreign equity < 50% of total equity	0.25
Foreign equity > 50% but < 100% of total equity	0.125
II. Screening and approval 1/	
Approval required for new FDI/acquisitions of < USD 100mn or if corresponding to < 50% of total equity	0.2
Approval required for new FDI/acquisitions above USD100mn or if corresponding to > 50% of total equity	0.1
Notification with discretionary element	0.025
III. Restrictions on key foreign personnel/directors	
Foreign key personnel not permitted	0.1
Economic needs test for employment of foreign key personnel 2/	0.05
Time bound limit on employment of foreign key personnel 2/	0.025
Nationality/residence requirements for board of directors	
Majority must be nationals	0.075
At least one must be national	0.02
IV. Other restrictions	
Establishment of branches not allowed/local incorporation required	0.05
Reciprocity requirement	0.1
Restrictions on profit/capital repatriation	1 - 0.1
Access to local finance	0.05
Acquisition of land for business purposes 3/	0.1
Land ownership not permitted but leases possible	0.05 - 0.01
TOTAL	Up to 1

Key barriers to FDI



<i>Restrictions on market entry</i>	Bans on foreign investment in certain sectors
	Quantitative restrictions (eg limit of 25 per cent foreign ownership in a sector)
	Screening and approval (sometimes involving national interest or net economic benefits tests)
	Restrictions on the legal form of the foreign entity
	Minimum capital requirements
	Conditions on subsequent investment
	Conditions on location
	Admission taxes
<i>Ownership and control restrictions</i>	Compulsory joint ventures with domestic investors
	Limits on the number of foreign board members
	Government appointed board members
	Government approval required for certain decisions
	Restrictions on foreign shareholders' rights
	Mandatory transfer of some ownership to locals within a specified time (eg 15 years)
<i>Operational restrictions</i>	Performance requirements (eg export requirements)
	Local content restrictions
	Restrictions on imports of labour, capital and raw materials
	Operational permits or licences
	Ceilings on royalties
	Restrictions on repatriation of capital and profits

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